



A REPORT
TO THE
MONTANA
LEGISLATURE

COMPLIANCE AUDIT

University of Montana

*For the Two Fiscal Years Ended
June 30, 2017*

OCTOBER 2017

LEGISLATIVE AUDIT
DIVISION

17-12

**LEGISLATIVE AUDIT
COMMITTEE**

REPRESENTATIVES

KIM ABBOTT

Rep.Kim.Abbott@mt.gov

DAN BARTEL

Danbartel2@gmail.com

RANDY BRODEHL

Randybrodehl57@gmail.com

TOM BURNETT, VICE CHAIR

Burnett.tom@gmail.com

VIRGINIA COURT

virginacourt@yahoo.com

DENISE HAYMAN

Rep.Denise.Hayman@mt.gov

SENATORS

DEE BROWN

senatordee@yahoo.com

TERRY GAUTHIER

Mrmac570@me.com

BOB KEENAN

Sen.Bob.Keenan@mt.gov

MARGARET MACDONALD

Sen.Margie.MacDonald@mt.gov

MARY McNALLY, CHAIR

McNally4MTLeg@gmail.com

GENE VUCKOVICH

Sen.Gene.Vuckovich@mt.gov

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COMPLIANCE AUDITS

A compliance audit is a component of the biennial financial-compliance audit. In these audits, the compliance and financial audits are combined for a two-year period to constitute the financial-compliance audit. Financial-compliance audits are classified as financial audits according to Government Auditing Standards. The primary objectives of the compliance audits are to determine compliance with regulations relating to contract and grant expenditures, other governmental financial assistance, and to test compliance with requirements of selected state laws, regulations, and rules. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting and most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act Amendments of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require the auditor to issue certain financial, internal control, and compliance reports in addition to those reports required by Government Auditing Standards. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2015, was issued March 29, 2016. The Single Audit Report for the two fiscal years ended June 30, 2017, will be issued by March 31, 2018.

AUDIT STAFF

MARY CURRIN
KATIE MAJERUS
AMANDA SAYLER

NATALIE H. GIBSON
ALEXA O'DELL

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LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors
Cindy Jorgenson
Joe Murray

October 2017

The Legislative Audit Committee
of the Montana State Legislature:

This is our compliance audit report of the University of Montana for the two fiscal years ended June 30, 2017. The audit focused on compliance with federal requirements of the Student Financial Assistance programs. We also tested compliance with selected state laws and state policies.

This report contains four recommendations to the university. The first recommendation addresses an internal control deficiency and noncompliance with the cash management requirement in the Student Financial Assistance program. The second recommendation relates to an internal control deficiency for user access to the Banner information system. The last two recommendations address noncompliance with state procurement policy and state law regarding memberships to the university's fitness center.

As noted in the university's response starting on page A-1, the university concurs with all recommendations in this report. However, the university's response to the fourth recommendation is inconsistent with our finding and contradicts state law. The law referenced on page 11 clearly defines eligible members as students, employees, the immediate family members of a student or an employee of the university, or alumni. By law, affiliates, guests, and retirees are not eligible for fitness center membership. We maintain our position as reported.

We thank the president and the university staff for their assistance and cooperation during the audit.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

TABLE OF CONTENTS

Figures and Tables.....	ii
Appointed and Administrative Officials	iii
Report Summary	S-1
CHAPTER I – INTRODUCTION.....	1
Audit and Objectives.....	1
Enrollment and Staffing	2
University of Montana Funding.....	5
Prior Audit Recommendations.....	5
CHAPTER II – FINDINGS AND RECOMMENDATIONS.....	7
Excess Cash in Student Financial Assistance Program.....	7
Banner Controls.....	9
State Procurement Policy Circumvented.....	10
Fitness Center Memberships	11
UNIVERSITY RESPONSE	
University of Montana	A-1

