

LCCC's recent credit card "audit" makes the college and its friendly auditor look foolish, fishy, and unprofessional

by
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The Board of Trustees at Laramie County Community College met on Wednesday, October 20th, just one day after our initial story here in THE HERALD about LCCC's curious credit card program.

At that meeting, someone suggested the hiring of an independent outside auditor to look into the College's credit card purchases and procedures. Carol Hogle, LCCC's Vice President for Administration and Finance, informed the Board that the College had already made arrangements with its usual auditor to perform a review of how the 20 VISA cards issued to LCCC personnel were being used and accounted for.

The minutes of that meeting suggest that the word "audit" was used several times by Ms. Hogle and the Board members present.

Indeed, when I subsequently asked Ms. Hogle via email for a copy of the outside accountant's report and other documents related to it, she again referred to it multiple times as an "audit".

Both Carol Hogle and LCCC's Accounting Services Director Harold Andrews came to the College from Colorado after Darrel Hammon was named President.

Both are supposedly intimately familiar with accounting terminology. He apparently claims to have been an auditor and administrator in one of Colorado's southern counties and she apparently claims to have passed the CPA exam at some point in her career.

Perhaps things are different in Colorado, but here in Wyoming and in most of the civilized world, the word "audit" has a weighty cachet. It implies a "thorough and systematic review of something", not a slapdash, watered-down, results-oriented summary which misses many of the salient reasons for the inquiry.

LCCC's Board of Trustees evidently thought they were authorizing a thorough and systematic review of the College's credit card program. What they got instead was what Carol Hogle and Harold Andrews apparently wanted all along ... a slapdash, watered-down, results-oriented summary which failed to even mention some key defects we had uncovered and written about.

The outside accounting firm chosen by Ms. Hogle is the same one which does LCCC's lucrative annual financial audits. McGee, Hearne & Paiz is a Cheyenne company which boasts a 65-person staff.

Seventeen CPAs are listed on the company's website. Too bad this latest LCCC project wasn't handed over to one of them, since the resulting report has all the appearances of being done by a relative neophyte or maybe a college intern with no real experience at all.

Instead of a real audit of the College's credit card mess, McGee, Hearne & Paiz agreed to perform what is known in accounting circles as an "Agreed-Upon Procedures Review" where the client (in this case LCCC) and the accountant sit down and design a strategy for the review and specify the documents and transactions the accountant is supposed to analyze.

The accountant's brief report was apparently presented to LCCC's Board of Trustees within two weeks after the Board thought it was authorizing a real audit. After some initial boilerplate in which McGee, Hearne & Paiz limited its liability for its findings, the report spells out the procedures it followed as apparently dictated by Carol Hogle:

1. Obtain a copy of the College's procedures related to credit card use, controls and payment processing. [see box above and to the right]

2. After reading these procedures, identify suggestions for improvement to include in the final report.

3. Obtain monthly credit card statements for credit card activity occurring during the year ended June 30, 2010 for the following individuals: Wayne Miller; Ken Bunya; Karen Lange; Darrel Hammon; Lynn Stalaker; Harold Andrews; Jason Ficca; Lanae Koons; Sarah Hannes.

Laramie County Community College **CREDIT CARD USE / PROCEDURES**

1. INTRODUCTION

The college maintains credit cards primarily to be used for approved expenses as listed below. Credit cards may **only** be used for these purposes. It is understood that there may be circumstances that might require an exception, those exceptions **must** be agreed upon in advance with Accounting Services. ***The use of these credit cards is a privilege, not a right.***

2. CREDIT CARD TYPES -- PROCEDURAL USE

A. Gasoline Credit cards

1) Gasoline credit cards are distributed by the secretary of Physical Plant at the time a vehicle is checked out for travel.

2) **Each** credit card transaction requires that a detailed receipt be obtained and submitted to the Physical Plant Administrative Assistant upon your return to campus. The individual trip ticket and all receipts must be submitted collectively at this time.

