

FREDERICK COUNTY, MARYLAND
Frederick Community College Financial Transactions
Data Analytics

For the period July 1, 2017 through June 30, 2020
Report #21-04

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EXECUTIVE SUMMARY

CliftonLarsonAllen LLP (CLA) was engaged by Frederick County, Maryland (the County) to perform data analytics over the financial transactions of Frederick Community College (FCC). The scope of the data analytics covered the period July 1, 2017 through June 30, 2020. We conducted our analysis complying with chapters 3, 4 and 5 of *Government Auditing Standards* (Revision 2018), issued by the Comptroller General of the United States. These standards provide a framework for ethical principles, independence, professional judgement, competence, continuing professional education, the system of quality control and external peer review.

Data analytics is the process of exploring and analyzing large datasets to find hidden patterns, unseen trends, discover correlations and derive valuable insights. Data analytics can be used to improve decision making and provide more efficient operations.

We conducted data analytics over financial transactions, focusing on five key areas of journal entries, general disbursements, purchase card disbursements, vendor master file and payroll disbursements. The analysis identified, explored and quantified trends, grouping, and outliers that FCC may find useful in developing and enhancing controls or planning monitoring procedures.

Several notable trends and out outliers were noted, which were sufficiently investigated and explained by FCC Finance and Accounting personnel. Those items are noted throughout this report. However, there were a few observations noted as follows:

| Area | Test | Observations |
|-----------------------------|---|---|
| Vendor Master File Analysis | Review of Active Vendors Not Paid in the Last 3 Years | We noted 14 vendors listed as active that have not had payment within the last 3 years and whose last activity date was prior to 2018. These vendors were not flagged for review and inactivation because they have a location code related to a legacy system that the inactivation query does not recognize. The query has since been corrected. |
| Purchase Card Disbursements | Overall | FCC could not provide purchase card detail in electronic format for fiscal year 2018. FCC maintained only paper statements for which it was deemed that it would not be practical to manually convert for data analysis purposes. |
| General Disbursements | Top 10 Vendors | FCC overpaid vendor Cengage Learning in 2018 by approximately \$200,000. The payment number was 811996 dated 5/15/18 and the total payment was in the amount of \$255,527. When entering the payment, the AP accountant entered the full contracted amount versus the amount of the invoice. Cengage caught the discrepancy and returned the excess amount over the invoice. After this issue was identified, FCC put in place a review of each check run by the AP Manager. Before payments are submitted, the file is reviewed by the AP Manager. The manager reviews all large check requests, particular vendors, and performs random spot checks of amounts versus invoices. This double check, integrated into the payment process, has reduced the likelihood these errors will reoccur. |

Refer to the specific area of the report, as noted for more information on each of the observations identified above.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
October 20, 2021

BACKGROUND

Frederick Community College (FCC) is a public college accredited by the Middle States Commission on Higher Education (MSCHE). FCC offers more than 85 degree and certificate programs through credit and continuing education and workforce development and serves approximately 16,000 students. Approximately 30% of students are full-time and 70% of students are part-time.

The Frederick Community College Foundation, Inc. (Foundation) is considered a component unit of FCC and is discretely presented in the financial statements of the College. The scope of this analysis is limited to the financial records of FCC and excludes the Foundation.

OBJECTIVES AND METHODOLOGY

The objectives of the data analytics are as follows:

- Gain an understanding of types of data sets available at FCC and internal controls as it relates to data entry.
- Evaluate the data sets obtained to determine the completeness of the populations.
- Perform data analytics to determine if there are any anomalies that could result in internal control weaknesses. Procedures were performed over the following data sets:
 - General ledger entries
 - General disbursements
 - Purchase card disbursements
 - Vendor master file
 - Payroll disbursements

We used the following three-phase approach for performing the data analytics:

1. *Collaborative Planning*
We met with personnel from the FCC Finance Department to gain an understanding of system controls in place to ensure all data is properly entered, reports that can be generated from the financial system, and their thoughts and perspectives of the risks associated with the data entry.
2. *Information and Evidence Gathering*
We obtained the necessary and available data including electronic transactional files, master files, trial balances, financial reports, chart of accounts, and supporting documentation from the FCC' accounting system, PeopleSoft Finance.
3. *Technical Analytics and Interpretation*
Based on the plan developed in Phase 1 and the available data obtained in Phase 2, execute the analytical tests.

We analyzed available disbursement data identifying unusual or unexpected patterns and transactions. After analyzing the data, we shared our results and collaborated with Frederick Community College representatives who provided context and aided interpretation. Together, we then determined if there were additional vendors or transactions that warranted further review.

We obtained the following data for our analytics:

- General ledger entries for fiscal years 2018, 2019 and 2020 including the following data: date entered, transaction type, transaction number, batch, source journal, description, GL account, debit, credit, posting user, approving user, date posted.
- Trial Balances for fiscal years 2017, 2018, 2019 and 2020 including the following data: account number, account name, debit, credit.
- Chart of Accounts
- General disbursement listing for fiscal years 2018, 2019 and 2020 including checks, wires, and automated clearing house (ACH) payments.
- Vendor master file
- Employee master file
- Payroll Registers for fiscal years 2018, 2019 and 2020 including pay period begin date, pay period end date, pay date, hours, gross amount, taxes, net amount, employee name, employee ID, department; and
- Purchase Card Spending Reports for fiscal years 2019 and 2020.

When investigating fraud and identifying risk, it is critical to confirm that the data being examined is complete. To establish completeness general ledger data, we reconciled the general ledger to the trial balance – as the trial balance is used for preparation of the audited financial statements. We successfully established that we had a complete general ledger detail dataset and felt confident in executing our analytical tests.

DATA ANALYTICS

A. Journal Entries

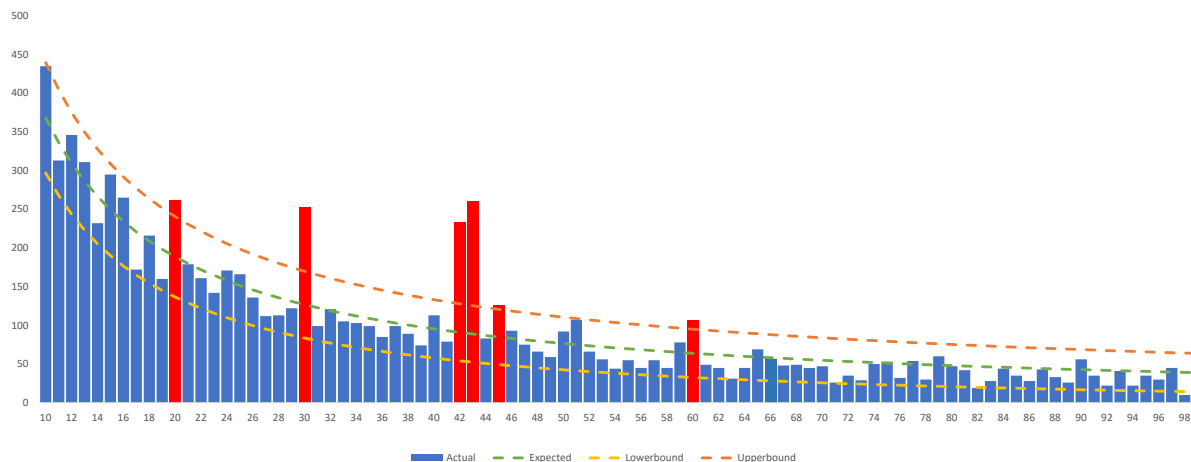
We used the General Ledger entries received from FCC to extract all manual journal entries. We only included manual journal entries, as system generated journal entries were pulled from another source journal (payroll, general disbursements, etc.) and analyzed separately. We also deemed manual journal entries to be the highest risk entries and the entries most susceptible to fraud or error. Manual journal entries are comprised of entries for which the “USER ID” is not equal to “SYSPROCESS”

1. Benford's Law

Benford's Law, also known as the *Law of First Digits*, is the finding that the first digits of the numbers found in a series of records of the most varied sources do not display a uniform distribution, but rather are arranged in such a way that the digit “1” is the most frequent, followed by “2”, “3”, as so on in a successively decreasing manner down to “9”. We performed this analysis on the first two digits of the line item amount of the manual journal entries. We would expect the data to fall within the Benford's curve. See the graphs below for the results of Benford's law analysis on fiscal years 2018, 2019 and 2020.

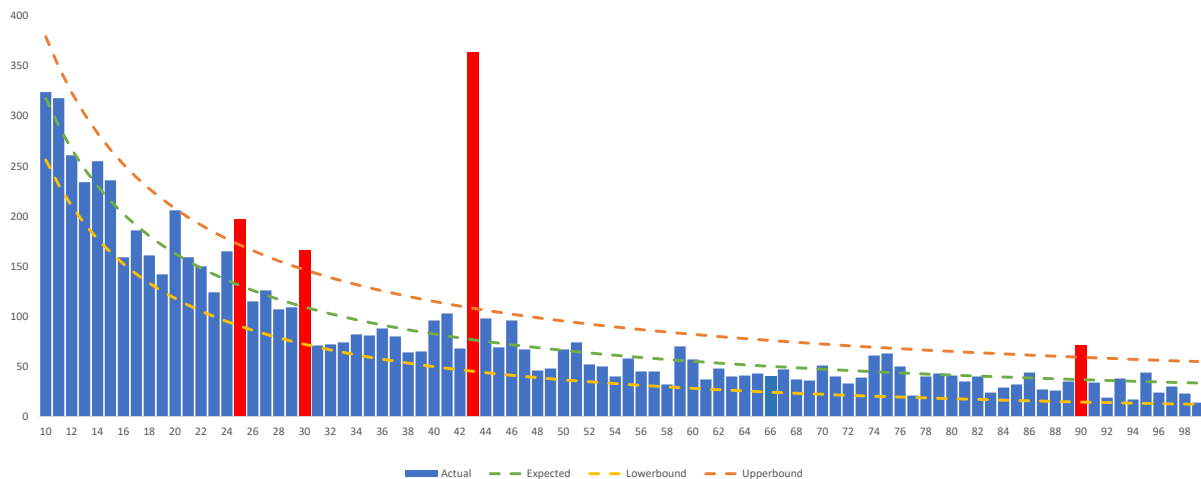
Fiscal Year 2018

First Two Digits Benford's Law Analysis
Journal Entries



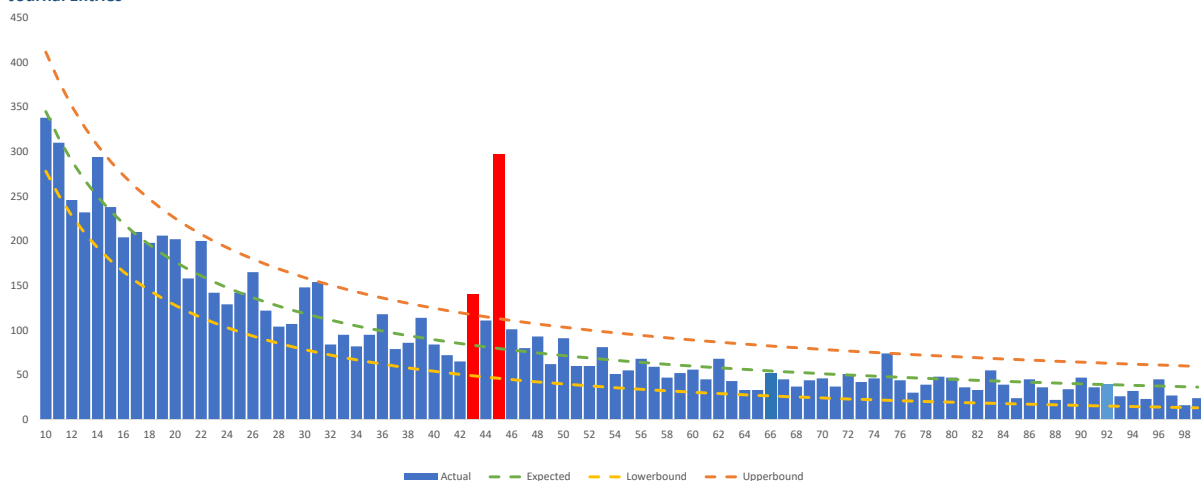
Fiscal Year 2019

First Two Digits Benford's Law Analysis
Journal Entries



Fiscal Year 2020

First Two Digits Benford's Law Analysis
Journal Entries



Results: In fiscal year 2018, the population had a higher-than-expected number of transactions that began with the digits “30”, “42”, and “43” (see bars highlighted in red above). Per discussion with Shawn Chesnutwood, Assistant Director of Finance, amounts beginning in 42 and 43 are related to cellphone chargebacks to departments from the Verizon bill that is prepared by the IT department. This type of charge was also responsible for the significant number of transactions beginning in “43” and “45” for fiscal years 2019 and 2020 respectively. FY18 amounts recurring in “30” have various causes including deferred revenue for baseball field rental, monthly allocation of health insurance opt out benefit, and children's center revenue for the month prepared using a revenue summary from children's center system. Explanations appear reasonable given the operations of FCC.

The following amounts were also just slightly over the expected upper bound. We obtained FCC explanations which were consistent with the underlying data:

FY18: Amounts beginning in 20 – Primarily related to Institute for Learning in Retirement Class Tuition Fees

FY18: Amounts beginning in 45 – Various trends including College Cell Phones charges in recurring amounts of \$45.85, monthly allocation of Opt Out Benefit in the amount of \$450.00, and MACEM monthly payroll allocations in the amount of \$4,550.16.

FY18: Amounts beginning in 60 – Primarily related to monthly allocation of Opt Out Benefit in the amount of \$600, and MACEM monthly payroll allocations in the amount of \$60.28.

FY19: Amounts beginning in 25 – Various trends including deferral of fall continuing education revenue in the amount of \$25 per transaction, monthly catering charges in the amount of \$250.00 per transaction, monthly allocation of Opt Out Benefit in the amount of \$2,550, and deferred revenue for facility use entries in the amount of \$2,520 each.

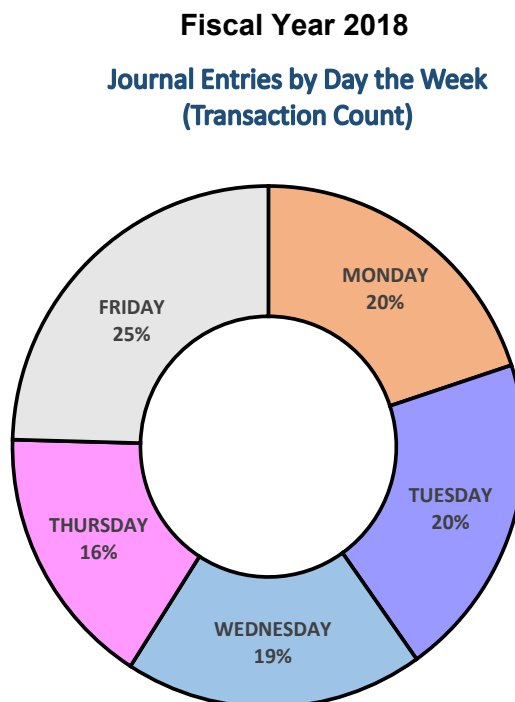
FY19: Amounts beginning in 30 – Primarily related to monthly allocation of Opt Out Benefits in the amount of \$300 for each transaction. There were 47 transactions in this amount for this reason.

FY19: Amounts beginning in 90 – Primarily related to monthly allocation of Opt Out Benefits in the amount of \$900 for each transaction. There were 25 transactions in this amount for this reason. Also, there were 11 transactions in the amount of \$9,038.33 related to Monthly Auxiliary Overhead.

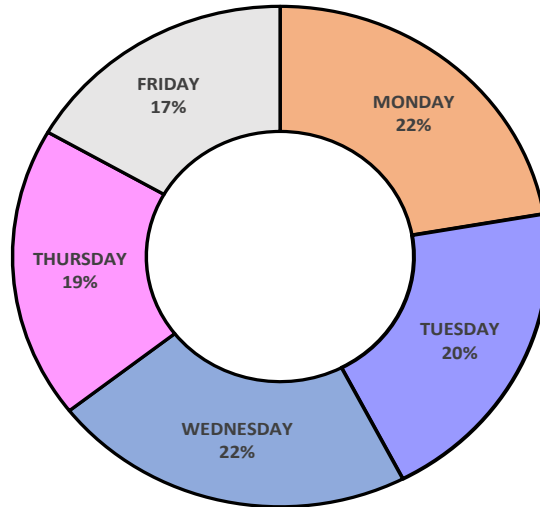
We deemed deviations from Benford's law to be appropriate.