FIGURES AND TABLES

Tables

Table 1	University of Montana Student FTE	2
Table 2	University of Montana Student FTE by Academic Level.....	3
Table 3	University of Montana Student FTE by Residential Status.....	3
Table 4	University of Montana FTE Employees.....	4
Table 5	University of Montana Number of Students per Contract Faculty	4
Table 6	Noncompliance With SFA Cash Management Requirements	8
Table 7	Memberships to the University’s Fitness Center.....	12

APPOINTED AND ADMINISTRATIVE OFFICIALS

		<u>Term Expires</u>
Board of Regents of Higher Education	Fran M. Albrecht, Chair	February 1, 2019
	Robert A. Nystuen, Vice Chair	February 1, 2022
	William Johnstone	February 1, 2024
	Casey Lozar	February 1, 2018
	Martha Sheehy	February 1, 2021
	Paul Tuss	February 1, 2020
	Chase Greenfield, Student Regent	June 30, 2018
	Clayton Christian, Commissioner of Higher Education*	
	Steve Bullock, Governor*	
	Elsie Arntzen, Office of Public Instruction, Superintendent*	
*Ex officio members		
Office of the Commissioner of Higher Education	Clayton Christian	Commissioner of Higher Education
	John Cech	Deputy Commissioner for Academic and Student Affairs
	Vivian Hammill	Montana University System Chief Legal Counsel, Deputy Commissioner
	Kevin McRae	Deputy Commissioner for Communications and Human Resources
	Tyler Trevor	Deputy Commissioner for Planning and Analysis/IT
	Frieda Houser	Director of Accounting and Budget
University of Montana	Sheila Stearns	Interim President
University of Montana-Missoula	Beverly Edmond	Interim Provost and Vice President for Academic Affairs
	Thomas Crady	Vice President for Enrollment Management and Student Affairs

	Michael Reid	Vice President for Administration and Finance
	Scott Whittenburg	Vice President for Research and Creative Scholarship
	Matthew Riley	Chief Information Officer
	Lucy France	Legal Counsel
	John McCormick	Director, Business Services
Montana Tech of the University of Montana (Butte)	Donald M. Blackketter	Chancellor
	Doug Abbott	Provost and Vice Chancellor for Academic Affairs
	Beverly Hartline	Vice Chancellor for Research and Dean of Graduate School
	Maggie Peterson	Vice Chancellor for Administration and Finance (through July 2017)
	Brant Wright	Vice Chancellor for Administration and Finance (effective July 2017)
	Joe McClafferty	Vice Chancellor for Development and University Relations
	John Badovinac	Controller/Business Manager, Post-Retirement
	Carleen Cassidy	Director of Sponsored Programs and Grant Accounting (through June 2017) Director of Finance and Budget (effective July 2017)
University of Montana-Western (Dillon)	Beth Weatherby	Chancellor, University Executive Vice President
	Deborah Hedeem	Provost and Vice Chancellor for Academic Affairs, University Associate Vice President
	Susan D. Briggs	Vice Chancellor, Administration/Finance and Student Affairs, University Associate Vice President
	Liane Forrester	Director of Business and Campus Services
Helena College University of Montana	Jane Baker	Interim Dean/CEO (effective May 2017)
	Daniel Bingham	Dean/CEO (through July 2017)
	Chad Hickox	Associate Dean for Academic Affairs
	Elizabeth Stearns-Sims	Assistant Dean for Student Services

Russ Fillner	Assistant Dean for Fiscal and Plant Operations
Valerie Curtin	Director of Financial Aid

For additional information concerning the University of Montana (all campuses), contact:

Kathy Burgmeier, Director
Internal Audit
University Hall 018
Missoula MT 59812
(406) 243-2545
(406) 243-2797 (fax)
e-mail: burgmeierka@mso.umt.edu



MONTANA LEGISLATIVE AUDIT DIVISION

COMPLIANCE AUDIT

University of Montana

For the Two Fiscal Years Ended June 30, 2017

OCTOBER 2017

17-12

REPORT SUMMARY

Student enrollment continued to decline, dropping from 16,719 in fiscal year 2015 to 15,972 and 15,293 in fiscal years 2016 and 2017, respectively. Federal funding for Student Financial Assistance decreased from \$96.7 million in fiscal year 2016 to \$91.4 million in fiscal year 2017, which is consistent with the drop in student enrollment. This report includes four recommendations, one related to the management of cash for the SFA.

