



Friday, October 06, 2006

Tim Brannan, Chair
Audit Committee
Board of Trustees,
Lansing Community College
P.O. Box 40010
Lansing, MI 48901-7210

RE: Internal Investigation Final Report

Dear Board Members:

I have completed my internal investigation related to the allegations made to the Michigan Office of the Auditor General by the former General Counsel of the College. The detailed report is attached for your review. This special internal investigation was requested by the Interim President of Lansing Community College and approved by the Chairman of the Audit Committee of the Board on Thursday 9/28/2006.

The objective of the investigation is to determine if there is misuse of college funds and if there are violations of College policies as alleged by the former College Counsel. I have audited, analyzed, and verified pertinent documents and records obtained from the President's Office, Human Resources Department, Business Office, Accounting and Payroll Department, and Purchasing Department. In performing my investigation, I also have interviewed and obtained documents from appropriate college employees including the Interim President.

The report and the underlying documents I relied upon were reviewed by Michelle Gallagher, CPA with the Gallagher & Associates, CPAs.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Hoa Nguyen", with a long horizontal flourish extending to the right.

Hoa Nguyen
Executive Director
Compliance & Internal Control
(517) 483-1765
nguyenh8@lcc.edu

cc: Bruce Dunn, CPA
Michelle Gallagher, CPA

Chris A. Laverty, *Chairperson* • Kathy G. Pelleran, *Vice Chairperson* • Robert E. Proctor, *Secretary/Treasurer*
Timothy A. Brannan, Ph.D., *Trustee* • Mark H. Canady, *Trustee* • Robin M. Smith, *Trustee* • Thomas Rasmusson, *Trustee*

FINAL REPORT

Objective:

The objective of this internal investigation is to:

- determine if there is misuse of college funds
- determine if there are violations of existing college policies

Records and Documents reviewed:

In planning and performing the internal investigation, the following documents and records were obtained from:

Human Resources Department:

1. Timecard Detail Reports for Support Staff in the President's Office
2. Copy of Overtime Language from Education Support Personnel Contract
3. Copy of Responsibility Dollars Language from Education Support Personnel Contract
4. New Hire Salary Worksheet for Support Staff in the President's Office
5. LCC Professional Band Level Definition
6. New Position Request for Professional Position Level 6 in Quality
7. Job Description for the Professional Position Level 6 in Quality
8. Copy of Reclassification Procedures
9. Approved Request for Additional Responsibility Dollars for the Interim Board Secretary
10. E-mail from Human Resources to the Interim Board Secretary regarding the approved responsibility dollars (\$3,000) prorated at a daily rate of \$11.54
11. Copies of e-mail communication between the President's Office and Human Resources Department regarding the reclassification of Support Staff in the President's Office
12. Lead Support Job Description
13. Newly Created Office Support Position Level 3

Business Office:

1. List of positions in the President's Office
2. College Purchasing Card Transaction Review
3. List of originally budgeted positions in the President's Office
4. Total College FY2006 Year End Fund Status

Accounting & Payroll Department:

1. General Ledger Expense Accounts for FY 05-06 and YTD FY06-07
2. Payroll Records for the two support staff directly under the supervision of the Interim President in the President's Office

Purchasing Department:

1. Copies of LCC Interim President Conflict of Interest Annual Disclosure of Relationship to Supplier
2. Copy of PO #3859 StudentVoice System License
3. Copy of PO #6639 StudentVoice System License
4. Copy of PO #10494 StudentVoice System License

College Policy/Contract Review:

1. Purchasing Card Policy
2. Staffing Policy
3. Conflict of Interest With Vendors Policy
4. Copy of LCC Interim President Employment Agreement

Miscellaneous Documents:

1. College Card Purchase Receipts Sample from Support Staff
2. Copy of e-mail communication from College Director of IT Security regarding the former College Counsel's assigned responsibilities to the College Systems
3. Copy of e-mail of resignation from previous Board Secretary
4. Copy of Time Entry Screen for the Interim Board Secretary
5. Copy of the former College Counsel's e-mail containing allegations to the Michigan Office of the Auditor General

Findings:

In performing my investigation, I have reviewed, verified, and analyzed documents and records related to each allegation made to the Auditor General Office. Correspondingly, my findings are to address each allegation as follow:

1. **First allegation:** The Interim President is approving inordinate amounts of overtime for three or four support staff in the President's Office. For example, one employee received over \$12,000 in overtime within a five month period. An employee is being paid "extra responsibility dollars" for taking on additional work, and has been paid overtime for weeks when she took vacation time for her regular hours.