2. Entries by Day of Week

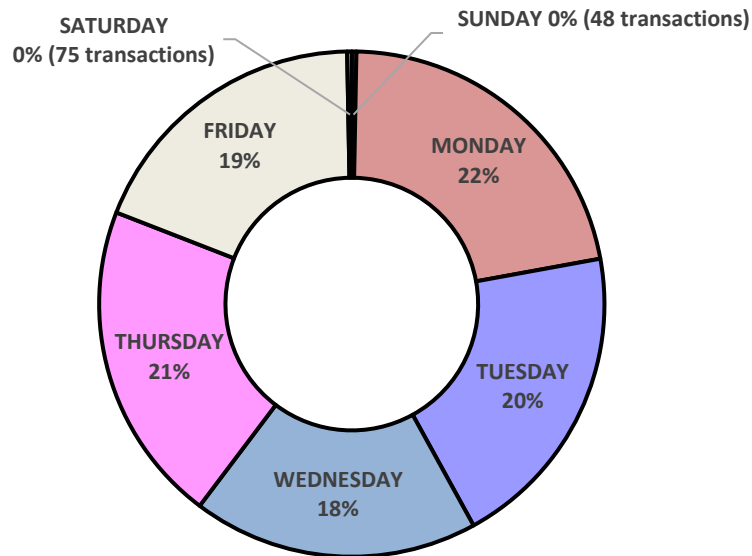
We performed an analysis on the journal entries by day of week the entry was posted. We expect all journal entries to be made on normal workdays (Monday – Friday). See below for the distribution of journal entries by day of week for fiscal years 2018, 2019 and 2020.



Fiscal Year 2019
Journal Entries by Day the Week
(Transaction Count)



Fiscal Year 2020
Journal Entries by Day the Week
(Transaction Count)

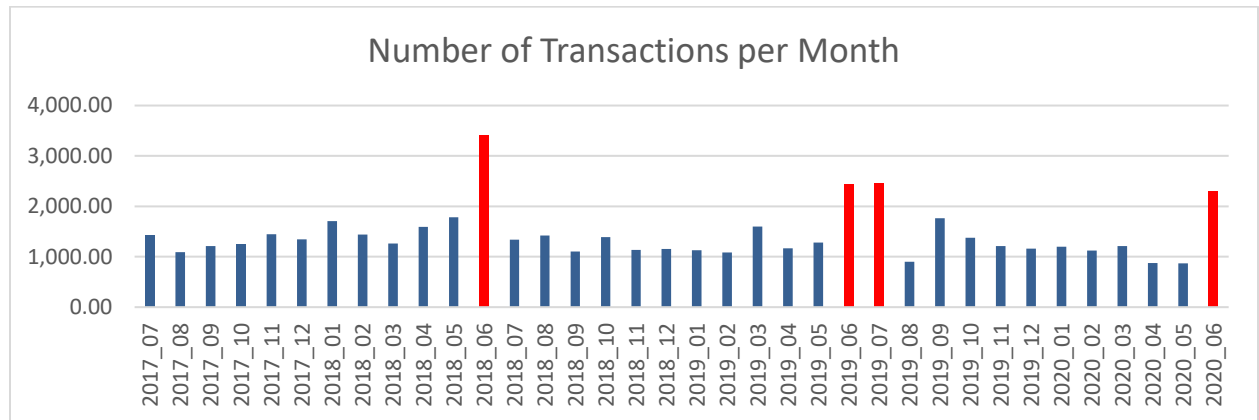


Results: There were no weekend transactions in FY18 and FY19. Saturday and Sunday transactions in FY 20, which accounted for less than 1% of total transactions, were related to year end close procedures. Weekend entries were posted by the former Director of Finance who was working during the weekend in order to meet deadlines. FY20 had a particularly busy year end due to the COVID-19 pandemic and the June financial statements needed to be completed for the Board meeting at the beginning of August

2020. This is in-line with within similar circumstances we have seen at other community colleges within the State of Maryland during the COVID-19 pandemic and in a remote working environment.

3. Entries by Year and Month

The below graphs represent an analysis of the manual journal entries by year and month. We expect journal entry activity to be consistent throughout the year, with the exception of June (year-end) due to closing entries.



Results: Increase in journal entry activity in June for all three years is within expectations related to closing procedures. July of 2019 exhibited an increase in activity that was attributed to the fact that the month had inadvertently not been opened by the finance team. As a result, several entries that would otherwise have been classified as "SYSPROCESS" entries such as Accounts Payable and Payroll could not post. Consequently, when the month was finally opened and entries were uploaded, their entry type was not generated as "SYSPROCESS" making it appear that there was in excess of manual journal entries.

4. Debit Entries to Revenue Accounts

A revenue account typically has a credit balance, therefore a debit to a revenue account would be reducing/removing revenue. We performed an analysis to identify entries posted that included a debit to revenue. We expect there to be a limited number of debit entries to revenue accounts.

| Fiscal Year | Number of debit entries to revenue accounts |
|-------------|---|
| 2018 | 2,275 |
| 2019 | 1,896 |
| 2020 | 1,849 |

Results: To determine the reason and legitimacy of deductions to revenue accounts, we selected ten entries from each year to obtain further explanations. Per FCC, debit entries to revenue were related to students who dropped classes, sales discounts at the bookstore, journal entries to defer rental revenue into the proper month, reversal of rent entries for canceled events, return of scholarship funds to the State, return of unused

scholarships, and account reclassification entries. We noted that all these explanations were common practice and legitimate reasons to have a debit to a revenue account.

5. Credit Entries to Expense Accounts

An expense account typically has a debit balance, therefore a credit to an expense account would be reducing/removing expenses. We performed an analysis to identify entries posted that included a credit to an expense. We expect there to be a limited number of credit entries to expense accounts.

| Fiscal Year | Number of credit entries to expense accounts |
|--------------------|---|
| 2018 | 3,235 |
| 2019 | 2,935 |
| 2020 | 2,869 |

Results: To determine the reason and legitimacy for these credits, we selected ten entries from each year to obtain further explanations. Per FCC, credit entries to expense accounts include monthly payroll accrual reversals, credits to health insurance expense related to employee contributions, reclassification of expenses to the proper accounts, allocation of FCC tuition waivers to appropriate programs, allocation of payroll to various grants, monthly allocation of health insurance opt-out, senior citizens continuing education waivers, supplemental security income, disability waivers, credits related to store returns, bookstore postings, credits related to canceled events, the clearing of medical insurance liability accounts to health insurance expense as part of the year end reconciliation, and adjustments to GL to true-up to Federal Student Aid Fiscal Operations Report and Application to Participate (FISAP). Explanations appear reasonable.

6. Description Key Word Search

We performed a search in the description of each manual journal entry for words that could indicate an inappropriate journal entry. We searched for the following key words: “mistake” or “error”.

Results: In fiscal year 2018, there were 7 entries that had the word "error" listed in the description. The nature of the errors included session financial aid & waivers posted to the wrong period that required reversal, an invoice that was inadvertently missed for recording but was identified during the reconciliation process and corrected, reclassifications of entries recorded to the incorrect account, correction of entries that were recorded twice for the same transaction, and correction of keying errors. In fiscal year 2019, there were 2 entries that had the word "error" listed in the description. Per discussion with FCC, these were related to keying errors in PeopleSoft that required correction and tuition waivers that were posted in student finance in error which were subsequently corrected. Lastly, in fiscal year 2020, there were 9 entries that had the word "error" and 1 entry that had the word “mistake” listed in the description. The entries related to an invoice that was posted to the wrong fiscal period, correction of tuition waivers posted in error, correction of keying errors, reclassification of expenses recorded to the wrong program or account, and reclassification of accounts payable vouchers coded to miscellaneous accrued liabilities when paid that should have been expensed. Explanations appear reasonable. There were no entries in any of the fiscal years reviewed that contained the keyword “fraud.”

7. Accounts with Significant Activity but Net to Zero

During our review of the data, we noted several accounts with more than 10 transactions for which activity netted to zero. Based on our experience with local community colleges, we expect FCC would have zero balance bank accounts, whereby, funds are swept at the end of each day to a main bank account. Additionally, we expect FCC to have payroll liability accounts, whereby payroll deductions are recorded each pay date and then remitted to a third party (i.e., garnishments, payroll taxes). The following table shows the number of accounts by fiscal year:

| Fiscal Year | Number of Accounts |
|--------------------|---------------------------|
| 2018 | 18 |
| 2019 | 15 |
| 2020 | 22 |

Results: The majority of the accounts listed above are related to zero balance bank accounts and payroll liabilities, which is within our expectations. There were a few accounts that did not fall into this category, as follows:

- One account related to AR Employee Advances. The account is cleared with expense reports and payments regarding the difference if any.
- There was a non-federal student loan clearing account noted. Per discussion with FCC, all non-federal student loans are usually fully disbursed at the end of the fiscal year. This explanation was deemed reasonable.
- There was a "Cash-Lumens" account that netted to zero. This is a separate account for cash for Continuing Education postings but is reconciled with General Depository cash and therefore the amount at year end gets reclassified to 1-10011 "BB&T Depository Account".
- Account 1-47115 "Contract Discount/Adjustments" netted to zero and is related to contract discounts for the police academy. A journal entry is made to clear the account once adjustments are made to student accounts.

None of accounts noted as netting to zero were considered outside of the normal operations of a community college.

B. General Disbursements

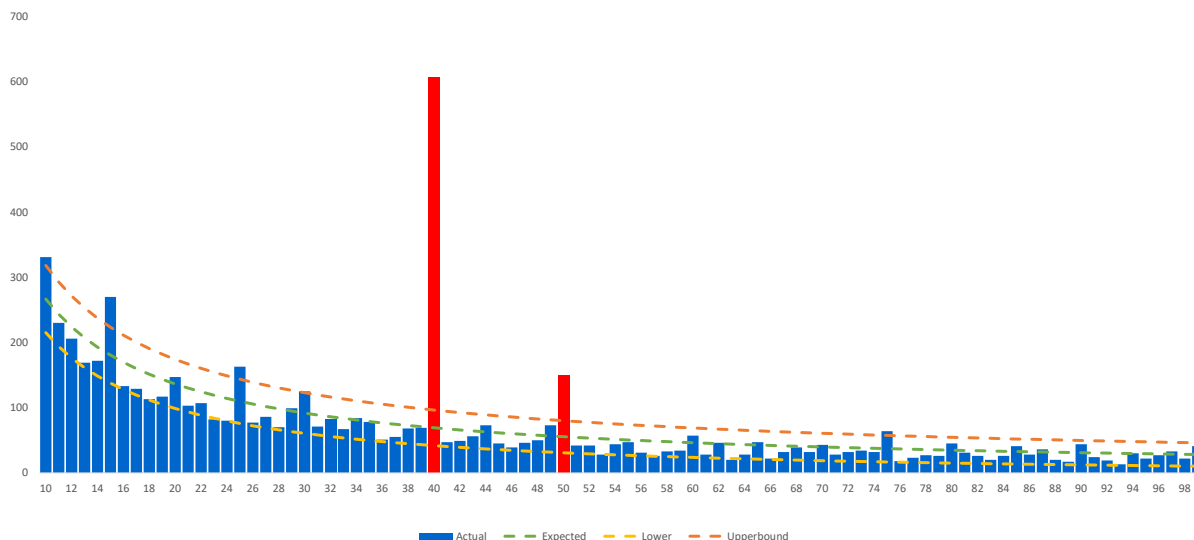
We obtained the general disbursements listing including checks, automated clearing house (ACH) and wires to complete the analysis over general disbursements. We determined the completeness of the population of general disbursements received by FCC by performing gap detection analysis over the general disbursement population. Several gaps were noted. We selected a sample of 10 missing payment numbers for each year. Per inquiry of FCC and review of voided check listing, we noted that gaps were related to voided checks. Explanation appears reasonable. We performed the following analysis over general disbursements:

1. Benford's Law

Benford's Law, also known as the *Law of First Digits*, is the finding that the first digits of the numbers found in a series of records of the most varied sources do not display a uniform distribution, but rather are arranged in such a way that the digit "1" is the most frequent, followed by "2", "3", as so on in a successively decreasing manner down to "9". We performed this analysis on the first two digits of the line-item amount of the manual journal entries. We would expect the data to fall within the Benford's curve. See the graphs below for the results of Benford's law analysis on fiscal year 2018, 2019 and 2020.

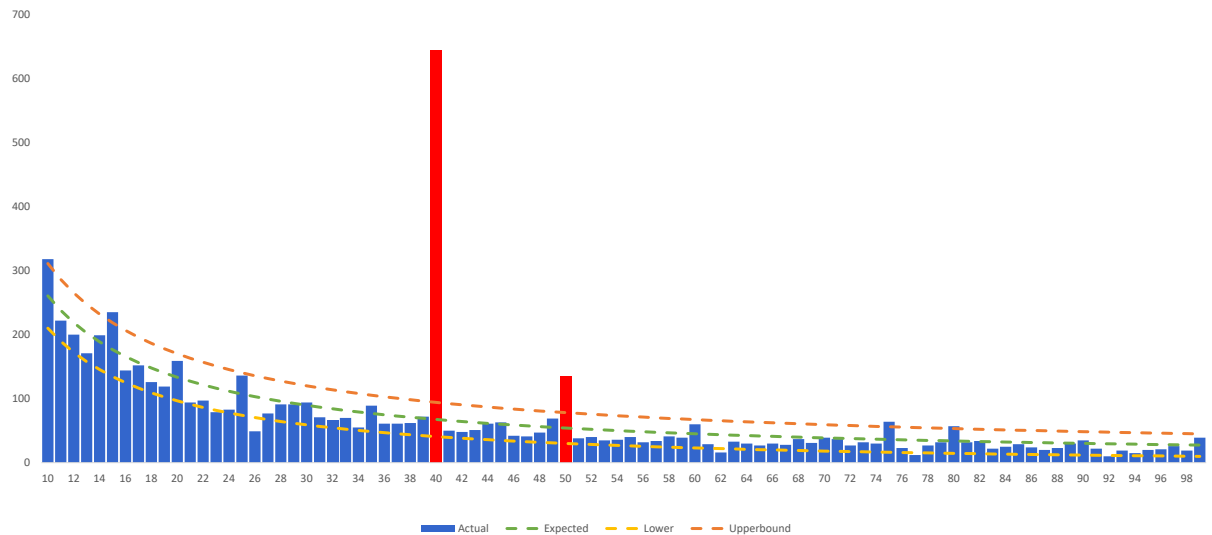
Fiscal Year 2018

First Two Digits Benford's Law Analysis
Cash Disbursements



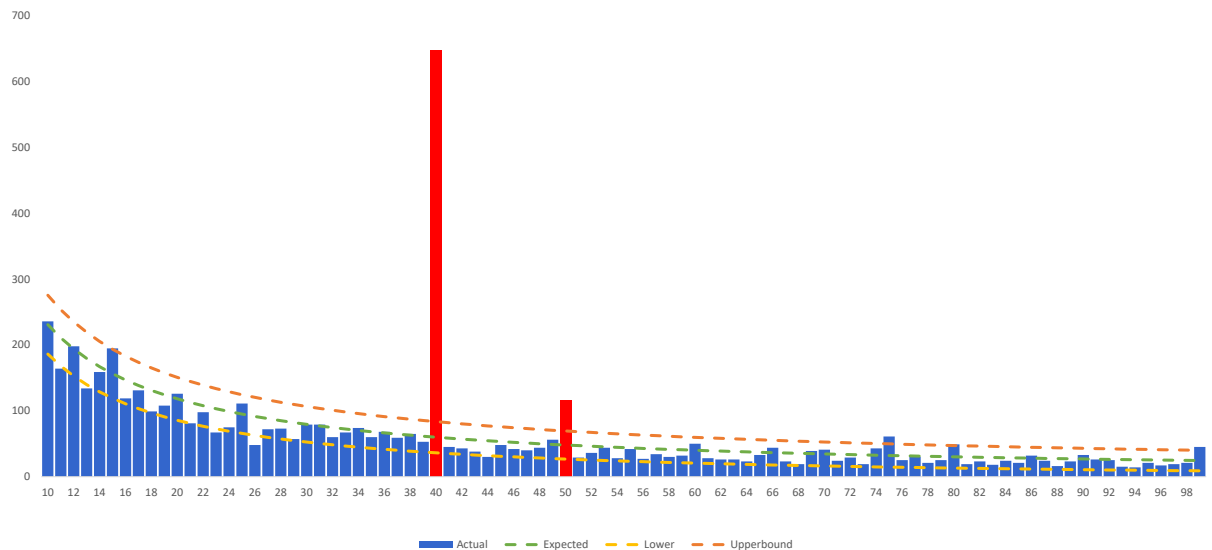
Fiscal Year 2019

First Two Digits Benford's Law Analysis
Cash Disbursements



Fiscal Year 2020

First Two Digits Benford's Law Analysis
Cash Disbursements



Results: There was a significantly higher than expected number of transactions that began with the number 40 and 50 in fiscal years 2018, 2019 and 2020. Per review of the underlying data, we noted the vast majority were in the exact amount of \$40 and \$50 and most of these payments were disbursed to individuals as opposed to traditional vendors. FY20 also had a significant number of transactions in the amount of \$500. Per discussion with FCC, the \$40 payments are related to monthly cell phone allowances to employees, the \$50 payments are primarily related to art show awards and student events (athletic game assistants, music recitals, etc.) and the \$500 payments are primarily related to Board of Trustees stipends and Student Government Association Honorarium payments. We selected a sample of five disbursements from each year which corroborated these explanations.