Context

The University of Montana (university) includes four campuses which are accredited by the Commission on Colleges of the Northwest Association of Schools and Colleges. The four campuses of the university are comprised of University of Montana–Missoula, Montana Tech of the University of Montana, University of Montana–Western, and Helena College University of Montana. The campuses provide diverse programs leading to associate, undergraduate, and graduate degrees, as well as occupational certificates.

During the audit, we focused audit procedures on the University of Montana–Missoula, which distributed \$96.7 and \$91.4 million in student financial assistance to students in fiscal years 2016 and 2017. This represents approximately 76 percent and 78 percent of total federal assistance to the university, respectively. We also performed specific audit procedures, such as gaining an understanding of internal controls, over this Student Financial Assistance (SFA) activity at each campus. This testing also included performing updates to controls, running queries, and performing testing over the Banner system. Banner is the university's accounting and information system, which is used to process essentially all financial transactions, determine eligibility for SFA, and process payroll transactions. Additionally, we tested compliance with selected state laws and policies including procurement policies, travel policies, and laws related to the construction

of buildings, transfers, indirect costs, gifts and bequests to schools, reporting theft and fraud, and the university's fitness center. We also followed up on reported hotline calls at each university campus.

Results

The prior compliance audit of the university for the two fiscal years ended June 30, 2015, contained four recommendations. There were two recommendations on the federal SFA program, one related to exit counseling and grace period notifications for Perkins loans, which was implemented. The other recommendation was to enhance communication between staff charged with monitoring and correcting discrepancies between loan funds disbursed to a student and the amount recorded as reimbursed with federal funds. The university took steps to enhance this communication, however, the underlying issue has led to a similar recommendation in this audit report, as discussed starting on page 7. The two recommendations on research grant administration related to improving documentation of the review of grant financial activity and questioned costs associated with an equipment purchase. These recommendations were implemented by the university.

This report contains four recommendations. The first recommendation addresses an internal

(continued on back)

control deficiency and noncompliance with the cash management requirement in the SFA program. The second recommendation relates to an internal control deficiency for user access to Banner. The last two recommendations describe noncompliance with state procurement policy and state law regarding memberships to the university's fitness center.

Recommendation Concurrence	
Concur	4
Partially Concur	0
Do Not Concur	0
Source: Agency audit response included in final report.	

For a complete copy of the report (17-12) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at <http://leg.mt.gov/audit>
 Report Fraud, Waste, and Abuse to the Legislative Auditor's FRAUD HOTLINE
 Call toll-free 1-800-222-4446, or e-mail lad@mt.gov.

Chapter I – Introduction

Audit and Objectives

We conducted a compliance audit of the University of Montana (university) for the two fiscal years ended June 30, 2017. The objectives of the audit were to:

1. Determine the university's compliance with federal regulations applicable to the Student Financial Assistance (SFA) federal program, including its implementation of internal controls over compliance.
2. Determine the university's compliance with selected state laws and regulations.
3. Provide recommendations for improvement in management and internal controls.
4. Determine the implementation status of prior audit recommendations.

In order to address the objectives above, we focused audit procedures on the University of Montana–Missoula, which distributed \$96.7 and \$91.4 million in student financial assistance to students in fiscal years 2016 and 2017, of which is approximately 76 percent and 78 percent of total federal assistance to the university, respectively. We also performed specific audit procedures, such as gaining an understanding of internal controls, over this SFA activity at each campus. This testing also included performing updates to controls, running queries, and performing testing over the Banner system. Banner is the university's accounting and information system, which is used to process essentially all financial transactions, determine eligibility for SFA, and process payroll transactions. Additionally, we tested compliance with selected state laws and policies including procurement policies, travel policies, and laws related to the construction of buildings, transfers, indirect costs, gifts and bequests to schools, reporting theft and fraud, and the university's fitness center. We also followed up on reported hotline calls at each university campus.

