

## Finances

FDLTCC's self-study process during spring 2008 identified some of the concerns expressed by Commission evaluators in spring 2009, and thus, the college had already begun improvements in the area of financial management by spring 2009. Of particular concern during the evaluation was the college's composite financial index score, reserve funds, and audit findings unresolved from previous years.

The Higher Learning Commission has placed FDLTCC on notice in this area of operations, specifically with regard to Criterion 2, Core Component 2B, which states: "The organization's resource base supports its educational programs and its plans for maintaining and strengthening their quality in the future."

To adequately resolve this area of concern, FDLTCC must take the following necessary action: "Financial stability including stable financial reserves, appropriate internal controls, and an appropriate staffing structure with financial experience and expertise necessary to ensure effective management of college resources and an appropriate separation of duties" (p. 27, Assurance Section, *Final Report*).

The college's primary actions and the results of those actions to date are summarized below.

### **FDLTCC's Primary Actions: Financial Management**

- 2008 - 2009: Created and implemented broad-based participatory budget process
  - Primary components:
    1. Budget wheel: Breaks out by month FDLTCC's schedule of reporting obligations, drafting cycle, and monitoring cycle
    2. Oversight by FDLTCC Budget Committee
    3. Weekly input from Leadership Team
    4. Campus-wide budget planning, drafting, and commenting
    5. Public posting of operating budget—good or bad news—outside FDLTCC's business office
- October 2008: Administrative changes in position of Chief Financial Officer
- 2008 – 2009: Followed the budget wheel on FY10 budget drafting and creation process
- 2008 – present: Exceeded self-imposed monitoring and reporting requirements
- 2008 – 2009: Working through the MOU, the college and tribe began applying for mission-related, appropriate grants again (not possible between 2005 -2008)
- August 2009: Reported to campus FY10 goal of 820 FYE
- August 2009: Reported to campus administration's decision to commit any excess tuition revenue to building reserve
- Summer 2009: Applied for MnSCU Access and Opportunities funds
- Currently planning for FY11 and "unallotment," with FY12 on the horizon

### **Results of Actions**

- Moved from \$236,000 deficit at beginning of FY09 to balanced budget and small reserve at end of FY09
- September 2009: Received letter from MnSCU Chancellor's office in recognition of FDLTCC's significant progress on this work
- Completed FY10 process according to plan
- Transparency and broad-based participation led to heightened attention to recruitment and was additionally supported by strategic planning work group
- Campus-wide ownership has built campus-wide sense of responsibility, resulting in increased use of state vehicles, campus-initiated conversation about budget in committee meetings, campus-initiated conversation about the FY11 budget
- Received Access and Opportunity funds, which offset some personnel costs and will be used toward building reserve.
- Restored relationship with the tribe and renewed MOU has yielded a Title III grant, which offsets some instructional costs that will be used toward building reserve.
- In moving toward FY11, established an improved method of analyzing instructional budget. This, coupled with educational lean planning, recruitment and retention efforts, and grant initiatives, is beginning to lay the groundwork for FY11 budgeting.
- Have started conversations about FY12 budget scenario with MnSCU and with area legislators
- Created process to spread longer-term (4-year) budget planning across the campus

**FDLTCC's Primary Actions: Composite Financial Index (CFI) Score**

- Sought education about and reviewed FDLTCC's CFI score and the four ratios that make up the CFI

**Results of Actions**

- Learned Commission evaluators used score from 2007, calculated by the State's process (-.05) and not the Commission's (+.20)
- Learned the CFI can vary greatly from year to year  
2007 score changed from -.05 to +.20, based on MnSCU's recalculation according to HLC's process  
2008 score was +2.01, which included a \$5 million capital appropriation  
2009 draft score is +2.68, reflecting peak and beginning of decline of FDLTCC's interest payments on construction debt + balancing budget and building small reserve
- Learned that the 2006 – 2008 average CFI was + .68, reflective of the challenging time when FDLTCC no longer received monies from the Bureau of Indian Affairs
- Learned that the 2007 – 2009 average CFI was 1.63, reflective of the beginning of changes made as a result of the loss of Bureau of Indian Affairs monies, improved budget process, reduction of debt, and building small reserve.

**FDLTCC's Primary Actions: Audit Findings**

- October 2008 – present: Established close working relationship focused on problem-solving with MnSCU's Internal Auditing office.
- Implemented transparent approach to communication about audit findings, consistent with budget process
- Educated and continue to educate campus staff and faculty about processes related to audit findings and the prevention of such findings

**Results of Actions**

- September 2009: Received letter from Internal Auditing in recognition of FDLTCC's significant progress on the work
- Reduced audit findings from 19 to 12.
- Of the twelve findings remaining:  
4 demonstrate significant progress and are currently in process  
3 are currently being tested during fall semester 2009  
4 include processes or subject matter that is currently under review and discussion with the MnSCU system