Finding: In performing the investigation of the first allegation, I have obtained and reviewed records of the support employees assigned in the President's Office and who are directly responsible to the Interim President. There are five support employees currently assigned in the President's Office according to the records obtained from the Business Office (Attachment A). However, there are only two support employees whose timecard reporting is directly approved by the Interim President. These two support employees had recently moved to the President's Office from the Student and Academic Support (SAS) Division soon after the former Dean of SAS was appointed to the interim presidency. The other two support employees' timecard reporting is approved by the Interim Board

Secretary. One employee is currently assigned in the Presidential Search Office located on West Campus. The other support employee has been reclassified to a full time temporary effective August 22nd, 2006. This support employee had started as a part-time temporary support. Since these two support employees whose timecard reporting is approved by the Interim Board Secretary, their hours were not subjected to the investigation. The fifth support employee who is assigned in the President's Office effective 7/31/2006 actually reports to the General Counsel Office. Also, this employee's hours are not subjected to the investigation because her timecard is not approved by the Interim President.

The overtime hours subjected to the investigation are those reported by the two support employees whose timecard reporting is approved by the Interim President.

Background information on the two support employees subject to my review are as follow:

- a) When the former Dean of SAS Division was appointed to the interim presidency on February 9th, 2006, she brought over one support employee from SAS Divisional Office to the President's Office about a week later after the appointment.
- b) The second support staff to the Interim President was also from SAS Divisional Office. His responsibilities were shared among the SAS Divisional Office and the President's Office until July 1st, 2006. His timecard reporting was approved by the Interim Dean of SAS Division until July 1st, 2006 and thereafter, his timecard is approved by the Interim President.

Based on my findings, these are the only two support employees in the President's Office who directly report to the Interim President.

The leadership transition had brought about staffing rearrangement within the President's Office and prompted necessary overtime in response to the work demands of the Office. Between the month of February and at the end of June which is also the end of college fiscal year 05-06, the total overtime was 93 hours for one support employee who was transferred from SAS Divisional Office a week after the Interim President was appointed. The overtime compensation paid to this employee was \$2,810.46 for the period. From July to September 22nd, 2006 (the College is now in the new fiscal year 06-07 starting July 1st), the two employees who are directly responsible to the Interim President had recorded a total of 273.5 hours in overtime work and their total overtime pay was \$7,233.41. If the two fiscal years are disregarded and if the seven month period is used in calculation of the grand total overtime compensation paid to these two employees, the amount was \$10,043.87 (Attachment B).

According to HR, there is no policy on overtime. The overtime is approved at the time the timecard is approved. There is no pre-approval of overtime process currently in place.

Based on these facts, the allegations of the Interim President approving inordinate amounts of overtime and one employee receiving \$12,000 in overtime pay within a five month period are unsubstantiated.

In regards to the allegation of extra responsibility dollars, no such transaction has occurred with the two support employees who directly report to the Interim President. However, an employee who is being paid “extra responsibility dollars” does fit the description of the Interim Board Secretary (Attachment C). Upon my review, the Interim Board Secretary is a full-time Executive Secretary to the Office of Academic Affairs. Her timecard reporting is approved by the Vice President of Academic Affairs. Because this support employee’s timecard reporting is not approved by the Interim President, the employee’s hours are not subjected to the investigation just like other support employees in the President’s Office whose timecard reporting is not approved by the Interim President.

Based on these facts, the allegation of an employee is being paid “extra responsibility dollars” for taking on additional work is without merit.

In response to my request regarding any applicable college policy and/or procedure on overtime and responsibility dollars, the Human Resources Executive Director has affirmed that currently the college does not have either a policy or procedure on overtime and responsibility dollars (Attachment D). The Director provided the overtime language and additional responsibility dollars language from the support staff contract as the only documents pertaining to the overtime and additional responsibility dollars.