The **University of Montana** is accredited by the Commission on Colleges of the Northwest Association of Schools and Colleges. The four campuses of the University of Montana provide a diversity of undergraduate and graduate academic degrees.

The **University of Montana–Missoula** campus offers four-year undergraduate programs along with masters and doctoral graduate programs. It includes professional schools and significant research activities. The campus is the center of liberal arts education in the Montana University System (MUS) and operates the only law school in the MUS. Other schools/colleges include Business Administration, Education and Human Sciences, Visual and Performing Arts, Forestry and Conservation, Health Professions and Biomedical Sciences, Extended and Lifelong Learning, Honors,

Graduate, and Journalism. In addition, the campus also includes the two-year Missoula and Bitterroot colleges, which provide a broad range of technical and occupational education and training courses. The Montana Forest and Conservation Experiment Station is associated with this campus.

Montana Tech of the University of Montana, located in Butte, provides a variety of four-year and graduate programs with a focus on mineral, geological, environmental, petroleum, mining, and other engineering and science programs. It also includes the Highlands College, which provides core education courses and two-year degrees in various occupational and technical programs, and the Bureau of Mines and Geology, which provides advisory, technical, and informational services on the State's geologic, mineral, energy, and water resources.

University of Montana–Western, located in Dillon, provides undergraduate degrees in a number of liberal arts, professional, and pre-professional areas using a unique scheduling system in which students take one class at a time.

Helena College University of Montana is a two-year college offering associate degrees and technical proficiency certificates. It also provides studies toward upper-level and graduate-level programs.

Enrollment and Staffing

Table 1 presents the university student full-time equivalent (FTE) enrollment, by campus, for the past four fiscal years. In fiscal years 2016 and 2017, the University of Montana had FTE student counts of 15,972 and 15,293, respectively.

Table 1
University of Montana Student FTE
Fiscal Years 2014 Through 2017

Campus	FY2014	FY2015	FY2016	FY2017
University of Montana-Missoula	12,210	11,824	11,147	10,477
Montana Tech of the University of Montana	2,549	2,600	2,617	2,510
University of Montana-Western	1,410	1,356	1,352	1,450
Helena College University of Montana	970	939	856	856
Total	17,139	16,719	15,972	15,293

Source: Compiled by the Legislative Audit Division from Office of the Commissioner of Higher Education data.

Table 2 presents the student FTE for fiscal year 2017 by academic level at each campus.

Table 2
University of Montana Student FTE by Academic Level
Fiscal Year 2017

Campus	Graduate	Undergraduate	Two-Year	Total
University of Montana-Missoula	1,822	7,499	1,156	10,477
Montana Tech of the University of Montana	163	2,030	317	2,510
University of Montana-Western		1,450		1,450
Helena College University of Montana			856	856
Total	1,985	10,979	2,329	15,293

Source: Compiled by the Legislative Audit Division from Office of the Commissioner of Higher Education data.

Table 3 presents the student FTE for fiscal year 2017 by residential status at each campus.

Table 3
University of Montana Student FTE by Residential Status
Fiscal Year 2017

Campus	Resident	Nonresident	Total
University of Montana-Missoula	7,576	2,901	10,477
Montana Tech of the University of Montana	1,812	698	2,510
University of Montana-Western	1,113	337	1,450
Helena College University of Montana	831	25	856
Total	11,332	3,961	15,293

Source: Compiled by the Legislative Audit Division from Office of the Commissioner of Higher Education data.

