OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial-Related Audit

Metropolitan State University
July 1, 1999, through June 30, 2001

SEPTEMBER 6, 2002 02-58

Financial Audit Division

The Office of the Legislative Auditor (OLA) is a professional, nonpartisan office in the legislative branch of Minnesota State government. Its principal responsibility is to audit and evaluate the agencies and programs of state government (the State Auditor audits local governments).

OLA's Financial Audit Division annually audits the state's financial statements and, on a rotating schedule, audits agencies in the executive and judicial branches of state government, three metropolitan agencies, and several "semi-state" organizations. The division also investigates allegations that state resources have been used inappropriately.

The division has a staff of approximately fifty auditors, most of whom are CPAs. The division conducts audits in accordance with standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

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- Promote Accountability,
- Strengthen Legislative Oversight, and
- Support Good Financial Management.

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OLA

OFFICE OF THE LEGISLATIVE AUDITOR
State of Minnesota • James Nobles, Legislative Auditor

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Members of the Legislative Audit Commission

Dr. James H. McCormick, Chancellor
Minnesota State Colleges and Universities

Members of the Minnesota State Colleges and Universities Board of Trustees

Dr. Wilson Bradshaw, President
Metropolitan State University

We have audited Metropolitan State University for the period July 1, 1999, through June 30, 2001. Our audit scope included: financial management, tuition and fees, payroll, and operating expenditures. Our scope did not include federal financial aid, which was audited as part of the Minnesota State Colleges and Universities' annual financial statement audit. We highlight the audit objectives and conclusions in the individual chapters of this report.

We conducted our audit in accordance with *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards require that we design the audit to provide reasonable assurance that Metropolitan State University complied with the provisions of laws, regulations, contracts, and grants significant to the audit. The management of the university is responsible for establishing and maintaining the internal control structure and complying with applicable laws, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission, the management of Metropolitan State University, and members of the Minnesota State College and Universities Board of Trustees. This restriction is not intended to limit the distribution of this report, which was released as a public document on September 6, 2002.

/s/ James R. Nobles	*/s/ Claudia J. Gudvangen*
James R. Nobles Legislative Auditor	Claudia J. Gudvangen, CPA Deputy Legislative Auditor

End of Fieldwork: April 5, 2002

Report Signed On: September 3, 2002

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Thomas Donahue, CPA	Audit Manager
Jack Hirschfeld, CPA	Auditor-In-Charge
Kathy Fisher	Senior Auditor
Jess Frenzel	Auditor
Rob Litchke	Auditor

Exit Conference

The following staff from the Office of the Chancellor and Metropolitan State University participated in the exit conference held on August 23, 2002:

Office of the Chancellor:

Laura King	Vice Chancellor/Chief Financial Officer
Margaret Jenniges	Director, Financial Reporting
John Asmussen	Executive Director, Internal Auditing
Paul Portz	Audit Coordinator, Internal Auditing

Metropolitan State University:

Wilson Bradshaw	President
Cathleen Brannen	Vice President, Administration and Finance
Tom Cook	Executive Assistant to the President

Report Summary

Since our last audit, Metropolitan State University has made significant improvements to its financial operations. In addition to implementing eleven of twelve prior audit recommendations, we noted that overall the university complied with applicable legal provisions, and its internal controls provided reasonable assurance that assets were safeguarded and financial activities were properly recorded. In addition, Metropolitan State University's budgetary controls provided reasonable assurance that it operated within its available financial resources. However, the university had certain internal control weaknesses that impacted the safeguarding of assets and the recording of financial activities in the accounting records.

Key Findings and Recommendations:

- Metropolitan State University allowed its foundation to receive certain grants intended for specific university programs. We recommended that the university process certain grants intended for specific university programs directly through university accounts. (Finding 1, page 7)

- Metropolitan State University did not verify the accuracy of its commission receipts. We recommended that the university ensure the accuracy of vendor paid commissions by reviewing external audit reports or performing other verification of vendor reported receipts. In addition, the university should ensure that all vendor contracts include a provision allowing the university to access vendor financial reports or financial records. (Finding 2, page 8)

- Metropolitan State University partially implemented a prior issue relating to control access of certain business office staff to its accounting system. We recommended that the university should ensure that employees do not share system passwords. (Finding 3, page 11)

Metropolitan State University is part of the Minnesota State Colleges and Universities (MnSCU) system. This financial-related audit report focused on financial management, tuition and fees, payroll, administrative expenditures, and bookstore operations for the period from July 1, 1999, through June 30, 2001. The college's response is included in the report.

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Chapter 1. Introduction

Metropolitan State University was founded in 1971 and is one of 34 colleges and universities that make up the Minnesota State Colleges and Universities (MnSCU) system, which began operations on July 1, 1995. Metropolitan State University has campuses in both St. Paul and Minneapolis. Dr. Dennis Nielsen served as interim president from August 24, 1998, through June 30, 2000. The MnSCU Board of Trustees named Dr. Wilson Bradshaw president of Metropolitan State University effective July 1, 2000.

Metropolitan State University is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools. The university offers 42 baccalaureate degree programs in areas ranging from traditional liberal arts to professional programs, including business, social work, nursing, and teacher education. It also grants master's degrees in business administration, management information systems, public and nonprofit administration, technical communication, nursing, and community psychology. In addition to campuses in St. Paul and Minneapolis, the university offers programs at locations around the seven-county metropolitan area, including educational sites in Bloomington, Brooklyn Center, and at the Midway Center in St. Paul's Energy Park. During fiscal year 2001, the university served 8,166 students representing a full-time enrollment of 3,721 students. Metropolitan State University is unique in that its students consist mostly of working adults with an average age of 33. The university celebrated its 30^{th} anniversary in 2001.