2. **Second allegation:** The President has given lucrative increases to the support staff without following the hiring process and/or reclassification process.

Finding: In performing my investigation of the second allegation, I have obtained records from Human Resources Department pertaining to three support positions in the President’s Office which recently were created, reclassified and/or transferred. Based upon my review of personnel records provided by HR against the recently adopted College Staffing Policy (Attachment E) and my interview with the HR Executive Director, I have found nothing to substantiate the allegation based on the following facts:

- **New Position - F/T Temporary Support:** The newly created temporary support position level 3 was reviewed and approved by HR Department for an effective period of 8/22/2006 through 12/31/2006. This position was needed to assist three full-time positions in the President’s Office: the Media Relations/Special Events Coordinator; the Administrative Assistant

to the Board (Board Secretary); and the Secretary to the President. The position was reviewed and approved by HR Department (Attachment F).

- New Position - F/T Quality Professional Support: The HR Department reviewed and approved a new professional support level 6 position in the new Quality Planning Economic Development Division. Based upon my review of written communication between the President's Office and HR Department, HR Department assisted the Interim President with the request to reclassify the current support employee who worked as Secretary to the Interim President to this newly created position. Proper procedures were followed and approved by HR (Attachment G).
- Transfer: The remaining support staff was transferred to the temporary lead support level 5 position as Secretary to the Interim President with the effective date of 8/1/2006 through 6/30/2007. Again, the transfer was reviewed and approved by HR Department and proper procedures were followed (Attachment H).

Based on these facts, this allegation is unsubstantiated because the Interim President followed proper procedures and the college human resources department reviewed and approved all transactions.

3. **Third allegation**: The President and staff have made multiple purchases on LCC credit cards. Complainants alleged that the President has bought extravagant gifts for employees, spent money inappropriately on meals for employees or others, and circumvented the purchasing policy by using college credit cards for purchases of college related items.

Finding: In performing the investigation of this allegation, I have obtained a report for those LCC card transactions initiated by the Interim President and her two support staff members between 1/1/2006 to 9/30/2006 (Attachment I). The college card transactions were reviewed against the new LCC Card Policy (Attachment J) which was adopted on June 19th, 2006. Prior to this, and according to the LCC Card Administrator, no formal purchasing card policy existed. According to the policy, LCC Card violations include, but are not limited to:

- a) Purchasing items for personal use
- b) Utilizing the LCC Card for unauthorized purchases
- c) Failure to return the LCC Card when reassigned, terminated, or upon request
- d) Failure to retain proper documentation
- e) Failure to process LCC Card charges thru iExpense by each Pay Day Friday
- f) Use of the LCC Card to avoid or regate the other requirements of the Purchasing Policy

In my review of the card transactions, I also took a sample of those transactions which had appeared unusual. One sampling was a transaction charged to Eastwood Cinemas for \$875.00. This expense was incurred for a Dinner and Movie gift certificate for each of 25 people on the labor negotiation team at \$35.00 a piece. The justification of the expense is a token of appreciation from the Interim President to the team members at the advice of the Human Resources Executive Director after the agreement was reached. This has been traditionally done in the past with dinner and small gifts of appreciation such as a paper weight. Another sampling was an expense of \$81.11 charged to Kroger Store. In my follow-up with the justification, the expense was incurred to get the drinks and sandwiches to a college delegation team including a Board member, the Interim President, two college attorneys plus three administrators whose flight from Chicago to Lansing was cancelled and had to be diverted to Metro Detroit Airport much later at night after a college business trip. The support employee who used the college credit card to get the food after hours and after learning that the team had not eaten anything. He also had to drive the college van to Detroit and took them back to Lansing. Another sampling involved a transaction without a receipt. An affidavit was filed by the support employee attesting to the fact that the expense of \$68.86 at Tomato Bros restaurant was incurred for travel dinner meeting with the Interim President, a Board member, and two college employees. Overall, my sample did not reveal any exception in terms of personal use, unauthorized purchases, or without proper documentation (Attachment K). There was, as I have noticed, a lot of small amount transactions charged to local pizzeria for internal meeting expenses. These expenses along with attached receipts were submitted and approved. With respect to some purchases at a well-known business accessories store, the justification was these were needed for the Executive Office and are college properties. Again, these purchases along with attached receipts were submitted and approved.