Table 4 presents FTE employees at each campus of the university. Actual fiscal year 2017 data is not presently available.

Campus	Contract Faculty	Contract Administrative	Contract Professional	Classified	Graduate Teaching Assistant / Graduate Research Assistant	Part-Time and Other
University of Montana-Missoula	770.89	58.79	455.43	899.18	281.05	466.84
Montana Tech of the University of Montana	173.93	9.10	117.34	124.59	25.21	52.41
University of Montana-Western	82.19	8.00	27.36	88.95	-	24.77
Helena College University of Montana	49.35	4.65	16.78	38.50	-	3.70
Bureau of Mines	-	1.00	32.63	13.33	1.09	6.81
Forestry Conservation Station	6.51	-	2.22	1.22	-	-
Total	1,082.87	81.54	651.76	1,165.77	307.35	554.53

Source: Compiled by the Legislative Audit Division from Office of the Commissioner of Higher Education data.

Table 5 presents the number of students to one contract faculty at each campus of the university.

	FY2014	FY2015	FY2016	FY2017 (Budgeted)
University of Montana-Missoula	18.5	18.0	17.2	16.5
Montana Tech of the University of Montana	16.0	15.7	15.9	15.1
University of Montana-Western	17.9	17.5	17.0	17.4
Helena College University of Montana	19.2	19.7	20.7	20.9

Source: Compiled by the Legislative Audit Division from Office of the Commissioner of Higher Education data.

* Contract faculty are employees who hold an academic contract with the Board of Regents and provide services only in the primary programs of instruction, research, and public service.

University of Montana Funding

The level of state support for the MUS is determined by the Montana legislature. The legislature appropriates state funds, comprised of general fund and six-mill levy revenues, in a lump sum for the educational units and all other higher education programs except the research and public service agencies, community colleges, and tribal college assistance programs. The Board of Regents allocates the lump sum state funding to the various programs and campuses. The Board of Regents' allocation formula is based upon resident enrollment and certain base fixed costs of each campus. Total state appropriations to the university was \$89.5 million and \$91.2 million for fiscal years 2016 and 2017, respectively.

Prior Audit Recommendations

The prior compliance audit of the university for the two fiscal years ended June 30, 2015, contained four recommendations. There were two recommendations on research grant administration. One recommendation related to implementing procedures to document quarterly reviews of grant expenditures, and the other one related to limiting charges to federal grants to activities allowed under terms of the grant agreement. These recommendations were implemented by the university.

There were two recommendations on the federal SFA program. One recommendation was to implement improvements in procedures to ensure Perkins loan exit counseling and grace period notifications occur timely, as required. This recommendation was implemented by the university. The other recommendation was to enhance communication between staff charged with monitoring and correcting discrepancies between loan funds disbursed to a student and the amount recorded as reimbursed with federal funds. The university took steps to enhance this communication, however, the underlying issue has led to a similar recommendation in this audit report, as discussed starting on page 7.

Chapter II – Findings and Recommendations

Excess Cash in Student Financial Assistance Program

The university's internal controls did not prevent or detect noncompliance with federal cash management requirements.

The University of Montana–Missoula (university) receives funding from the Department of Education (ED) for the Student Financial Assistance program (SFA) through various grants. The objective of this program is to provide financial assistance to students pursuing postsecondary education. The Direct Loan program makes interest subsidized or unsubsidized Stafford loans available to students, or PLUS loans to graduate or professional students or to parents of dependent students, to pay for the cost of attending postsecondary educational institutions. The Federal Pell Grant program provides grants to students enrolled in eligible undergraduate programs and certain eligible post-baccalaureate teacher certificate programs, and is intended to provide a foundation of financial aid. The ED provides funds to the university under the advance payment method, which allows institutions to draw down funds prior to disbursing funds to eligible students and parents. However, the university has chosen to distribute the funds to the students and then request reimbursement from ED. When a student withdraws from the university after accepting financial assistance, a portion of the assistance is considered “unearned” and must be returned to ED. The university calculates the amount to return based on several factors, including attendance of classes and official withdrawal dates.