The following amounts were also just slightly over the expected upper bound. We obtained FCC explanations which were consistent with the underlying data:

FY18: Amounts beginning in 10 – Primarily related student refunds in the amount of \$10 and student honorariums in the amount of \$100.

FY18: Amounts beginning in 15 – Primarily related to student honorariums in the amount of \$150.

FY18: Amounts beginning in 25 – Primarily related to student aid payments in the amount of \$25 and student honorariums in the amount of \$250.00

FY18: Amounts beginning in 75 – Primarily related to art show award payments in the amount of \$75 and student aid payments also in the amount of \$75

FY19: Amounts beginning in 10 – Primarily related student refunds in the amount of \$10 and student honorariums in the amount of \$100. There were also Doing Better Business and Word Processing Services monthly lease payments in the amounts of \$100.49 and \$107 respectively.

FY19: Amounts beginning in 15 – Primarily related to student honorariums, referee fees and membership dues in the amount of \$150. Also, there were several student aid scholarships in the amount of \$1,500.

FY19: Amounts beginning in 75 – Primarily related to scholarships and membership fees in the amount of \$75 as well as contracted service and attorney retainer fees in the amount of \$7,500 per transaction (Turner Construction and Pessin Katz Law, P.A.).

FY19: Amounts beginning in 80 – Primarily related to payroll health deductions, membership dues, and student aid transaction in the amount of \$80.

FY20: Amounts beginning in 15 – – Primarily related to student honorariums, referee fees and membership dues in the amount of \$150. There were also several student aid payments and honorariums in the amount of \$1,500. Lastly, there were a handful of elevator monthly service fees in the amount of \$1,506 per transaction.

FY20: Amounts beginning in 75 – Primarily related to student aid, honorariums, and membership fees in the amount of \$75 per transaction. There were also a few student refunds in the amount of \$750. Lastly, there were 10 transactions in the amount of \$7,500 related to retainer fees for Pessin Katz Law, P.A.)

FY20: Amounts beginning in 80 – Primarily related to cell phone allowances in the amount of \$80, contracted service payments in the amount of \$800, and electronic subscription payments made to West Payment Center in the amount of \$800.17.

FY20: Amounts beginning in 99 – Primarily related to student refunds in the amount of \$99.

We deemed these deviations from Benford's law to be appropriate.

2. Stratification Trends

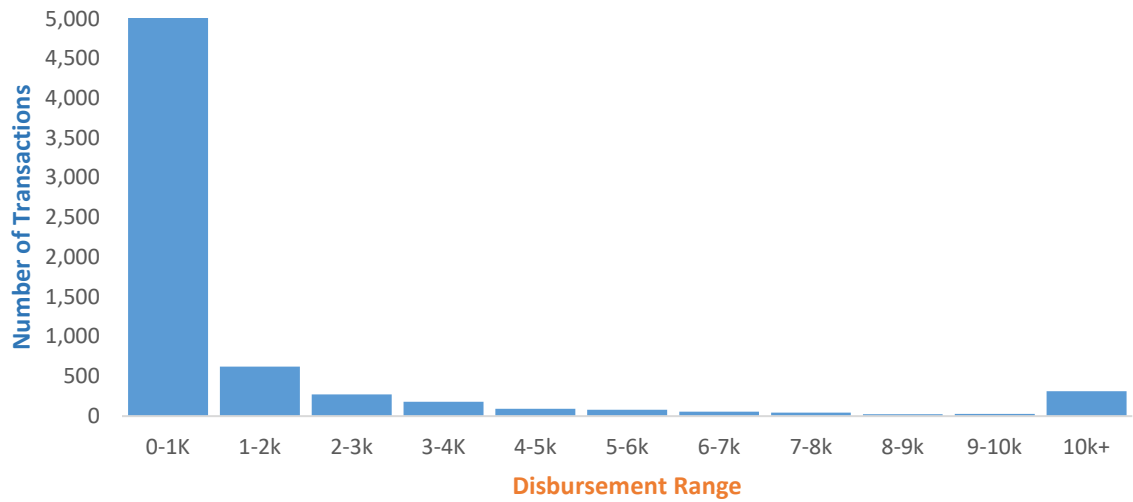
To gain a better understanding of the disbursement population, we performed a stratification of the disbursement information by amount and number of transactions. This analysis assists us in understanding what an "average" transaction at FCC resembles.

Results:

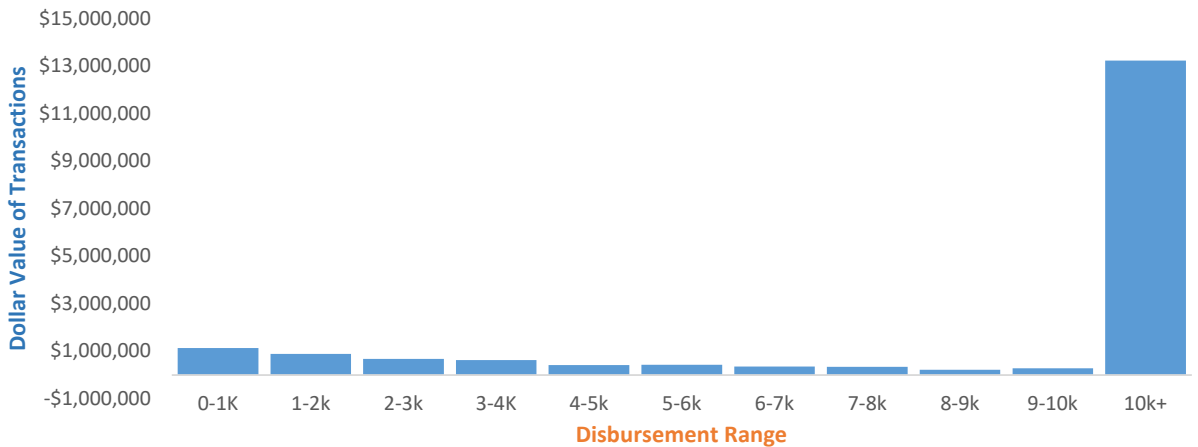
Fiscal Year 2018

Approximately 75.0% of disbursement transactions were below \$2,000. However, transactions below \$2,000 represent only approximately \$1,133,720 or 6.0% of total disbursements. Approximately 4.5% of disbursement transactions are over \$10,000, however, disbursements over \$10,000 total approximately 71.0% of dollars of all transactions. As such this range represents the largest concentration of dollars and is considered a higher risk area.

Disbursement Stratification (Transactions)



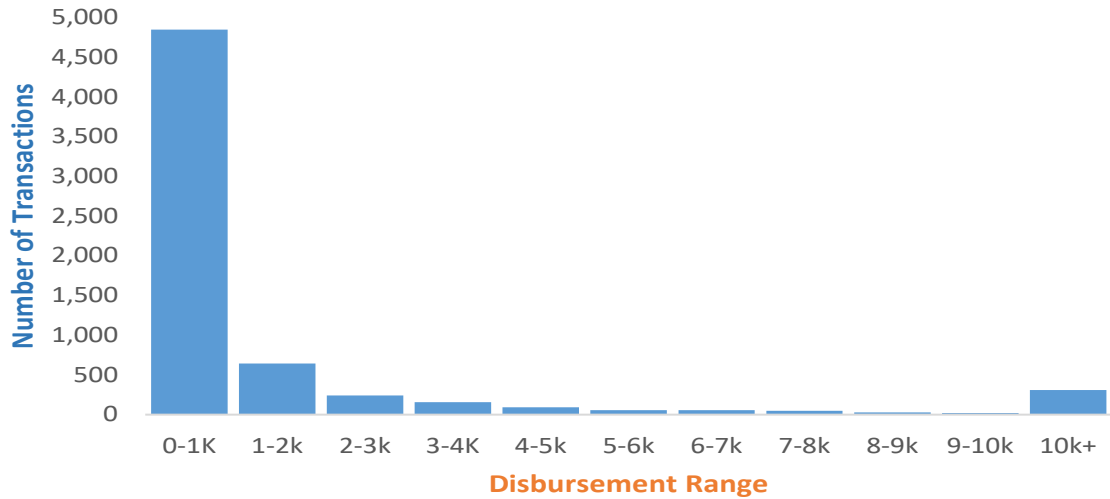
Disbursement Stratification (Dollars)



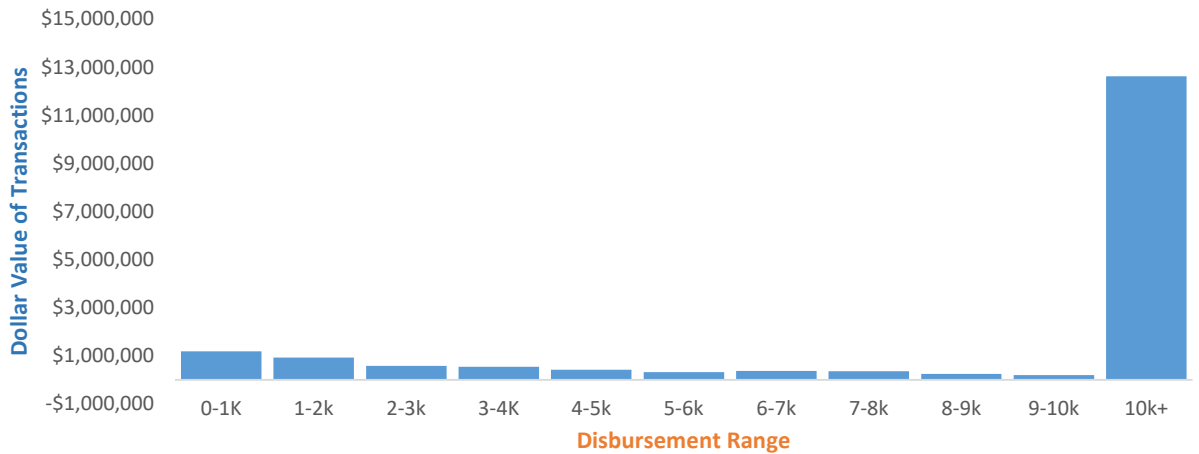
Fiscal Year 2019

Approximately 75.0% of disbursement transactions were below \$2,000. However, transactions below \$2,000 represent only approximately \$1,183,253 or 6.5% of disbursements. Approximately 5.0% of disbursement transactions are over \$10,000, however, disbursements over \$10,000 total approximately 71.0% of dollars of all transactions. As such this range represents the largest concentration of dollars and is considered a higher risk area.

Disbursement Stratification (Transactions)



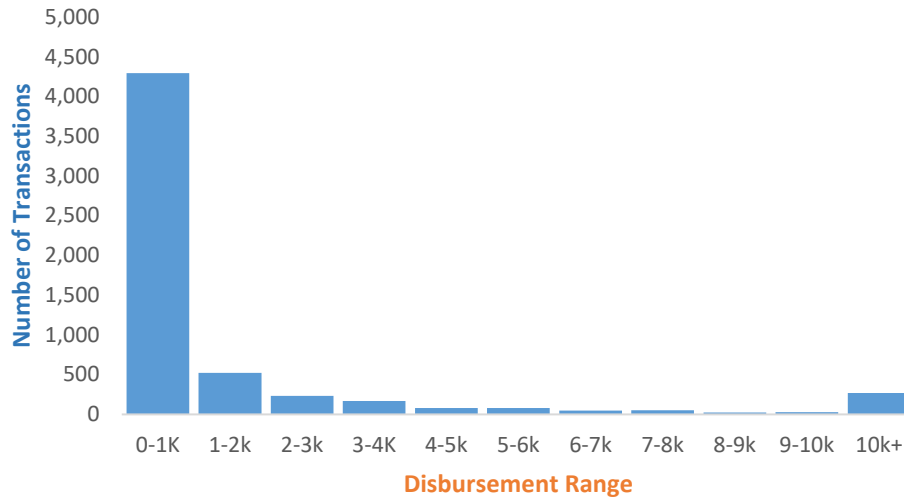
Disbursement Stratification (Dollars)



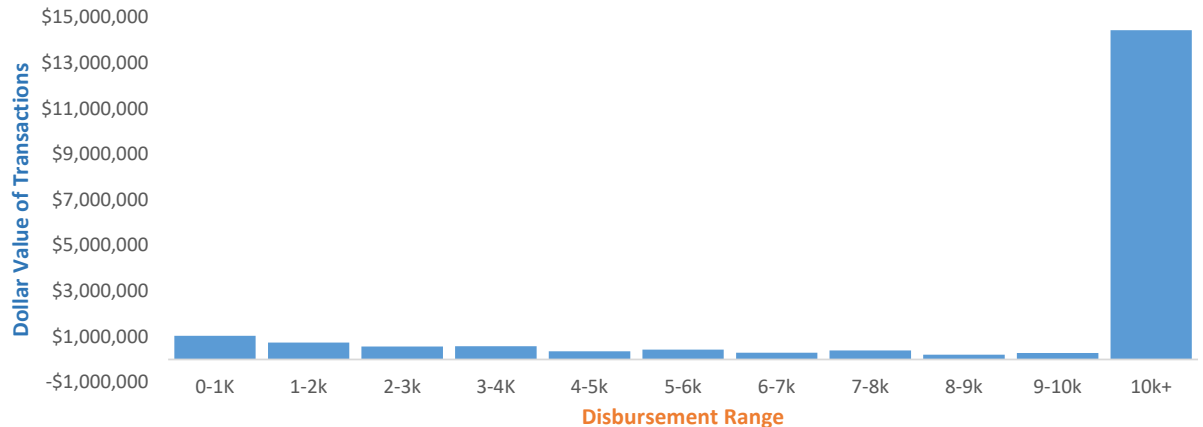
Fiscal Year 2020

Approximately 74.0% of disbursement transactions were below \$2,000. However, transactions below \$2,000 represent only approximately \$1,041,670 or 5.5% of disbursements. Approximately 4.7% of disbursement transactions are over \$10,000, however, disbursements over \$10,000 total approximately 74.5% of dollars of all transactions. As such this range represents the largest concentration of dollars and is considered a higher risk area.