The only exception that I have found was the failure to reconcile and submit the expenses by each Pay Day Friday. According to the Interim CFO, after the September 13th deadline, there were employees in the President's Office who still had outstanding transactions. The Interim CFO spoke with the Interim President about this and the Interim President immediately scheduled a time for the Interim CFO to meet with her staff the following morning at 10:30 a.m. to go over the policies to ensure compliance. All employees in the Office were present for the training and eager to comply (Attachment L).

The approval of the Interim President's college card transactions is the responsibility of the CFO. The Interim CFO started her role on April 17th, 2006. The approval of the Interim President's college card transactions was the responsibility of the Interim CFO until August 18th, 2006 when the Board Chairman started approving the Interim President's transactions himself. The Interim CFO indicated she could address any questions regarding the college card transactions to the Interim President. The Interim CFO did bring the timeliness

issue to the attention of the Interim President, but had not indicated any issues related to the purchases made.

In addition, as stated in the LCC Interim President Employment Agreement (Attachment M), the Interim President is allowed up to \$1,000 a month for reasonable and appropriate expenses in connection with her duties as Interim President of the College.

Based on these facts, the allegation against the Interim President of extravagant gifts, inappropriate spending, and circumventing the Purchasing policy is without merit.

4. **Fourth allegation:** The Interim President has hired an employee to help her write a book and/or work on her degree completion projects, paying the employee through the college.

Finding: In performing the investigation of this allegation, I have interviewed the employees in the President's Office and no one has ever been asked to help the Interim President to write a book or work on her second doctoral degree completion projects. Also, upon my review of records obtained from HR, there is nothing indicative of another employee has been hired to help the Interim President with such duties. This allegation is completely without merits.

5. **Fifth allegation:** The President has purchased items or services from a company with whom she has a consultant relationship.

Finding: In performing of this investigation, I reviewed the College Policy on Conflict of Interest with Vendors (Attachment N). I also interviewed Purchasing staff and obtained all StudentVoice Purchase Orders (Attachment O), Conflict of Interest Annual Disclosure signed by the Interim President then was Dean of SAS Division (Attachment P). According to my review of pertinent records, the College had acquired StudentVoice System License including hardware and software, support services, data upload, reporting engine per Purchase Order Number 3859. The Interim President then as Dean of SAS Division approved the requisition on July 14th, 2004 for a total amount of \$15,000. According to the file, StudentVoice was the only software available in the country which provides the technology that links Personal Digital Assistants (i.e. Palm Pilots) to internet technology and provides instant reporting of data obtained in the survey process. Another Purchase Order was issued for the renewal of StudentVoice License Software and the requisition was approved by the Interim President then as Dean of SAS Division May 06, 2005.

On June 24th, 2005, the Interim President then as Dean of SAS Division updated and signed the Annual Disclosure of Relationship with Vendors attest to the fact that she is currently a Product Consultant for StudentVoice and immediately removed herself from decision making on StudentVoice System but delegated that

to the current Interim Dean of SAS Division then was Director of Student Success. On July 30th, 2006, the Interim Dean of SAS Division approved the annual renewal for StudentVoice Software License. In addition, I called and spoke with a representative of StudentVoice confirming her consultant relationship with StudentVoice and followed up with an e-mail confirming the date she started her consultant relationship (Attachment Q).

Based on the reviewed documents, I have found nothing to substantiate the allegation against the Interim President for any wrong doing with respect to the Conflict of Interest with Vendors Policy.

In conclusion, I have found nothing to substantiate the misuse of college funds and/or violations of college polices other than the failure of the President's Office employees to process the College card charges through iExpense in a timely manner. This report and the underlying documents I relied upon were reviewed by Michelle Gallagher, CPA with the Gallagher & Associates, CPAs. I will answer any questions that you have for me regarding this report and/or the findings.

Respectfully submitted,

Hoa Nguyen
Lansing Community College
Compliance & Internal Control
(517) 483-1765
nguyenh8@lcc.edu