ED considers excess cash to be any amount of program funds the university does not disburse to students or parents by the end of the third business day following the receipt of those funds. Excess cash includes any funds received from ED that are deposited or transferred to the university as a result of an award adjustment, cancellation, or recovery. However, the university may maintain an amount of excess cash that does not exceed 1 percent of the total amount of funds drawn down in the prior award year for up to seven days. Excess cash for any amount or time frame over that allowed in the tolerance provisions can lead to the university reimbursing ED for any interest accrued in providing that excess cash.

During the audit we reviewed the activity for fiscal year 2016 and 2017, which included 216 and 213 days of activity for fiscal year 2016 and 2017, respectively. We found six instances where the university held excess cash that exceeded the tolerance provision defined above for the Direct Loans and Pell Grants, as shown in Table 6 (see page 8). These instances of excess cash could be the result of not returning funds timely or

receiving reimbursement for amounts greater than needed. The table presents each day the university held excess cash for more than 3 days.

Table 6
Noncompliance With SFA Cash Management Requirements

SFA Program	Days Where Instances of Noncompliance Identified	Excess Cash*
FY2017 Direct Loan Program	July 11 and July 13	\$9,183
	September 20-23	\$1,523,014
FY2017 Pell Grant Program	July 12-14 and July 18-19	\$10,940
	December 6-9 and December 12-13	\$14,388
	January 3-4, January 6, and January 9	\$98,504
FY2016 Pell Grant Program	May 17-19, May 24-26, and May 31	\$82,368

Source: Compiled by the Legislative Audit Division.

* The excess cash in the table represents the highest amount of cash at a point in time within that consecutive span of noncompliance.

Federal regulations further require the university to establish and maintain effective internal controls to provide reasonable assurance over compliance requirements for federal awards. A deficiency in internal control exists when the internal control is ineffective in preventing or detecting noncompliance. The controls in place at the University do not allow the staff to ensure requesting reimbursement and returning funds to ED are completed timely and in compliance with cash management requirements. One department at the university is responsible for awarding student financial assistance funds and any return of those funds, and a different department requests the related reimbursement.

University staff stated the excess cash balance primarily occurred because there is a timing difference in the process for returning funds due to when that information is entered into Banner, the university's accounting and information system. This delay allows reimbursement requests to occur which do not consider funds being returned.

Timely entry of data into Banner and improved communication between departments can minimize these timing differences to enhance compliance with cash management requirements.

RECOMMENDATION #1

We recommend the University of Montana strengthen internal controls to ensure compliance with cash management requirements for reimbursement requests and return of funds to the Department of Education for the Direct Loan and Pell Grant programs.

Banner Controls

The university did not perform a review of user access to Banner during the audit period.

Banner is the university's accounting and information system. It is used to process essentially all financial transactions, determine eligibility for SFA, and process payroll transactions by using a series of tables and validation or rule forms. Banner is critical in supporting the university's operations, and as such, access to the system should be restricted to those individuals who have a business need. Access to Banner is based on classes or profiles and granted using an Electronic Banner Account Request Form, which allows for access to be initiated and approved electronically. The University of Montana–Missoula (university) has a security plan that outlines potential risks, incompatible duties and profiles by module for the Banner system. The university's internal control matrix documents the need for the security plan to be reviewed and updated annually, which includes a review of current users and their security profiles. The security plan was last updated in September 2015, and the last annual security review over access to Banner was performed in March 2015. During the audit we reviewed user access to tables that effect the financial activity and compliance with federal regulations over SFA activity. We reviewed access to approximately 20 tables in Banner and identified 4 individuals whose access allowed them to make changes or modify information in the system which was not necessary for their job responsibilities. The supervisors of these staff were unaware this access was given.