B. MasterCard and VISA credit cards

1) The MasterCard and VISA credit cards are **limited** to the following:

- Student group travel expenses (accompanied by an advisor/coach)
- College recruiting trips -- travel expenses
- College President and Board of Trustees travel
- Dean/Division Directors expenses -- interviewing applicants

2) Requests for changes to existing cards and/or additional cards should be made thru Accounting Services.

3) Lost or stolen cards must be reported immediately to Accounting Services.

4) Credit cards are secured in the Accounting Service's office safe when not in use.

5) When credit cards are checked out/in, the user's name and date are logged by Accounting Services personnel.

6) **Each** credit card transaction requires that a detailed receipt be obtained and submitted to the Accounting Services upon your return to campus. The individual Travel Expense Form and all receipts must be submitted collectively within 48 hours upon return to campus (exception: weekends).

3. EXCEPTIONS & ABUSE

A. Any exceptions to the above procedures or use of credit cards must be reviewed and approved by Accounting Services.

B. Credit card use by College employees is **not** intended to be a means of procurement or purchasing.

4. From these monthly credit card statements, arbitrarily select 25% of the transactions.

5. For each transaction, compare information on the credit card statement (amount and vendor) with supporting documentation (credit card receipt, invoice, or printout).

6. Using the supporting documentation, compare documented purpose of the expenditure to the general ledger account used for the expenditure.

7. If the purpose is not clear from the documentation, contact the purchaser, obtain a verbal explanation of the purpose and include it in the final report.

8. Quantify the dollar amount of late charges and over limit fees on all 20 credit cards for the credit card activity during the year ended June 30, 2010.

As limiting and restricting as these procedures are in light of what we exposed on October 19th, this could have been a useful report if it had been done well by an accountant who was more interested in accuracy and completeness than in merely pleasing the client.

Among the MANY defects in the "Agreed-Upon Procedures Report" presented to LCCC's Board of Trustees on November 3rd are the following:

>> There is not a single word in the report about the College's use (or misuse) of gasoline credit cards which are handed out to employees when they check out College-owned vehicles for out-of-town travel. LCCC's policy statement shown to the left clearly mentions that they exist, but McGee, Hearne & Paiz thoughtfully chose not to examine them. All of the focus in the report is on the misused VISA cards which we wrote about here in THE HERALD on October 19th. I wonder why.

>> For some reason known only to her perhaps, Carol Hogle intentionally restricted the accountant's examination to only nine of the 20 VISA credit cards which the College has issued to certain LCCC employees. Curious, very curious. The fact that she's aware that there were not just nine credit cards in use is readily apparent from her PROCEDURE #8 which makes reference to 20 cards which had been issued to employees, not merely nine.

>> The restrictions placed upon the accountants by Ms. Hogle called for them to look at only a tiny percentage of the 2030 actual credit card transactions during the 2009-2010 school year. Her instructions say that the transactions to be examined were to be selected "arbitrarily" but there's no explanation of how this should be done or who would do the selecting. Also curious.

>> In our October 19th story about LCCC's unique credit card operation, we showed that there were many instances where well-known scam operators had charged bogus amounts on LCCC's credit cards month after month after month. The report makes no mention of them or how the College accounted for such bogus charges when it came time to post them to appropriate ledger accounts.

>> The report gives only a brief mention to the fact that VISA credit cards issued to 20 specific LCCC employees were being used by many, many other employees for on-line purchases, trips, and other purposes. Since this unique card-sharing arrangement appears to be one of the main reasons for late fees, finance charges, overlimit fees, and the payment of sales tax on many internet purchases by a supposedly tax-exempt institution, you'd think the accountant would have recognized the problem and addressed it. McGee, Hearne & Paiz didn't.