Disbursement Stratification (Transactions)



Disbursement Stratification (Dollars)



We noted that the number of high dollar disbursements comprised a majority of the total dollar amount disbursed for all three years (73%-75%). Therefore, we extracted the detail of all disbursements over \$10,000 to perform an additional analysis. We summarized this detail by vendor in order to obtain an understanding of the types of services provided and to confirm these vendors are within normal operations of the community college. We provided the top 10 vendors paid with disbursements over \$10,000 for each fiscal year, as follows:

Fiscal Year 2018

| Payee | Number of Records | Total Sum | Description of Services |
|---------------------------|--------------------------|------------------|---|
| Maryland State Retirement | 24 | \$ 775,628 | State Retirement Contributions |
| Ferko Credit Union | 24 | 272,945 | Employee Credit Union Contributions |
| RW Warner Inc | 16 | 2,556,873 | CIP Project: Monroe Configuration |
| Metlife-Group Benefits | 12 | 181,542 | Employee Life Insurance |
| CGLIC | 12 | 1,508,870 | Cigna Employee Health Insurance |
| BB&T Financial, Fsb | 12 | 482,234 | College Credit Card Expenses |
| WGL Energy | 11 | 455,652 | Electricity for College |
| Fidelity Investments | 10 | 216,975 | 403(B) Contributions |
| Utica National Insurance | 9 | 163,139 | Auto, Workers Comp., & Commercial Insurance |
| Potomac Edison | 9 | 146,449 | Electricity for College |

Fiscal Year 2019

| Payee | Number of Records | Total Sum | Description of Services |
|-----------------------------|--------------------------|------------------|-------------------------------------|
| Maryland State Retirement | 24 | \$ 820,105 | State Retirement Contributions |
| Ferko Credit Union | 24 | 260,659 | Employee Credit Union contributions |
| WGL Energy | 12 | 400,376 | College Electricity |
| Metlife-Group Benefits | 12 | 194,828 | Employee Life Insurance |
| CGLIC | 12 | 1,742,974 | Employee Health Insurance |
| BB&T Financial, Fsb | 12 | 584,709 | College credit card expenses |
| TL Garden 7 Associates, Inc | 10 | 827,128 | CIP Project: Fire Alarm System |
| Potomac Edison | 10 | 149,277 | College Electricity |
| HP Secure Inc | 8 | 547,469 | CIP Project: Building Access System |
| Dell Marketing Lp | 8 | 390,256 | Computers & IT equipment |

Fiscal Year 2020

| Payee | Number of Records | Total Sum | Description of Services |
|-----------------------------|--------------------------|------------------|---|
| Maryland State Retirement | 24 | \$ 821,359 | State Retirement Contributions |
| TI Garden 7 Associates, Inc | 14 | 903,179 | CIP Project: Fire Alarm System |
| WGL Energy | 13 | 358,042 | College Electricity |
| Metlife-Group Benefits | 12 | 199,814 | Employee Life Insurance |
| CGLIC | 12 | 1,488,461 | Cigna Employee Health Insurance |
| BB&T Financial, Fsb | 12 | 545,211 | College credit card expenses |
| Ferko Credit Union | 10 | 100,503 | Employee credit union contributions |
| Utica National Insurance | 9 | 166,426 | Workers comp., auto, & commercial insurance for College |
| Control Sources, LLC | 9 | 811,613 | CIP Project: Building Automation System |
| Potomac Edison | 8 | 110,065 | College Electricity |

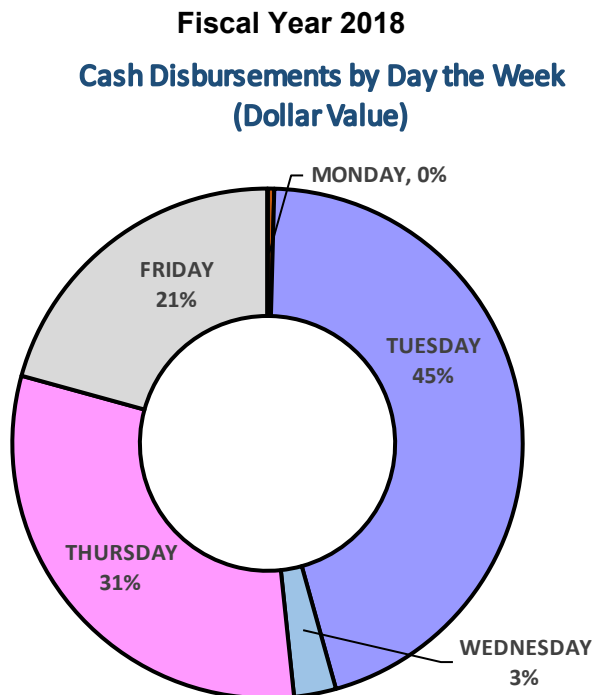
Results: Per review of the top ten vendors paid with disbursements over \$10,000 for each fiscal year, we noted they were consistent with operations of a community college.

However, we noted that in FY18 and F19 there were 24 payments over \$10,000 to Ferko Credit Union while in FY20 there were only 10. Upon closer inspection, FY20 had 24 payments as well but only 10 were above the \$10,000 threshold. Most of the remaining 14 payments were just under \$10,000. We inquired concerning why the average payment to Ferko Credit Union dropped in FY20. It was determined that there were a few terminations and one sizeable amount for which an employee stopped their deductions altogether. There were also various account changes. These together account for the drop in the monthly payment amount.

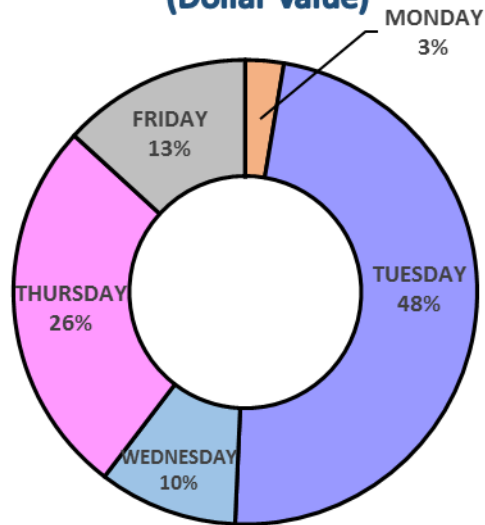
Additionally, we noted that there were 11 payments to WGL Energy in FY18 opposed to the 12 payments noted in FY19 and 13 in FY20. Upon investigation, it was determined that the discrepancy in payment counts was due to timing and that payments were accrued or deferred to the proper pay periods for accounting purposes.

3. Disbursements by Day

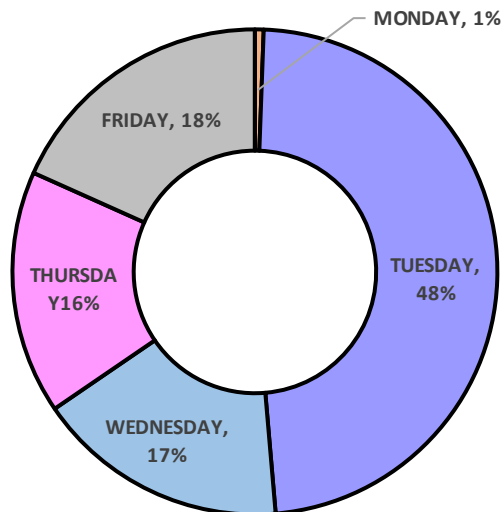
The following graphs represent the population of general disbursements by day of the week. Per our discussion with FCC, it was confirmed that FCC's normal check run is on Tuesday and Friday. At times, it is necessary to deviate from this schedule or have additional check runs due to holidays, staff leave, student refunds needed, college events including sporting events, and urgent payment requests.



Fiscal Year 2019
Cash Disbursements by Day the Week
(Dollar Value)



Fiscal Year 2020
Cash Disbursements by Day the Week
(Dollar Value)

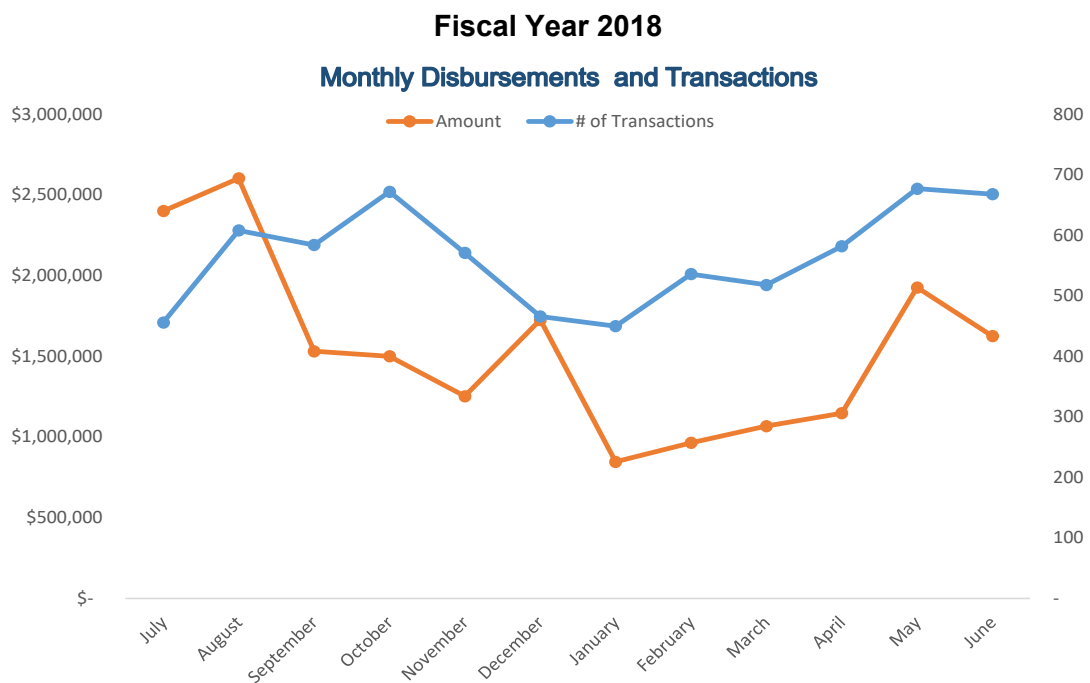


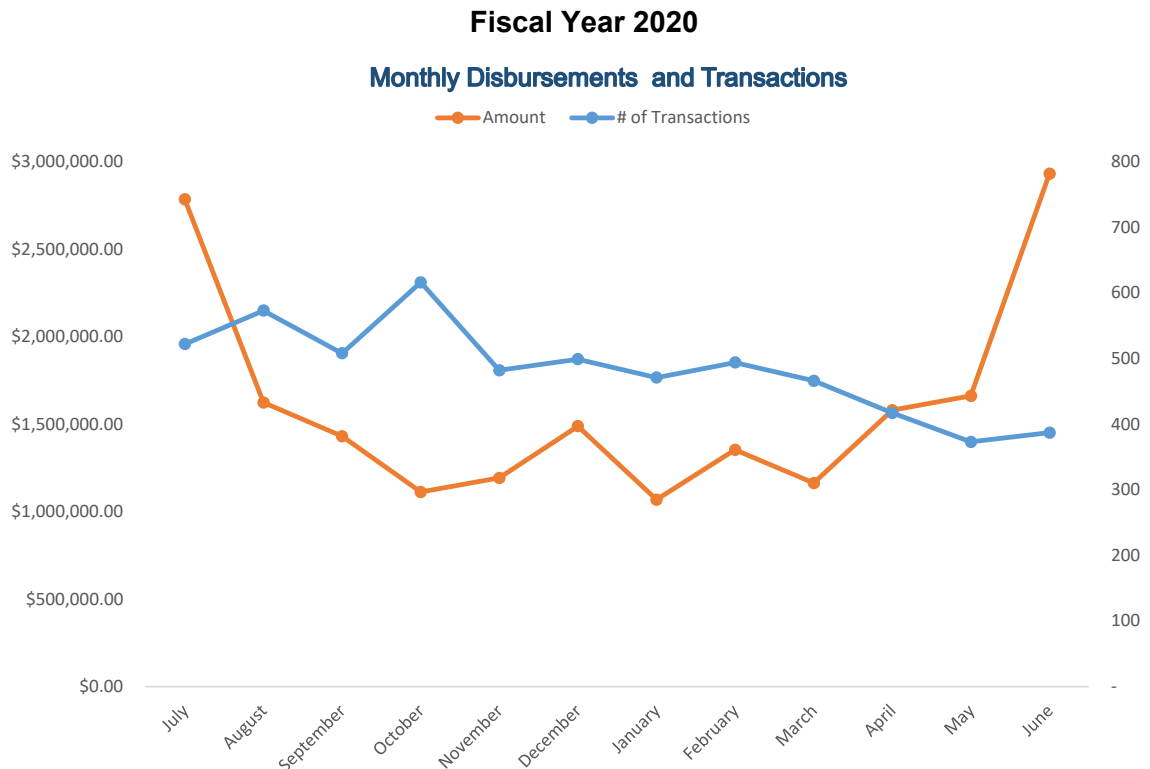
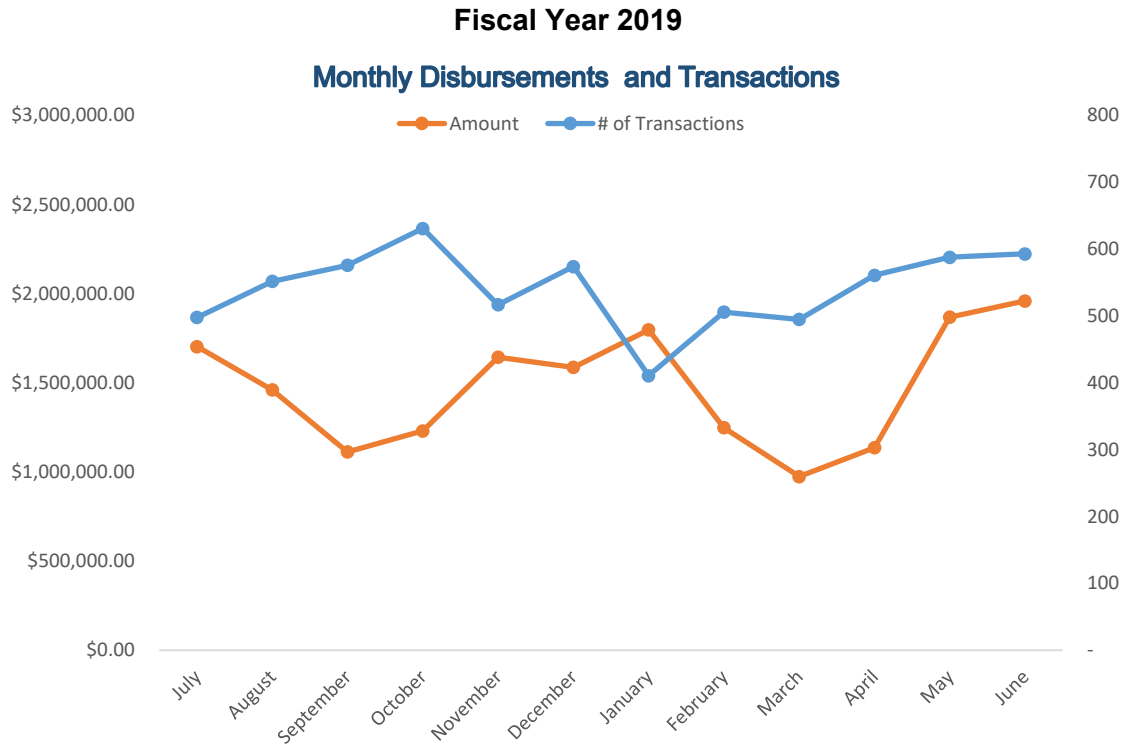
Results: We noted that in fiscal years 2018 and 2019, more checks were run on Thursday than Friday despite initial conversations indicating that checks runs were on Tuesday and Friday. Per discussion with FCC, prior to March 2020, check runs were on Thursday instead of Friday. Additionally, over the years, the check run dates have changed from different days based on the needs of the College and staffing. Accounts Payable personnel have not been required to process checks on specific days, which allows for some flexibility, although they do try to stick to designated days. In 2018, the college began experimenting running the checks on Thursday instead of Friday. Also, Accounts Payable often bases the day that the check run is completed on the needs of the College and the timing of student refunds being

processed. For example, if a check run is scheduled for Friday and student refunds need to go out on Thursday, or, if a special check is needed for a Thursday, the check run would be processed on that Thursday. Explanations are deemed sufficient. Lastly, we noted there were no checks run with a date that falls on Saturday or Sunday.

4. Disbursements by Month

The following graphs represent the population of general disbursements, in total dollars and total transactions for each month. Based on our experience with community colleges and discussion with FCC personnel, we would expect the summer months to have increased disbursements related to construction projects that escalate in activity during the summer when class is not in session and when there are less people on campus.





Results: During fiscal years 2018, 2019 and 2020, FCC disbursed on average \$1,500,000 per month. During the same 3-year period, the average number of transactions was 531 per month. The months with the most significant increases from average were July 2017, August 2017, July 2019, and June 2020.

July 2017, August 2017, and July 2019 had larger disbursement totals related to increased Construction Activity. The top ten vendor analysis below identifies the related CIP projects. This is in line with our expectations. However, July 2018 did not have a significant variance from average. Per Amy Stake, Assistance Vice President of Finance, there was significantly less construction during the summer of 2018.

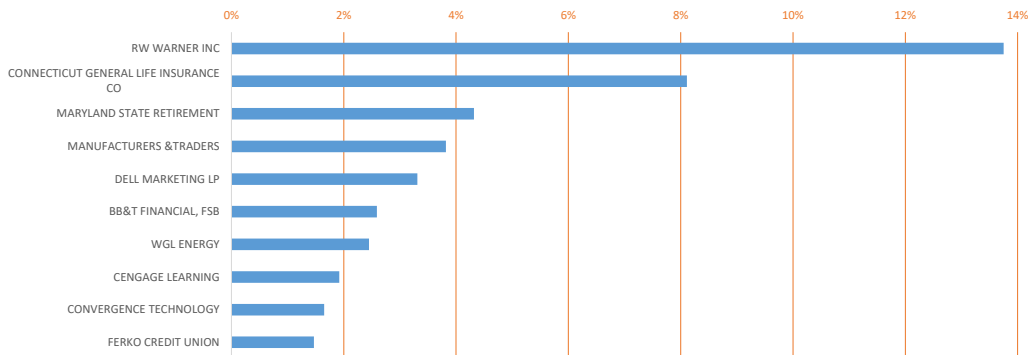
The June 2020 spike relates to the fact that the period leading up to the new fiscal year marks a time when many software licenses and other licenses are renewed, and purchases are made for the new year. In the context of the Covid-19 pandemic, it is within expectations that there were increased such purchases leading into and in preparation for a primarily virtual school year. March of 2020 was the start of Covid-19 pandemic and the College closed and began remote instruction. This had an impact on overall purchases in June 2020 gearing up for FY21.