Federal regulations require the university to establish and maintain effective internal controls to provide reasonable assurance over compliance requirements for federal awards. A deficiency in internal control exists when the internal control is ineffective in preventing or detecting noncompliance. The controls in place at the university do not allow the staff to detect and prevent inappropriate access and modifications to Banner tables. Although our audit did not identify any unauthorized transactions or

inappropriate changes made by the individuals, in order to protect the system and data from unauthorized activity the university should review access in a timely manner.

University staff stated the manual process utilized for this review in past years was labor intensive and cumbersome. In calendar year 2017, an automated process was developed and final testing will be completed at the end of July 2017. Staff further stated the inappropriate access has been removed and there were no inappropriate changes made by these staff.

RECOMMENDATION #2

We recommend the University of Montana maintain internal controls, in accordance with federal regulations, to conduct annual security reviews in accordance with its internal control policy to ensure appropriate access is granted as documented in the security plan.

State Procurement Policy Circumvented

Helena College University of Montana staff circumvented state procurement policy and did not use a limited solicitation procedure.

State Procurement rules and methods require a limited solicitation procedure to be used for supplies with a total contract value between \$5,001 and \$50,000. In addition, Helena College University of Montana's (college) Budgeted Purchases Guidelines state prior approval and three documented quotes are required for purchases between \$5,000 to \$14,999. State and university procurement policies and procedures are designed to prevent the misappropriation of state funds for nonstate-related purchases or to encourage competitive bidding to get the best price for goods or services.

College staff completed three separate transactions on a procard in order to make a valid purchase of parts for the Airport Campus with a total contract value of \$13,290. The cardholder did not follow state policy or college guidelines as there was no limited solicitation, no prior approval or documented quotes, and the total purchase exceeded the procard limit of \$5,000.

College staff stated the cardholder was aware of policy and guidelines and still made the purchases. College staff should ensure cardholders follow policy and guidelines or restrict the use of procards to staff that will follow such policy and guidelines.

RECOMMENDATION #3

We recommend the Helena College University of Montana comply with state procurement policy and university guidelines for purchases exceeding \$5,000.

Fitness Center Memberships

The university provided fitness center memberships to individuals not eligible per state law.

Section 20-25-332, MCA, prohibits the university from selling contracts or charging monthly fees to individual members of the general public for the use of fitness center facilities if a for-profit fitness center offering similar services operates in the community where the university fitness center operates. The sale of fitness center membership is limited to students, employees, the immediate family members of a student or an employee of a university, or alumni.

There are for-profit fitness centers in the community of the University of Montana–Missoula. The university offers memberships to affiliates, retirees, and their spouses. The university's website defines an affiliate as someone who is not employed by the university but is associated through some contractual or collaborative relationship. The university also sells daily passes to anyone who has a sponsor. A sponsor is defined as anyone with a membership to the fitness center. The law referenced above clearly defines the eligible members, which does not include guests with a sponsor, retirees, affiliates, or the immediate family members of a retiree or an affiliate.

Table 7 (see page 12) represents memberships and the cost for that membership in fiscal years 2016 and 2017. The day guest pass mostly represents sales to the guests with a sponsor.

Table 7
Memberships to the University's Fitness Center

Member Category	Spring 2016	Spring 2017	Cost of Membership
Students	9,004	8,394	\$117/semester
Employees: Faculty and Staff	536	514	\$29/month
Employees: Spouses and Dependents	121	117	\$29/month
Alumni	46	38	\$55/month
University Affiliates	62	66	\$29/month
Retirees and Spouses	112	106	\$15/month
One-Day Guest Pass	5,758		\$8
Seven-Day Guest Pass	1,096		\$21

Source: Compiled by the Legislative Audit Division from university information.

*The Guest Pass categories represent all passes sold between July 1, 2015 through June 30, 2017.

University staff believe they have met the intent of the law by not competing with for-profit fitness centers, and they intend to seek clarification about the membership eligibility of this law through the appropriate means.