>> Perhaps the most glaring omission from the so-called accountant's report has to do with the log which is supposedly kept in the Accounting Services office at LCCC. The log (according to the LCCC's own internal procedures shown to the left) is supposed to be used to record when LCCC's VISA cards are checked out and back in and by whom. The report does not mention this probably-instructive document at all. It's the same document which Ms. Hogle has refused to show to me. Maybe, just maybe, it doesn't really exist after all. A competent accounting firm might have figured that out.

All in all, the report prepared for LCCC's Board of Trustees by McGee, Hearne & Paiz is incomplete and amateurish at best. More on it in an upcoming issue.

NOTE:

If you would like to see the complete "Agreed-Upon Procedures Report" as prepared for LCCC by the accounting firm of McGee, Hearne & Paiz, go to:
www.CheyenneHerald.com

Also available there is a PDF file containing more than 2000 of LCCC's credit card transactions for the 2009-2010 school year.

ALSO:

If you would like to see an example of a good "Agreed-Upon Procedures Report" prepared by a competent accounting professional, go to:
www.fowd.com/pdfs/misc/AGREEDUPONPROCEDURES.2005.10.11.2005.pdf

One Citizen's Opinion

The more things change, the more they stay the same. A wise old indian said that ... or maybe it was Mick Jagger.

In any case, the wisdom of the observation becomes obvious whenever we here at THE CHEYENNE HERALD write about public employees misusing public assets or the trust which has been bestowed upon them by the citizens who pay their generous salaries and benefits.

The sequence is predictably similar time and time again. We expose something, the offender or his/her friends concoct a phony version of the facts, and the Wyoming Tribune-Eagle obligingly prints the doctored version in hopes of damaging our credibility.

The fact that our stories hold up thereby damaging the credibility of the local daily newspaper itself never seems to make a lasting impression on the semi-ethical journalists down at the WT-E. Some people never learn, but we'll continue to try to raise their ethical standards. It's a thankless job but someone's got to do it. Pray for us.

It happened when we wrote about Maggie Carter using her City of Cheyenne VISA card to buy cosmetics and mail-order "vitamins" and to rent a motel room in Concordia, Kansas, and then falsifying the vouchers she submitted to the City Treasurer so her personal purchases would go undetected and be charged to other established accounts such as "office supplies", "in-town meetings", etc.

The CHEYENNE HERALD containing that frontpage story hit the streets at about noon on an October Monday a few years ago. Within an hour, Ms. Carter was placed on paid administrative leave from her \$52,000/year secretarial job at the Cheyenne City Council.

Even though half of the county had already seen our story about Ms. Carter, Mayor Jack Spiker told the Tribune-Eagle that she had been suspended because of an investigation undertaken by him and other City officials into the misuse of credit cards. What he said wasn't true, but the WT-E was all too willing to print it just the way Mayor Jack told it to them. After all, what are friends for?

A similar thing happened when we printed a story about former Police Chief Bob Fecht submitting "tuition reimbursement" vouchers to the City Treasurer in order to recapture the \$2504 he had foolishly paid for a worthless mailorder Masters Degree in Criminal Justice from a notorious diploma mill in southern Mississippi.

After our story appeared, Fecht and the WT-E put their devious little heads together and concocted the story that the Chief had been paid the \$2504 for a research report he had written for the City dealing with police-community relations.

The fact that the "report" was the same one which had supposedly been submitted to Lacrosse University as his "Master's Thesis" and the fact that the periodic reimbursement requests submitted by the Chief to the City Treasurer were clearly marked as "tuition reimbursement" didn't stop either the Chief or the editors and reporters at the Tribune-Eagle from continuing their lie. Predictable ... and more than a little pathetic.

By the way, when we requested a look at the "report" for which the Chief had been paid the \$2504, the City Attorney responded that it was not a public document because it was "proof of academic achievement" and therefor exempt from Wyoming's Public Records Law.