5. Top Ten Vendors

The following graphs represent an analysis of the activity of the top vendors of FCC. Generally, we expect the top ten vendors to represent a significant portion of total disbursement activity. Per our understanding of community college operations and discussion with FCC, we also expect these vendors be related to construction, retirement and pension, utilities, community college related equipment and materials, bond payments, and medical benefits. Lastly, we expect that vendors will remain fairly consistent from year to year.

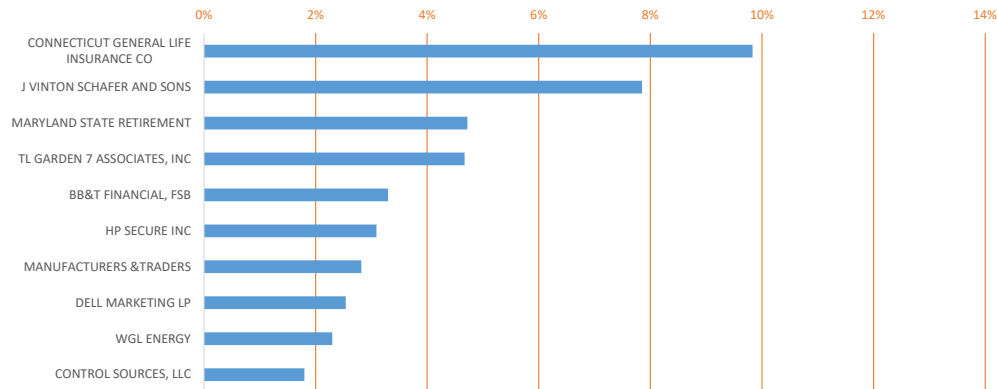
Fiscal Year 2018

Vendors By Cash Disbursements



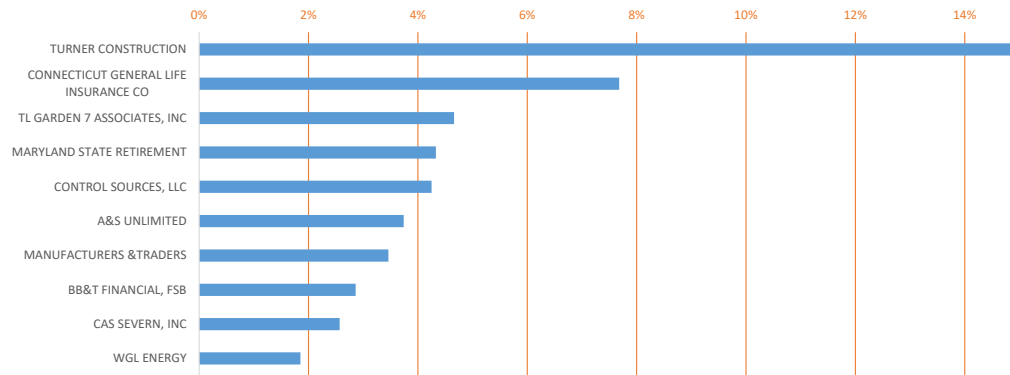
Fiscal Year 2019

Vendors By Cash Disbursements



Fiscal Year 2020

Vendors By Cash Disbursements



Results: At FCC, the top 10 vendors represented 43.39% of all disbursements in FY18, 42.92% in FY19, and 50.61% in FY20. We reviewed the vendors, and our expectations were met.

Services provided by the top ten vendors for each fiscal year are as follows:

| Vendor Name | Nature of Service | Fiscal Year |
|--|---------------------------------------|-------------|
| RW Warner Inc | CIP Project: Monroe Configuration | 2018 |
| Connecticut General Life Insurance (CGLIC) | Cigna Employee Health Insurance | 2018 |
| Maryland State Retirement Agency | State Retirement Contributions | 2018 |
| Manufacturers & Traders | College Series 2010A and 2010B bonds | 2018 |
| Dell Marketing LP | Computers and IT Equipment | 2018 |
| BB&T Financial, FSB | College Credit Card Expenses | 2018 |
| WGL Energy | College Electricity | 2018 |
| Cengage Learning | Books for the Bookstore for Resale | 2018 |
| Convergence Technology | IT Consulting Special Project in 2018 | 2018 |
| Ferko Credit Union | Employee credit union contributions | 2018 |

| Vendor Name | Nature of Service | Fiscal Year |
|--|---|-------------|
| Connecticut General Life Insurance (CGLIC) | Cigna Employee Health Insurance | 2019 |
| J Vinton Schafer And Sons | CIP Project: Jefferson Hall Configuration | 2019 |
| Maryland State Retirement Agency | State Retirement Contributions | 2019 |
| TL Garden 7 Associates, Inc | CIP Project: Fire Alarm System | 2019 |
| BB&T Financial, FSB | College Credit Card Expenses | 2019 |
| HP Secure Inc | CIP Project: Building Access System | 2019 |
| Manufacturers & Traders | College series 2010A & 2010B bonds | 2019 |
| Dell Marketing LP | Computers and IT Equipment | 2019 |
| WGL Energy | College Electricity | 2019 |
| Control Sources, LLC | CIP Project: Storefront Door Replacement | 2019 |

| Vendor Name | Nature of Service | Fiscal Year |
|--|---|-------------|
| Turner Construction | CIP Project: Building E Reconfiguration | 2020 |
| Connecticut General Life Insurance (CGLIC) | Cigna Employee Health Insurance | 2020 |
| TL Garden 7 Associates, Inc | CIP Project: Fire Alarm System | 2020 |
| Maryland State Retirement Agency | State Retirement Contributions | 2020 |
| Control Sources, LLC | CIP Project: Building Automation System | 2020 |
| A&S Unlimited | CIP Project: Storefront Door Replacement | 2020 |
| Manufacturers & Traders | College series 2010A & 2010B bonds | 2020 |
| BB&T Financial, FSB | College Credit Card Expenses | 2020 |
| Cas Severn, Inc | Peoplesoft and VDI Services Special Project in 2020 | 2020 |
| WGL Energy | College Electricity | 2020 |

Results: We noted that Cengage Learning was a top ten vendor for 2018, however, not included on the listing in 2019 and 2020. Per discussion with FCC, a check amount in excess of the amount due of approximately \$200,000 was made to this vendor mistakenly. The payment number was 811996 dated 5/15/18 and the total payment was in the amount of \$255,527. When entering the payment, the AP accountant entered the full contracted amount versus the amount of the invoice. Cengage caught the discrepancy and returned the excess amount over the invoice. After this issue was identified, FCC put in place a review of each check run by the AP Manager. Before payments are submitted, the file is reviewed by the AP Manager. The manager reviews all large check requests, particular vendors, and performs random spot checks of amounts versus invoices. This double check, integrated into the payment process, has reduced the likelihood these errors will reoccur.

6. One-Time Vendors

As part of our analysis of general disbursements, we identified one-time payments that occurred during the year, typically the infrequency of the payments results in these transactions being a higher risk for fraud.

| Fiscal year | Number of One-time Vendors |
|-------------|----------------------------|
| 2018 | 1,227 |
| 2019 | 1,005 |
| 2020 | 922 |

Results: Per discussion with FCC Finance personnel and review of the one-time vendor listing detail, most of the one-time vendors are students. They are set up by student finance in order for refunds to be issued and are inactivated after 18 months of no activity. The remaining one-time transactions are simply related to single use vendors. In order to corroborate this explanation, we selected a sample of ten vendors not related to student refunds and obtained supporting invoices that included approvals indicating that each vendor was authorized to receive payment in the applicable payment year. We also noted no unusual vendor descriptions. Additionally, in another test that will follow below, we also compared information from the employee master file to the disbursement listing and no unexplained relationships were noted.

7. Voided/Zero Dollar Payments

There were 198, 118 and 155 voided, zero dollars, or negative disbursements in fiscal years 2018, 2019, and 2020, respectively. We selected a sample of 10 voided, zero dollars, or negative disbursements from each fiscal year for which to obtain an explanation.

Per discussion FCC, the majority of the zero-dollar disbursements were prenotes, as such there was no final disbursement amount. A prenote is a test transaction that gets sent to the bank to make sure that the provided account information is valid before setting up an automatic payment. We corroborated this explanation by confirming that "prenote" was indeed listed as the status for these transactions.

Explanation appears reasonable with community college operations.

8. Disbursements to the Same Vendor on the Same Day

We summarized all payments made to the same vendor on the same day. We expect a limited number of vendors who had more than one payment made on the same day. Multiple payments made to the same vendor on the same day could indicate a bypass of dollar threshold approvals. Those vendors with significant expenditures should also be consistent with operations.

Fiscal Year 2018 – Top 10 Vendors: Multiple Disbursements per Day

| Vendor | Check Date | Number of Invoices | Amount |
|--------------------------|-------------------|---------------------------|---------------|
| Hadley, Lisa E* | 2/1/2018 | 6 | \$ 849 |
| Motor Vehicle Department | 1/4/2018 | 4 | 2,170 |
| Rodney Bennett | 4/30/2018 | 3 | 558 |
| Zhong, Sheng* | 4/30/2018 | 2 | 177 |
| Zoro.com | 2/9/2018 | 2 | 140 |
| Wagner Meats LLC | 12/5/2017 | 2 | 93 |
| US Foods | 12/5/2017 | 2 | 6,444 |
| Staples Advantage | 5/24/2018 | 2 | 1,263 |
| Staples Advantage | 5/22/2018 | 2 | 305 |
| Staples Advantage | 5/17/2018 | 2 | 877 |

Fiscal Year 2018 – Top 10 Vendors: Multiple Disbursements per Day/Large Dollars

| Vendor | Check Date | Number of Invoices | Amount |
|------------------------|------------|--------------------|------------|
| RW Warner Inc | 7/13/2017 | 2 | \$ 635,516 |
| BB&T Frederick | 8/15/2017 | 2 | 61,312 |
| Pearson Education | 12/5/2017 | 2 | 42,268 |
| Peopleadmin Inc | 5/8/2018 | 2 | 22,407 |
| Fidelity Investments | 1/4/2018 | 2 | 18,422 |
| Metlife-Group Benefits | 1/30/2018 | 2 | 18,348 |
| Metlife-Group Benefits | 4/19/2018 | 2 | 18,341 |
| Metlife-Group Benefits | 12/15/2017 | 2 | 18,294 |
| Metlife-Group Benefits | 2/16/2018 | 2 | 18,248 |
| Metlife-Group Benefits | 5/4/2018 | 2 | 18,215 |

Fiscal Year 2019 – Top 10 Vendors: Multiple Disbursements per Day

| Vendor | Check Date | Number of Invoices | Amount |
|--|------------|--------------------|----------|
| US Treasury | 12/6/2018 | 7 | \$ 2,240 |
| Willard, Kelly* | 8/23/2018 | 4 | 1,697 |
| Vinson, Chinaza R* | 11/6/2018 | 4 | 1,123 |
| Vehicle Emission & Inspection Program (VEIP) | 7/19/2018 | 4 | 56 |
| Tadesse, Nigest* | 12/18/2018 | 4 | 516 |
| Maryland Higher Education Commission | 2/1/2019 | 4 | 950 |
| Dept Of Veterans Affair | 4/30/2019 | 4 | 2,986 |
| Prideaux, Nicholas M* | 11/6/2018 | 3 | 1,634 |
| Jones, Riley A* | 3/12/2019 | 3 | 2,000 |
| Fraley, Rebecca L* | 3/19/2019 | 3 | 1,712 |

Fiscal Year 2019 – Top 10 Vendors: Multiple Disbursements per Day/Large Dollars

| Vendor | Check Date | Number of Invoices | Amount |
|-------------------------|------------|--------------------|-----------|
| Metlife-Group Benefits | 5/31/2019 | 2 | \$ 32,864 |
| Metlife-Group Benefits | 6/28/2019 | 2 | 19,497 |
| Metlife-Group Benefits | 12/18/2018 | 2 | 19,419 |
| Metlife-Group Benefits | 11/9/2018 | 2 | 19,388 |
| Metlife-Group Benefits | 8/23/2018 | 2 | 19,381 |
| Metlife-Group Benefits | 9/20/2018 | 2 | 19,168 |
| Metlife-Group Benefits | 10/17/2018 | 2 | 19,124 |
| Assessment Technologies | 3/22/2019 | 2 | 11,803 |
| Metlife-Group Benefits | 5/21/2019 | 2 | 6,388 |
| Dept Of Veterans Affair | 4/30/2019 | 4 | 2,986 |

Fiscal Year 2020 – Top 10 Vendors: Multiple Disbursements per Day

| Vendor | Check Date | Number of Invoices | Amount |
|---|------------|--------------------|----------|
| Grenning, Frances* | 5/29/2020 | 10 | \$ 1,139 |
| Klem, Robert* | 4/3/2020 | 9 | 625 |
| Gearhart, April M* | 7/25/2019 | 9 | 880 |
| Stouter, Micah* | 5/29/2020 | 7 | 805 |
| Norris, Iris* | 2/27/2020 | 6 | 439 |
| Klem, Robert* | 5/5/2020 | 6 | 279 |
| Homes4uu, The Travel (used by baseball team for spring training trip) | 1/14/2020 | 5 | 8,877 |
| Grenning, Frances* | 7/16/2019 | 5 | 439 |
| Wasserbach, Deborah Jean* | 4/3/2020 | 4 | 338 |
| Rodney Bennett (Four separate cash advances to baseball coach for four games) | 3/16/2020 | 4 | 633 |

Fiscal Year 2020 – Top 10 Vendors: Multiple Disbursements per Day/Large Dollars

| Vendor | Check Date | Number of Invoices | Amount |
|----------------------------------|------------|--------------------|------------|
| Turner Construction | 4/28/2020 | 2 | \$ 466,362 |
| A&S Unlimited | 5/15/2020 | 2 | 145,268 |
| WW Norton & Co Inc | 8/6/2019 | 2 | 45,207 |
| Maryland State Retirement Agency | 9/13/2019 | 2 | 43,584 |
| Real Time Networks Inc | 4/21/2020 | 2 | 38,370 |
| Powerschool Group LLC | 5/8/2020 | 2 | 24,010 |
| Lyrasis | 7/23/2019 | 2 | 22,541 |
| Metlife-Group Benefits | 9/13/2019 | 2 | 21,391 |
| Metlife-Group Benefits | 12/5/2019 | 2 | 20,547 |
| Metlife-Group Benefits | 11/5/2019 | 2 | 20,365 |

Results: Multiple payments on a single day are made for several reasons including coaches that receive separate payments for meal money for each player, and each vehicle has a registration and/or inspection payment. BB&T is the procurement card vendor and there are approximately 45 cardholders, each processed with a separate payment voucher, with typically one main payment being sent to BB&T. Metlife is paid based on pay periods and can often have multiple payments. Multiple departments use the same vendors but are associated with different purchase orders, therefore, a voucher payment is needed for each. It is the same with CIP projects, such as RW Warner. Finance personnel attested that all payments went through the proper approval channels and are related to normal operations. We corroborated this assertion by obtaining documentation for 5 instances where a vendor was paid multiple times on the same day noting requisite approvals were obtained. We did not note any unusual activity.

*These are continuing education student refunds which are processed in the Student Finance Department. When a student is dropped from multiple classes, the dropped classes are processed on a class-by-class basis. As such, individual checks are issued for each dropped class.

9. Duplicate Checks

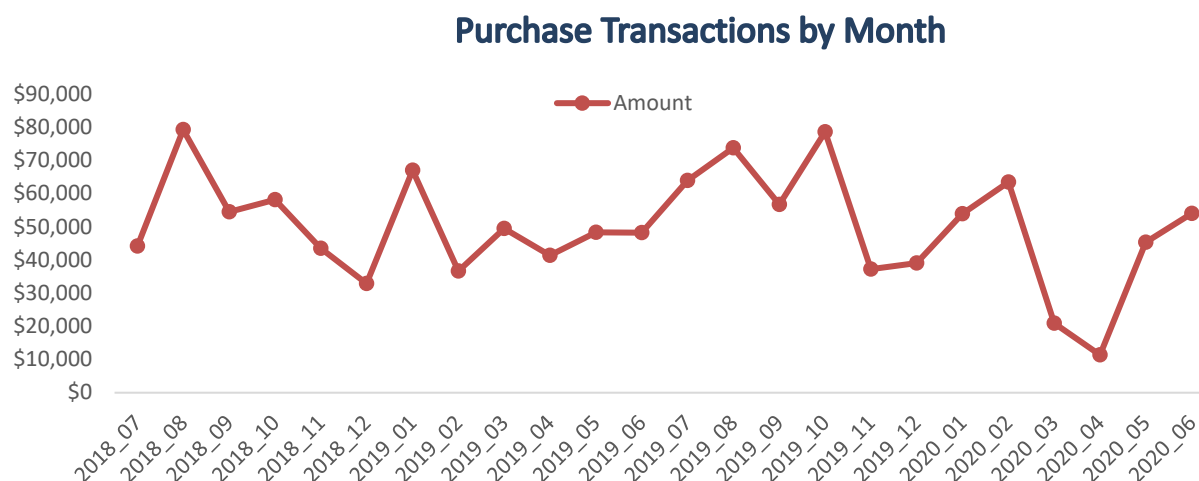
The query designed to identify duplicate payments did not identify any duplicate disbursements.