RECOMMENDATION #4

We recommend the University of Montana comply with state law by selling memberships for the fitness center only to eligible individuals.

UNIVERSITY OF MONTANA

UNIVERSITY RESPONSE



October 10, 2017

Legislative Audit Division
Room 135, State Capitol
P. O. Box 201705
Helena, MT 59620-1705

RECEIVED
OCT 13 2017
LEGISLATIVE AUDIT DIV.

Dear Mr. Maciver:

On behalf of the University of Montana community, I want to extend our appreciation to you and the Legislative Audit staff for their work on the University of Montana's Compliance Audit for the two fiscal years ending June 30, 2017. We find this process to be useful and the Legislative Audit staff to be professional. The University considers accountability of public funds and compliance with laws and regulations critically important.

Again, thank you and your staff for their assistance and attentive efforts.

Sincerely,

Sheila M. Stearns,
President
University of Montana

SMS/rp
Stearnslet86

Cc: Clayton T. Christian, Commissioner of Higher Education

Office of the President

University of Montana
Response to Legislative Audit Division
Compliance Audit
For the Two Fiscal Years Ended June 30, 2017
October 9, 2017

RECOMMENDATION #1

WE RECOMMEND THE UNIVERSITY OF MONTANA-MISSOULA STRENGTHEN INTERNAL CONTROLS TO ENSURE COMPLIANCE WITH CASH MANAGEMENT REQUIREMENTS FOR REIMBURSEMENT REQUESTS AND RETURN OF FUNDS TO THE DEPARTMENT OF EDUCATION FOR THE DIRECT LOAN AND PELL GRANT PROGRAMS.

The University concurs with the recommendation. Effective early in 2017, University of Montana –Missoula (UM-Missoula) Business Services personnel refined their cash monitoring procedures for Direct Loan and Pell Grant programs to ensure funds have been returned in a timely manner.

RECOMMENDATION #2

WE RECOMMEND THE UNIVERSITY OF MONTANA–MISSOULA MAINTAIN INTERNAL CONTROLS, IN ACCORDANCE WITH FEDERAL REGULATIONS, TO CONDUCT ANNUAL SECURITY REVIEWS IN ACCORDANCE WITH ITS INTERNAL CONTROL POLICY TO ENSURE APPROPRIATE ACCESS IS GRANTED AS DOCUMENTED IN THE SECURITY PLAN.

The University concurs with the recommendation. The UM-Missoula management determined that the manual process utilized for this review had become too labor intensive and cumbersome. In FY 17, personnel developed an automated process and final testing has been completed. The annual security review occurs in the fall of the preceding fiscal year so the FY 17 review will be completed in fall 2017. A review of access and transactions made in Banner by the individuals in question provided reasonable assurance that no unauthorized transactions have occurred.

RECOMMENDATION #3

WE RECOMMEND HELENA COLLEGE UNIVERSITY OF MONTANA COMPLY WITH STATE PROCUREMENT POLICY AND UNIVERSITY GUIDELINES FOR PURCHASES EXCEEDING \$5,000.

The University concurs with the recommendation. Helena College management found the noted non-compliance and addressed the violation with the employee immediately. Helena College personnel continually monitor employee purchases for compliance with applicable state and University procurement policies and procedures.

RECOMMENDATION #4

WE RECOMMEND THE UNIVERSITY OF MONTANA COMPLY WITH STATE LAW BY SELLING MEMBERSHIPS FOR THE FITNESS CENTER ONLY TO ELIGIBLE INDIVIDUALS.

The University concurs with the recommendation. The University believes it has not violated state law. The University considers retirees as meeting the definition of employees. The affiliates category must meet a physical presence on the UM campus community to be considered Campus Recreation eligible. And guest cannot purchase memberships or be charged monthly fees. The University believes we have met the intent of the law by not competing with for-profit fitness centers and will work with the Office of Commissioner of Higher Education and/or Board of Regents to seek clarification as appropriate.