We even offered a reward to anyone who would swear that they'd actually seen the elusive report worth \$2504 but no takers stepped forward. Maybe, just maybe, it never existed in the first place. After all, what diploma mill worthy of such an insulting designation would want to bother with a report about police-community relations in the City of Cheyenne once all of Bob Fecht's numerous checks for "tuition and fees" had cleared the bank?

Recently we published a story about Laramie County Community College's strange credit card program complete with thousands of dollars of late fees, finance charges, overlimit fees, and bogus charges from scammers,

not to mention questionable purchases by people to whom credit cards have never been issued by LCCC.

When the College's Board of Trustees discussed our story and authorized what they thought would be a real honest-to-goodness audit of its credit card program, the Wyoming Tribune-Eagle reported that the Board's action was the result of a report in the "local media". Have they no shame?

Frankly, those of us directly and indirectly associated with THE CHEYENNE HERALD are constantly amazed and amused that the editors and reporters at the Wyoming Tribune-Eagle still refuse to acknowledge that we exist just because we scoop them time and time and time again on stories which any self-respecting local daily (with infinitely greater resources than we have, by the way) could be expected to uncover on their own if they would get out of the building and do some real reporting once in a while.

They may continue to refuse to acknowledge our existence or mention us, but in the spirit of fairness, we'll probably continue to mention them on a fairly regular basis. After all, what are friends for?

When I first started asking for access to LCCC's documents related to credit card purchases, they didn't welcome me with open arms. In fact,

once the significance of the Wyoming Public Records Act finally dawned on them, Vice President Carol Hoglegrud grudgingly informed me that while she was required to produce the public documents for my inspection, she wasn't required under any existing State Statute to answer any of my questions about them.

When I go to her office to inspect the records related to credit card purchases, I take my own portable copier which I purchased recently just for the purpose.

I'm sometimes there for several hours and each time before I leave, Ms. Hoglegrud insists on recopying on LCCC's photocopier all of the documents I have just copied on my own machine.

When I asked why that was necessary, I was told that it was for "internal control" of the public documents under her supervision.

Such a response is particularly laughable in light of the fact the it was the almost total LACK

OF INTERNAL CONTROL over LCCC's credit cards which triggered my initial interest in the subject and the multiple stories which have resulted.

In the wake of our initial story on October 19th, some on LCCC's Board of Trustees argued in favor of hiring a totally independent accounting firm with no ongoing financial ties to the College to conduct an honest-to-goodness audit of the credit card program. They apparently relented when Ms. Hoglegrud assured them that her friends at McGee, Hearne & Paiz would do a commendable job.

Commendable by whom? Surely not by anyone who's read the firm's "Agreed-Upon Procedures Report" and who might have been hoping for a comprehensive analysis of the problem together with concrete suggestions for improving the internal control over the credit cards. Didn't happen.

Make no mistake about it. There was plenty a competent accounting firm could have found and there were many suggestions it could have made which would have tightened up this increasingly-important part of LCCC's accounts payable routine. Unless something dramatic happens at the College soon to change the tone out there, we'll continue to do what we've been doing and what the so-called auditors didn't do ... examine and report. We'll have more to say about the McGee, Hearne & Paiz report as well.

In the meantime, we're going to be asking for a look at all of the accounting firm's bills to the College over the past few years as well as the audits which justified those bills. We're particularly interested in what they'll be charging for their amateurish "Agreed-Upon Procedures Report" which might garner the college intern who apparently wrote it a C-MINUS or maybe an INCOMPLETE.

If it's any more than LCCC President Darrell Hammon normally charges on his College-issued VISA card for meals at local restaurants during any typical two-week period, then the citizens of Laramie County are getting taken to the cleaners once again. Like the man said, the more things change, the more the citizens take it in the neck.

Jim Mathewson

A. AUDIT
... a thorough and systematic review of something

B. WHITEWASH
... the act of exonerating, glossing over, or covering up by means of a perfunctory investigation

C. McGEE, HEARNE & PAIZ
... see B above

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