C. Purchase Card Disbursements

Purchase card transactions for fiscal years 2019 and 2020 were analyzed together. The College was not able to provide purchase card transaction detail for FY18. The following analysis procedures were performed over purchase card transactions.

1. Purchase Card Transactions by Month

The following graph represents purchase card transactions by dollar amount for each month of the review period:



Results: We noted three months that had unusually high activity (August 2018, August 2019, and October 2019). We also noted two months that had unusually low activity (March & April of 2020). All of these months varied significantly from the monthly average. We noted the following per discussion with Amy Stake, Assistant Vice President of Finance:

August 2018 & August 2019:

Correlates with beginning of fall semester purchases.

October 2019

The Workforce Development program was gaining traction and there were additional courses and expenses. Lastly, there were some purchase card transactions that coincidentally converged in October. For five cardholders, we noted year over year spending increases for the month of October totaling approximately \$17k that were related to FCC Bookstore Inventory, Board of Trustees Conferences, Middle States Commission on Higher Education Fees, Advertising, an Updated Logo for Maryland Emergency Management, Society for Human Resources Management Fees, Labor Posters, and Professional Development Fees.

March & April 2020

The College made spending cuts due to the COVID-19 pandemic in anticipation of decreased revenue.

2. Top Ten Purchase Card Vendors

The following are the top ten purchase card vendors by total disbursement amount for the period of July 1, 2018 to June 30, 2020:

| Vendor Name | Total Disbursement Amount | Nature of Service |
|--|----------------------------------|--|
| Google Ads | \$ 58,473 | Marketing |
| Wegmans Frederick # 54 | 35,685 | Student Receptions, Club Supplies, Conferences |
| Vue Comptia Cert Test | 30,814 | Student Certification Exams |
| Wrist-Band | 17,209 | Hand Sanitizer & Wipes- Custodial Items |
| Explorica Inc | 14,546 | Educational Travel Tours for Students |
| TLF Flower Fashions Inc | 13,139 | Employee Flowers (Bereavement, Get Well, Retirement) |
| The Webstaurant Store | 11,800 | Dining Services Smallware/Supplies |
| Supplyhouse.Com | 11,679 | Repair Parts for Plant |
| Logical Operations | 11,523 | Technology Training Curriculum and Digital Tools |
| Association of Community College Trustees (ACCT) | 10,820 | Schools & Educational Services Not Els |

Results: All vendors were within the normal operations of FCC.

3. Top Ten Procurement Card Users

We summarized the top 10 procurement card users by top dollar amount and frequency. See below for results.

By Total Dollar Amount

| Cardholder Name | No. of Records | Amount Sum | Position |
|------------------------|-----------------------|-------------------|--|
| Michael Baisey | 720 | \$ 212,001 | Executive Director of Marketing |
| Tony Hawkins | 521 | 111,605 | Executive VP for Academic Affairs |
| Jeanni Winston-Muir | 666 | 111,485 | Executive Director of Student Engagement |
| Kathy L Francis | 340 | 74,213 | Executive Director MACEM & Public Safety |
| Fred Hockenberry | 231 | 71,315 | Director of Bookstore |
| Kari Melvin | 358 | 56,166 | Executive Associate to the President |
| Greg Solberg | 143 | 50,052 | Director of Plant Operations |
| Lisa S. Hildebrand | 182 | 40,058 | Executive Associate to VP Learning Support |
| Dana Mcdonald | 162 | 38,872 | VP for Finance |
| Kelli Ackiewicz | 141 | 27,544 | Program Manager Continuing Education |

By Frequency

| Cardholder Name | No. of Records | Amount Sum | Position |
|---------------------|----------------|------------|--|
| Michael Baisey | 720 | \$ 212,001 | Executive Director of Marketing |
| Jeanni Winston-Muir | 666 | 111,485 | Executive Director of Student Engagement |
| Tony Hawkins | 521 | 111,605 | Executive VP for Academic Affairs |
| Kari Melvin | 358 | 56,166 | Executive Associate to the President |
| Kathy L Francis | 340 | 74,213 | Executive Director MACEM & Public Safety |
| Deborah W Powell | 252 | 21,304 | Executive Director of OIA |
| Fred Hockenberry | 231 | 71,315 | Director of Bookstore |
| Elizabeth J. Derose | 222 | 26,052 | Institute Manger Hospitality, Culinary & Tourism |
| Chad Smith | 186 | 21,654 | Director of Athletics |
| Lisa S. Hildebrand | 182 | 40,058 | Executive Associate to VP Learning Support |

Results: It was determined that the above top ten purchase card users by total dollar amount and by frequency were appropriate based on their position and responsibilities.

D. Vendor Master File

We obtained the vendor master file and performed the following analysis over the vendor master file:

1. Duplicate Vendors

We identified a significant number instances where there were multiple vendor names associated with a single tax identification number. We selected a sample of five instances of which to inquire. For each instance investigated, we noted that multiple vendor names were subdivisions of the same entity. For example, the Maryland Board of Nursing, Frostburg State University, Towson University, and University of Maryland are all listed under the same tax identification number because they are all within the University of Maryland System.

Similarly, we identified 30 vendor addresses for which there were multiple vendor names. We selected a sample of five instances of which to inquire. There was one address associated with 3 vendor names. Two of these vendor names were Hood College affiliates and the third vendor name was a Hood College recipient of Honorarium. In another instance, there were two vendors with the same address that were family members. The family members were two students living at the same address who received stipend payments related to participating in specific FCC projects. Multiple vendor names and addresses noted appeared reasonable compared to FCC operations.

2. Vendors with Missing Information

We extracted the vendors with missing information (address, tax identification number, contact person, etc.) from the Vendor Master File.

Results: No missing addresses were noted. However, there was a significant number of vendors for which the Tax ID is missing or listed as "000000000". Per discussion with Amy Stake, Assistant Vice President of Finance, there are several types of vendors that are not required to have a Tax ID. Vendors that are not required to supply a Tax ID number include:

- a. Students
- b. State Agencies
- c. Government Agencies
- d. International Vendors
- e. Vendors Related to Scholarship Return of Funds
- f. Vendors that were Added Prior to a Certain Date (sometime between 2008-2009)

3. Active Vendors not Paid in 3 Years

We initially identified 191 vendors that are listed as active but haven't had a payment in over 3 years. FCC reviewed the vendors in this category and there are two explanations as noted below:

- a. The inactivation process was not yet run at the time of the analysis (March 23, 2021). FCC noted that applicable inactive vendors would come off the active list within a few days of

the March 23, 2021 date. Per discussion with FCC, the inactivation process is run in March of every year and vendors with no activity within the previous 18 months are inactivated. We subsequently confirmed that the inactivation process was run on April 21, 2021. A change in staff assignment was the underlying cause of the slightly later run date.

- b. Many of the vendors on the list were re-activated for fiscal year 2021 even though they were not paid during the last 3 years because FCC anticipates a payment to them during fiscal year 2021.

In context of these explanations, we filtered active vendors whose last activity was prior to 2018 and there were 14 vendors listed. Per inquiry with FCC, this is due to the remaining vendors not being flagged for review and inactivation because they have a location code related to a legacy system that inactivation query does not recognize. FCC noted they will take measures to correct this issue.

4. Vendor Master File Comparison to Employee Master File

We compared the employee listing to the vendor master file to determine if any employee's address information matches vendor address information. There were no instances in which a vendor address matched an employee address.

5. Disbursements to Vendor Master File Comparison

We performed an analysis to identify any vendors that were paid during fiscal years 2018, 2019 and 2020 that are not on the approved vendor master file. There was 1 "normal" vendor and 1,196 vendors with an "SF" prefix identified that received payment but were not on the vendor master file. Per discussion with FCC, the normal vendor that was not on the approved active vendor list was an employee in the Bursars Office that received payment related to employee expense reimbursement. She was not on the approved vendor list as of March 2021 because she termed in January 2021 and was removed via the HR process. For the "SF" vendors, it was determined that these are vendors set-up through student finance in the registrar's office and are related to student refunds. They are not included on the vendor master file but are automatically inactivated if they have not had activity in the past 18 months as of the date of the annual inactivation process each March. We noted that these explanations appeared reasonable for a local community college.

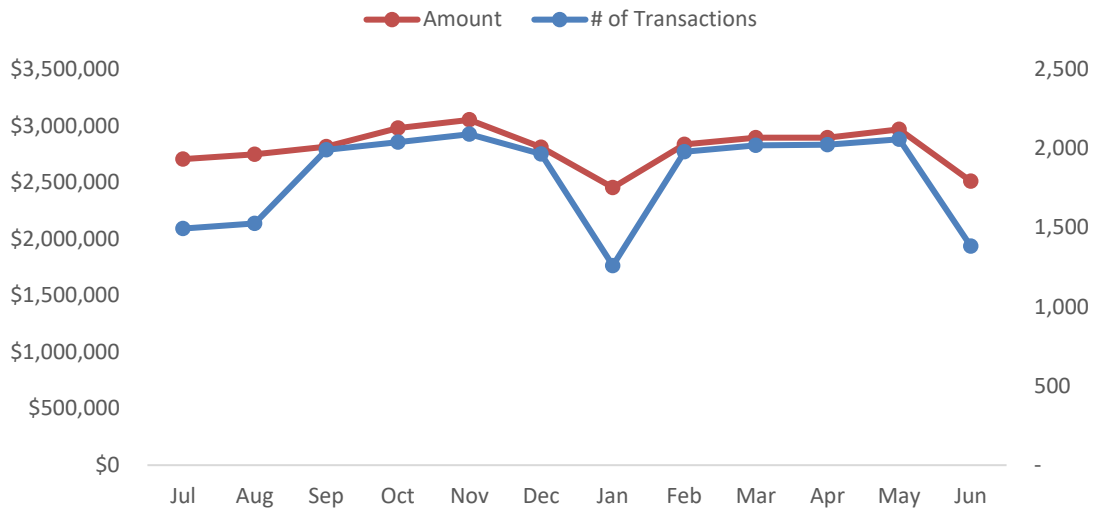
E. Payroll Disbursements

1. Payroll by Month and Payroll Stratification

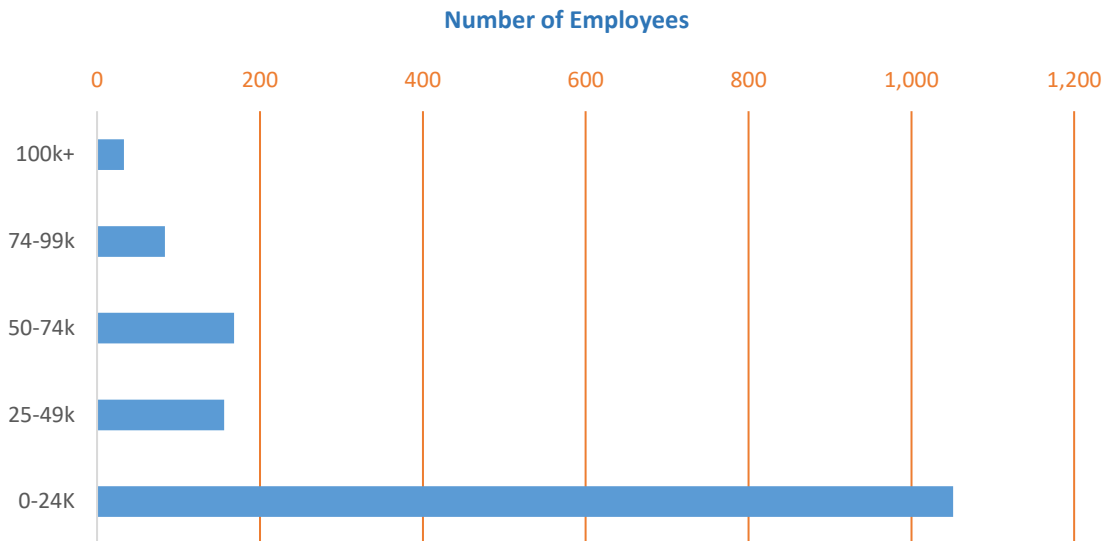
The below graphs represent an analysis of the payroll disbursement population. FCC disburses approximately \$2.8 million dollars a month to more than 1,400 employees and over 1,700 transactions on average. Generally, we expect salary expense and number of transactions by month to be highly correlated. We also expect to see the total disbursed per month to be consistent through the year except for the months of January and June, as during these months the college typically does not have adjuncts teaching courses.

Fiscal Year 2018

Monthly Payroll Transactions and Expense

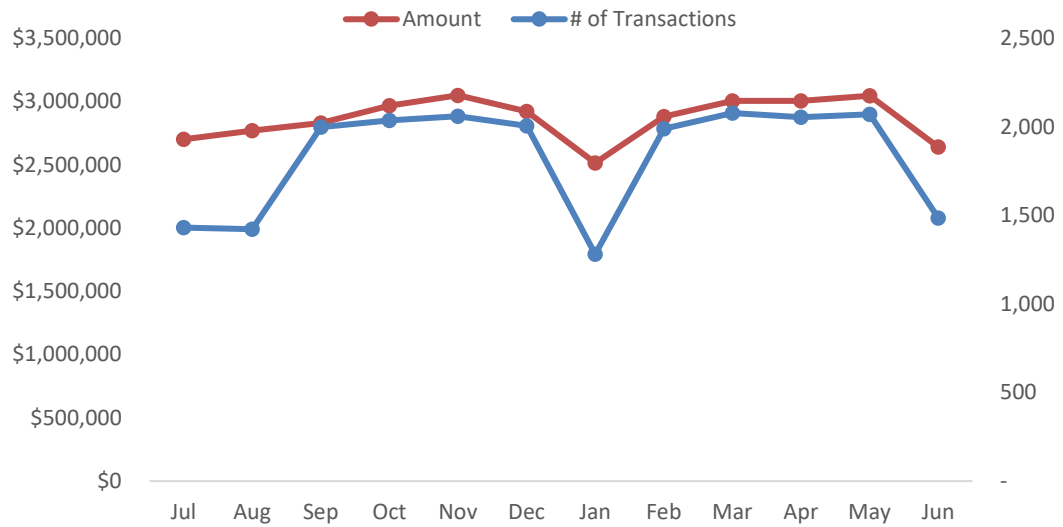


Annual Gross Salary Stratification



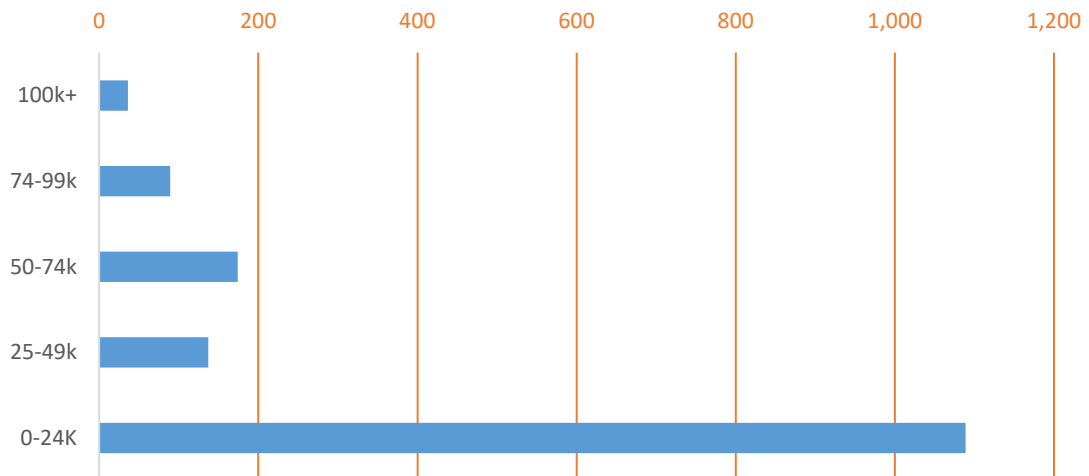
Fiscal Year 2019

Monthly Payroll Transactions and Expense



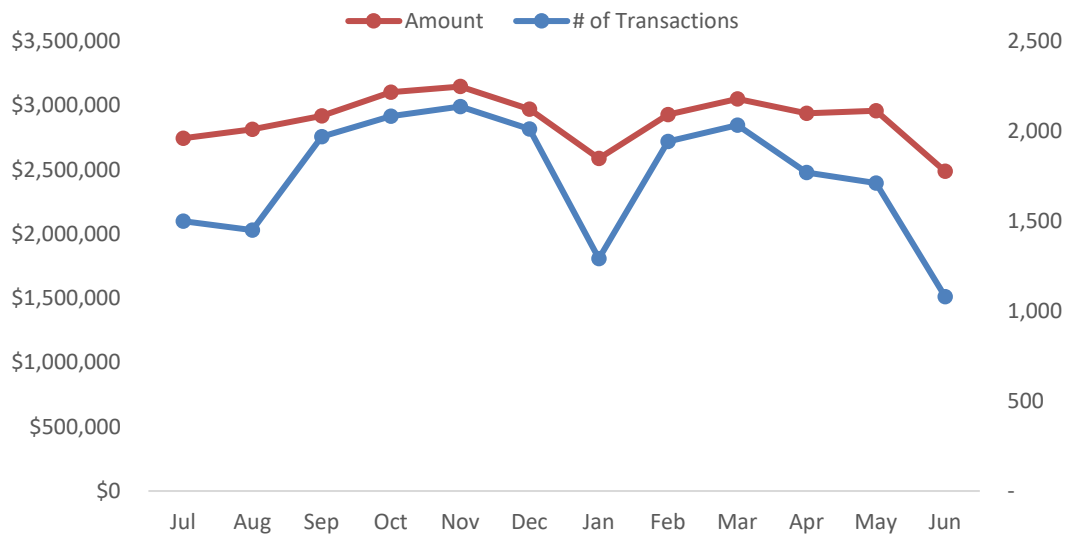
Annual Gross Salary Stratification

Number of Employees



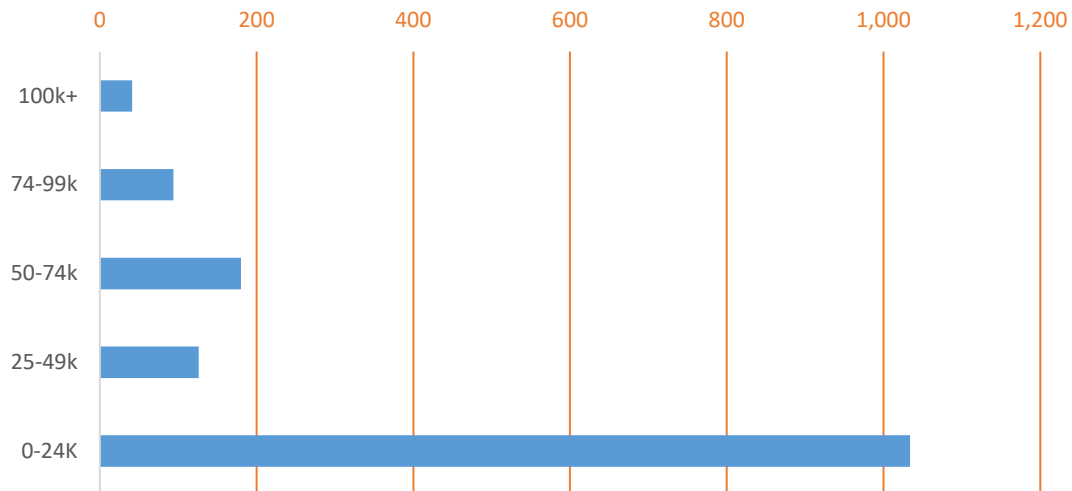
Fiscal Year 2020

Monthly Payroll Transactions and Expense



Annual Gross Salary Stratification

Number of Employees

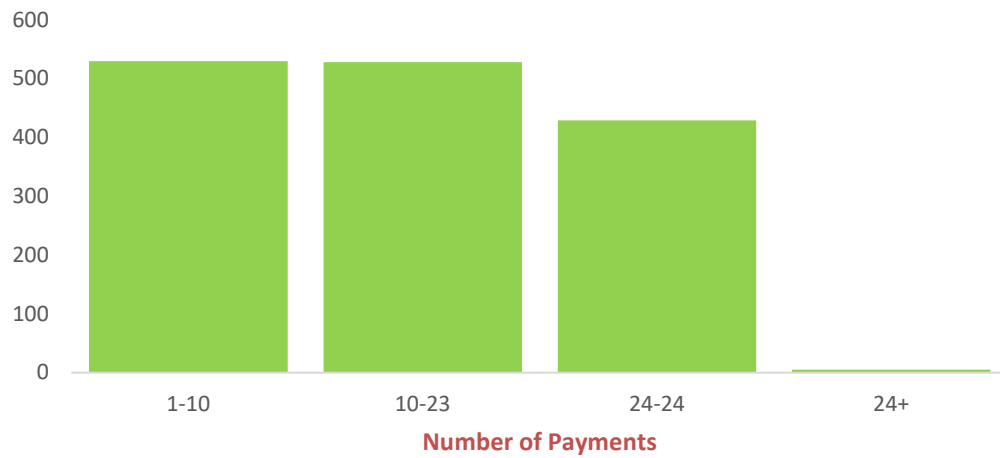


Results: The months January and June were significantly lower than other months, as expected and results are deemed in line with college operations. The annual gross salary stratification was comparable between fiscal years 2018, 2019 and 2020.

2. Pay Frequency by Employee

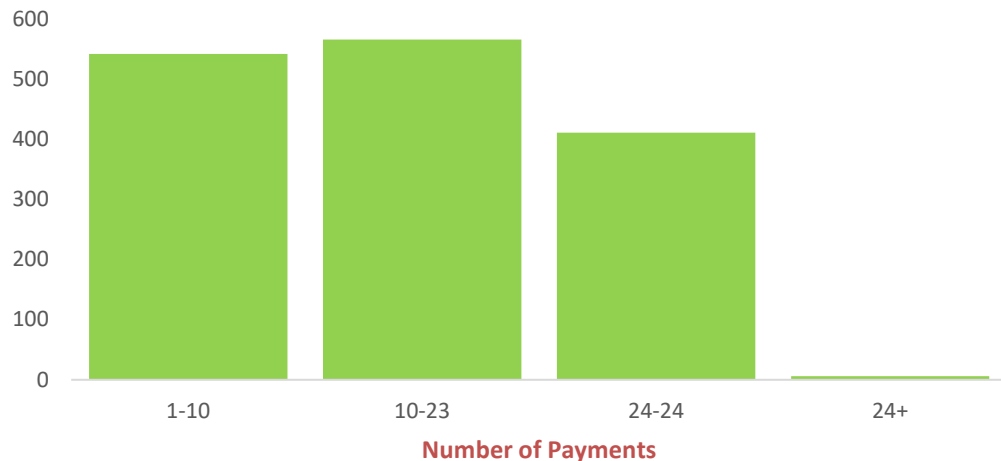
The following analysis reviews the frequency of pay by individual. For FCC, there are 24 pay periods. Therefore, we would expect the number of payments per employee to be less than or equal to 24 per year.

Fiscal Year 2018 Pay Frequency by Employee



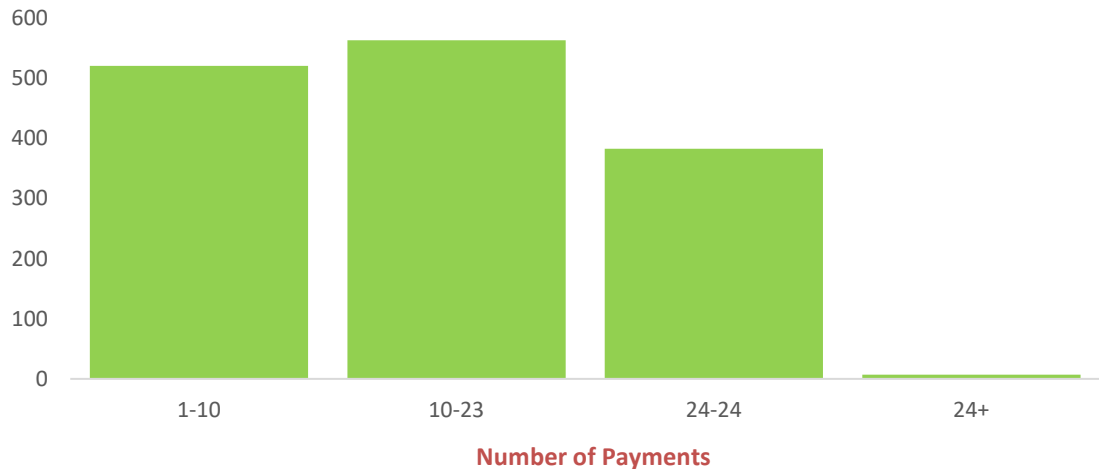
Results: There were 5 employees who received more than 24 payments in 2018. Per discussion with FCC, these employees changed status from hourly to full time support staff. Hourly/Part time Variable Schedule employees are paid a pay period behind so when they switch to a faculty/admin/support or adjunct position, they typically receive their current regular pay as well as remaining pay from a previous hourly position

Fiscal Year 2019 Pay Frequency by Employee



Results: There were 6 employees who received more than 24 payments in 2019. Per discussion with FCC, 4 of these employees received off cycle paychecks due to either: lost checks, incorrect Direct Deposit information, or an incorrect payment that was corrected with a second payment. The remaining 2 employees changed status from hourly to full time support staff. Hourly/Part time Variable Schedule employees are paid a pay period behind so when they switch to a faculty/admin/support or adjunct position, they typically receive their current regular pay as well as remaining pay from a previous hourly position

Fiscal Year 2020
Pay Frequency by Employee



Results: There were 7 employees who received more than 24 payments in 2020. Per discussion with FCC, 5 of these employees changed status from hourly to full time support staff. Hourly/Part time Variable Schedule employees are paid a pay period behind so when they switch to a faculty/admin/support or adjunct position, they typically receive their current regular pay as well as remaining pay from a previous hourly position. The remaining 2 employees received off cycle paychecks due to either: lost checks, incorrect Direct Deposit information, or an incorrect payment that was corrected with a second payment.

3. Employees with Multiple Employee Numbers

We summarized the payroll population by employee name and employee identification number to identify any employee name for which there are multiple employee identification numbers.

Results: There were no records that had the same full name and different employee numbers. Results are within expectations.

4. Top 10 Compensated Employees

We reviewed the employee file for the ten highest paid employees, and then compared the salaries earned to the job title for reasonableness. We expect that executives and upper-level management would have the highest salaries during the year.

Fiscal Year 2018

| ID | Name | Amount | Position |
|----------|----------|---------------|---|
| Redacted | Redacted | \$ 239,808.00 | President |
| Redacted | Redacted | 161,290.00 | Provost/Vice President for Academic Affairs |
| Redacted | Redacted | 133,680.00 | Vice President of Learning Support |

| | | | |
|----------|----------|------------|--|
| Redacted | Redacted | 133,542.00 | Vice President for Finance |
| Redacted | Redacted | 130,080.00 | Special Assistant to the President for Institutional Effectiveness, Institutional Research |
| Redacted | Redacted | 130,008.00 | Chief Information Officer |
| Redacted | Redacted | 130,008.00 | Chief Operating Officer |
| Redacted | Redacted | 120,384.00 | Associate Chief Information Officer |
| Redacted | Redacted | 118,763.00 | Professor, Soc Sci & Educ: Received Years of Service Bonus |
| Redacted | Redacted | 116,880.00 | Dean of Academic Affairs |

Fiscal Year 2019

| ID | Name | Amount | Position |
|----------|----------|---------------|--|
| Redacted | Redacted | \$ 249,173.00 | President |
| Redacted | Redacted | 186,000.00 | Provost/Vice President for Academic Affairs |
| Redacted | Redacted | 135,423.00 | Professor. Received a letter of assignment for additional responsibilities for June and July allowing for additional summer compensation in the amount of \$8,999.19. Employee also received a Years of Service Bonus for \$2,938.00 |
| Redacted | Redacted | 134,448.00 | Special Assistant to President for Institutional Effectiveness |
| Redacted | Redacted | 134,448.00 | Vice President for Finance |
| Redacted | Redacted | 134,448.00 | Chief Information Officer |
| Redacted | Redacted | 132,784.00 | Dean of Students and Director of Athletics |
| Redacted | Redacted | 126,896.00 | Assistant Vice President Enrollment Services |
| Redacted | Redacted | 123,840.00 | Associate Chief Information Officer |
| Redacted | Redacted | 118,488.00 | Executive Director Network Infrastructure & IT Security Officer |

Fiscal Year 2020

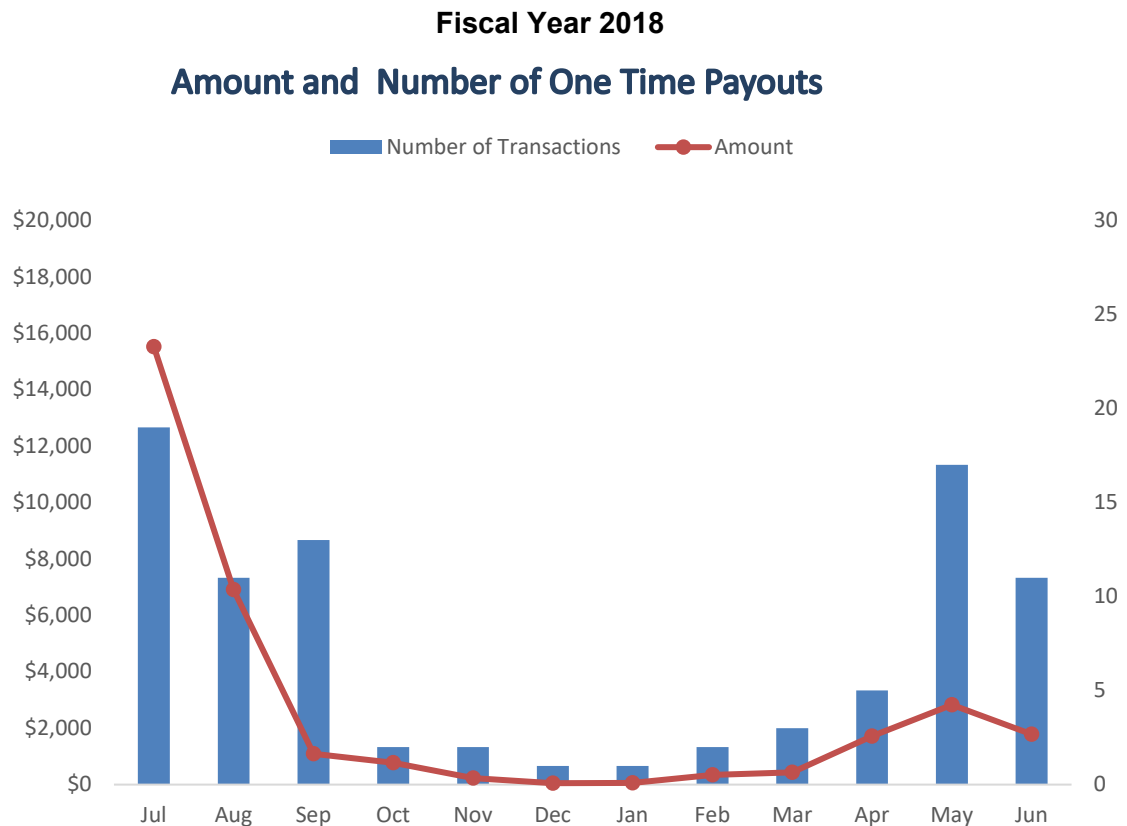
| ID | Name | Amount | Position |
|----------|----------|---------------|---|
| Redacted | Redacted | \$ 263,052.00 | President |
| Redacted | Redacted | 196,541.00 | Provost/Vice President for Academic Affairs |
| Redacted | Redacted | 138,980.00 | Vice President for HR |
| Redacted | Redacted | 138,480.00 | Vice President for Learning Support |
| Redacted | Redacted | 138,480.00 | Chief Information Officer |
| Redacted | Redacted | 138,480.00 | Special Assistant to President for Institutional Effectiveness |
| Redacted | Redacted | 134,161.00 | Professor. Received a letter of assignment for additional responsibilities for June and July allowing for additional summer compensation in the amount of \$17,998.38 |
| Redacted | Redacted | 127,560.00 | Associate Chief Information Officer |
| Redacted | Redacted | 123,540.00 | Executive Director Network Infrastructure & IT Security Officer |
| Redacted | Redacted | 122,225.00 | Professor. Received a Years of Service bonus in the amount of \$3,029.00 |

Results: Top ten employees per year appears reasonable based on position, responsibilities, and special circumstance. However, we noted that the Vice President of

HR and the Vice President for Learning Support appeared in the top ten for FY20 but not for FY19 and FY18. It was determined that in FY19 the VP of HR was a new position, with an interim hired who became fulltime in FY20. Prior to this, the HR function was under the VP of Finance. Also, although the VP for Learning Support is not a new position, a new individual was hired in the position on 7/1/19 at a higher rate of pay than the previous VP.

5. One-Time Payments

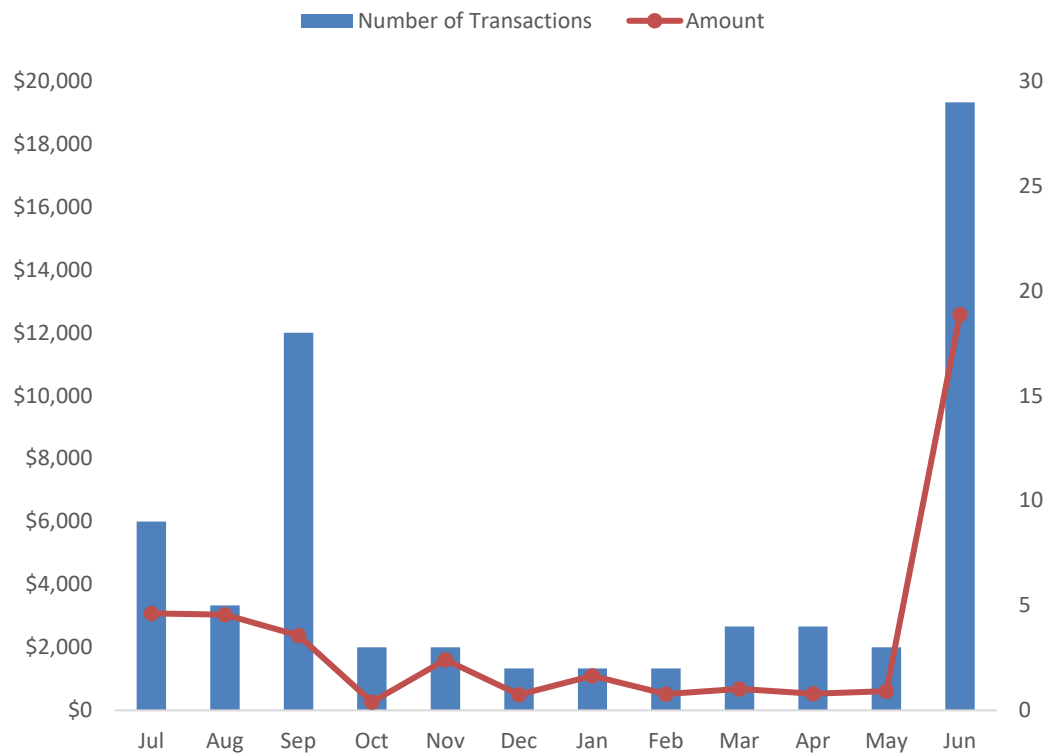
We identified one-time payments that occurred during the year, typically the infrequency of the payments makes these transactions higher risk.



Results: During fiscal year 2018, there were 87 one-time payments. We inquired as to the nature of each one-time payment with FCC. Explanations included temporary human resource staff payments, employees who terminated after the first pay period of the year, continuing education employees who are limited to teach one course per year, adjunct training stipends, and a bus driver with “as needed” status that only worked during one pay period. July 2017 experienced a significant spike primarily due to 6 employees who termed and received one pay in during the month and due to 8 hourly continuing education employees, whose assignments ended. Similarly, August 2017 saw assignments end for 9 continuing education employees. In September 2017, there were 4 new adjunct professors that received one time training stipends, 3 hourly professors that only taught one class, and 4 one-time stipends issued to dual enrollment instructors. May 2018 experienced a spike due to 11 stipends paid to dual enrollment instructors. June 2018 had 7 hourly adjuncts that only taught 1 class. Explanations received for one-time payments coincide with the normal college operations.

Fiscal Year 2019

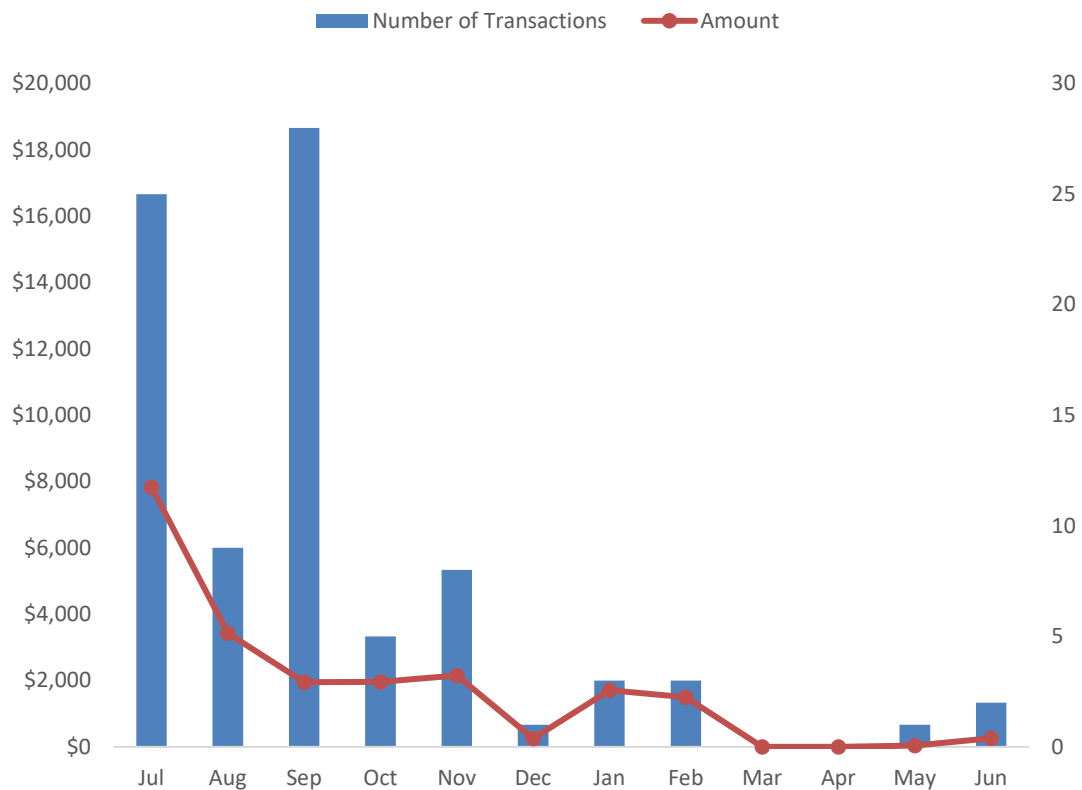
Amount and Number of One Time Payouts



Results: During fiscal year 2019, there were 84 one-time payments. We inquired as to the nature of each one-time payment with FCC. Explanations included employees who were hired in the last pay period of the year (many of these were for summer courses), an employee who substituted to cover an adjunct course credit class, continuing education employees who are limited to teach one course per year, and an assistant coach who was only paid once during a sports season. September 2018 experienced a spike that was primarily related to 5 dual enrollment instructor stipends and 7 adjunct training stipends. The spike in June 2019 was primarily related to 10 adjunct instructors who were paid once in June for a course that just started on 6/30, 9 one-time adjunct training stipends, and 5 instances where there was a one-time continuing education related adjunct instructor payment for teaching a single course. Explanations received for one-time payments coincide with the normal college operations

Fiscal Year 2020

Amount and Number of One Time Payouts



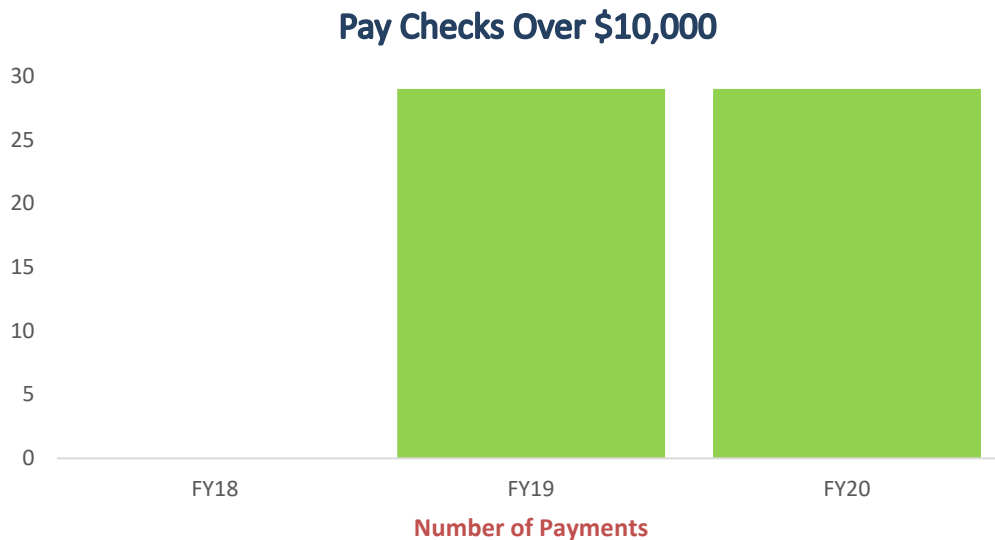
Results: During fiscal year 2020, there were 85 one-time payments. We inquired as to the nature of each one-time payment with FCC. Explanations included employees who retired or termed in the first pay period of the year, adjunct teaching stipends for some adjuncts who completed the training course but decided not to teach at the college, and continuing education employees who are limited to teach one course per year. The spike in July 2019 was primarily related to 13 employee who termed after receiving one payment in the beginning of the fiscal year, 7 hourly continuing education employees, whose assignments ended during the month, and 4 instances of one time “Kids on Campus” instructor orientation stipends. The spike in September 2019 was primarily related to 23 dual enrollment training stipends. Explanations received for one-time payments coincide with the normal college operations.

6. Employees Paid Multiple Checks in One Pay Period

During the period of July 1, 2017 to June 30, 2020, there were 30 instances where employees were paid more than once in a single pay period. Per discussion with Amy Stake, AVP of Finance, 23 of these employees had status changes (i.e., employee changed status from hourly to full time support staff). Hourly/Part time Variable Schedule employees are paid a pay period behind so when they switch to a faculty/admin/support or adjunct position, they typically receive their current regular pay as well as remaining pay from a previous hourly position. The remaining seven employees received off cycle paychecks due to either: a lost check, incorrect direct deposit information, or paid incorrectly and received a corrected payment.

7. Large Dollar Paychecks

We performed a stratification on payroll activity by employee to determine if there is any unusual activity. We would not expect to see any individual payroll disbursements over \$10,000. Below are the total number of payments by fiscal year of payments over \$10,000.



Results:

In fiscal year 2018, there were no gross payroll amounts over \$10,000. However, in both fiscal years 2019 and 2020, there were 29 gross payroll amounts that met this criterion. Per review of the annual salary of the President, we noted that starting in fiscal year 2019, her salary per pay period was greater than \$10,000, which represented 24 out of the 29 gross payroll amounts greater than \$10,000 for both fiscal years.

In fiscal year 2019, we noted the following five gross payroll amounts greater than \$10,000:

- One employee, the FCC Vice President for Human Resources, received a moving allowance of over \$10,000. Per Amy Stake, Assistant Vice President of Finance, the FCC Vice President of Human Resource relocated from California and was granted a relocation allowance totaling \$10,350.
- Two employees received years of service bonuses.
- There was one employee who switched from a full-time faculty to a credit adjunct. He received a payout for the remainder of his 12-month faculty contract of \$10,322.84.
- One employee terminated his position as faculty staff who chose to be paid out over 12 months rather than 10 months. The remainder of the pay owed to the employee was paid out at \$10,666.

In fiscal year 2020, we noted the following five gross payroll amounts greater than \$10,000:

- One new retiree was hired before the new handbook was created. He had been grandfathered in to receive payout of his annual and sick leave balance upon retirement.
- Two employees were terminated and paid out the remainder of their contracts.

- One employee received years of service bonus.
- One employee, the Campus Security Officer, who was considered essential personnel and worked on his typical days off during the COVID-19 pandemic. He received 116 hours paid at a 2.5 rate and 40 hours at a 1.5 rate. This was when the college had low staffing due to the pandemic.

8. Gap Detection

We ran a gap detection on the payment number sequence to determine if there were any payments/checks missing from the registers we were provided.

Results: No gaps were noted in the payment number sequence for payroll disbursements.

9. Gross and Net Pay Equal

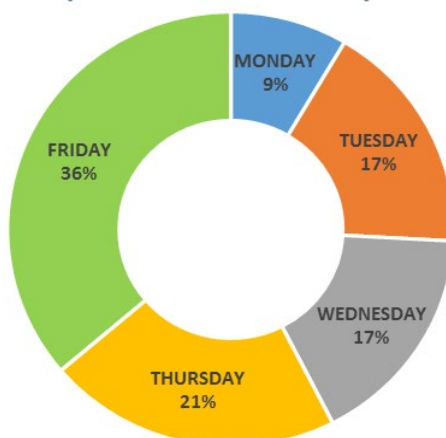
We ran an analysis to determine if there were any payroll checks in which the gross pay and net pay were equal. This allowed us to determine if there were any checks in which payroll taxes were not being withheld.

Results: There were 216, 378, and 331 transactions in fiscal years 2018, 2019 and 2020, respectively, where the gross and net pay were equal. We inquired regarding the relationship between gross and net pay for these instances and it was determined that these are employees who are in the work study/financial aid program and meet the requirements that qualify them for FICA exempt status while they work during the Spring/Fall semesters. Explanations received coincide with the normal college operations.

10. Weekend Payroll Checks

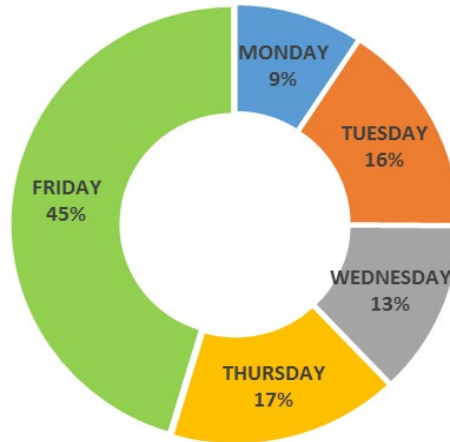
We summarized the payroll check register by dollar amount for each day of the week to identify any checks issued outside of normal workdays such as Saturday and Sunday.

Fiscal Year 2018
Payroll Disbursements by Day the Week
(Number of Transactions)



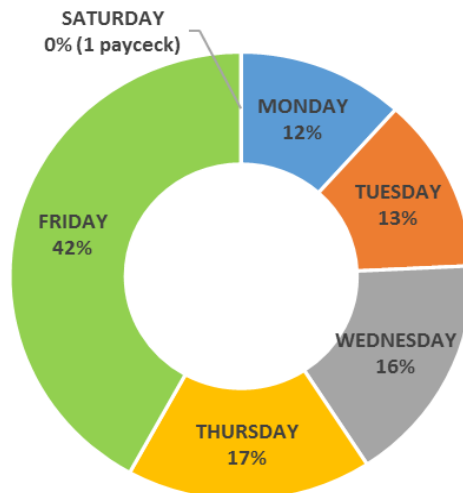
Fiscal Year 2019

Payroll Disbursements by Day the Week (Number of Transactions)



Fiscal Year 2020

Payroll Disbursements by Day the Week (Number of Transactions)



Results: In fiscal year 2020, there was 1 check with dated on a Saturday. This check was related to an employee who lost their check, so the original was voided, and a new check was created. Since this occurred during an actual pay date, the college could not use the 11/15 date. FCC dated the check for 11/16 so the employee could cash it on the following day. Explanation appears reasonable.

11. Employees paid who were not on Employee Master File

We combined the payroll registers for fiscal years 2018, 2019 and 2020 and compared the combined database to the employee master file. We noted 159 employees (152 paid in FY18, 3 paid in FY19, and 4 paid in FY20) who received a paycheck that were not in the employee master file.

Results: Per discussion with FCC, the employee master file provided was as of the current year 2021. These employees that were paid in 2018-2020 were later terminated before the current master list was run. We selected a sample of 5 employees (3 from FY18, 1 from FY19, and 1 from FY20) and obtained documentation supporting that respective termination dates were indeed after to the payment dates.