Metropolitan State University funds its operations from three major sources: state appropriations allocated by the Office of the Chancellor, tuition receipts, and federal revenue. State appropriations and tuition and fees support General Fund activities.

Metropolitan State University is affiliated with the Metropolitan State University Foundation, a separate, non-profit organization. The foundation has its own directors, articles of incorporation, and bylaws. The foundation maintains its own financial records and accounts, which are audited annually by a CPA firm. The university maintains a formal agreement with the foundation to provide staffing and other administrative support in exchange for student scholarships and grants that benefit the educational mission of the university.

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Chapter 2. Financial Management

Chapter Conclusions

Metropolitan State University's internal controls provided reasonable assurance that financial activities were properly recorded on the MnSCU and MAPS accounting systems. For the items tested, the university complied with applicable legal provisions regarding local bank accounts. In addition, the university's internal controls provided reasonable assurance that it operated within available financial resources in compliance with applicable legal provisions and management's authorization. The university's internal controls also provided reasonable assurance that it had an appropriate operating relationship with related organizations. However, Metropolitan State University allowed certain grants to be administered by its foundation. The university also did not verify the accuracy of its commission revenue.

Metropolitan State University used the MnSCU accounting system to record its financial activity and to initiate transactions. MnSCU accounting interfaced with the state's accounting system, the Minnesota Accounting and Procurement System (MAPS), to generate warrants from the state treasury. The Office of the Chancellor also requires that all campuses use the MnSCU accounting system to account for money maintained outside of the state treasury.

Audit Objectives and Methodology

Our review of Metropolitan State University's financial management focused on the following questions:

- Did the university's internal controls provide reasonable assurance that financial activities were properly recorded on the MnSCU and MAPS accounting system?

- For the items tested, did the university comply with applicable legal provisions regarding local bank accounts?

- Did the university's internal controls provide reasonable assurance that it operated within available financial resources in compliance with applicable legal provisions and management's authorization?

- Did the university's internal controls provide reasonable assurance that it had an appropriate operating relationship with related organizations?

Metropolitan State University

To answer these questions, we interviewed college staff to gain an understanding of the college's use of MnSCU accounting for programs in our audit scope. We also gained an understanding of certain management controls, including budgeting, budget monitoring, and reconciliations of local bank account activities. We reviewed local bank activity to determine compliance with material finance-related legal provisions, such as the adequacy of collateral. We also reviewed the college's relationship with its foundation. Finally, we reviewed security privileges to determine whether the college had adequately restricted access to its computerized business systems.

Budgetary Controls

MnSCU receives the majority of its funding for operations from General Fund appropriations. The Office of the Chancellor allocates appropriated funds to Metropolitan State University and all colleges based on an allocation formula. In addition, Metropolitan State University, like other campuses, retains the tuition and other receipts it collects to arrive at its total authorized spending level.

Metropolitan State University establishes its budget based upon the system office allocation and projected student enrollment. The Planning and Budget Council holds public hearings on the proposed budget. The president consults with the Planning and Budget Council and makes the final budgetary lump-sum allocation to the vice presidents. Vice presidents are responsible for allocating those dollars among their operating units and submitting a final budget to the budget office. The university established individual cost centers for each department or office to monitor its budget status. University management also monitors projected versus actual student enrollment to ensure that sufficient tuition will be received to support the spending budget. The university builds a reserve balance into its budget formula. As of June 30, 2001, Metropolitan State University had a five percent budget reserve, or approximately $1.4 million. MnSCU policy 5.10 specifies that colleges and universities reach a five to seven percent reserve by the end of fiscal year 2001.

Financial Management

The university made improvements in its financial management, as demonstrated by the implementation of 11 of the 12 recommendations from our audit of the university for fiscal years 1997 through 1999. The university resolved weaknesses in the recording of financial activity, local bank collateral, financial aid, and the reconciliations of its accounting system and cash balances.

A new president was appointed effective July 1, 2000. The university's vice president of Administration and Finance and the finance director remained unchanged, providing consistency in the administration of its business operation. In addition, low turnovers in the business office and the filling of vacant positions helped to strengthen its control structure.

Metropolitan State University

Conclusions

Metropolitan State University's internal controls provided reasonable assurance that financial activities were properly recorded on the MnSCU and MAPS accounting systems. For the items tested, the university complied with applicable legal provisions regarding local bank accounts. In addition, the university's internal controls provided reasonable assurance that it operated within available financial resources in compliance with applicable legal provisions and management's authorization. The university's internal controls also provided reasonable assurance that it had an appropriate operating relationship with related organizations. However, the university allowed certain grants to be administered by its foundation, as discussed in Finding 1. The university also did not verify the accuracy of its commission revenue as explained in Finding 2.

1. Metropolitan State University allowed the Metropolitan State University Foundation to receive certain grants or sponsored programs intended for specific university programs.

Some grants intended for specific university programs were processed through the university's foundation. As a result, the foundation currently administers certain grants or sponsored programs that could have been awarded directly to the university. It was common practice for university departments to submit their award applications to the foundation for processing. The foundation would process the applications and receive the grant award. The foundation maintained a record of the grants, including the amounts received, disbursed, and the grant balance. The foundation disbursed the grant money to the university department upon request.

The university could have submitted the grant applications directly to the donors. These grants were for specific university programs and were separate from gifts normally provided to the foundation. The foundation office's processing of grants affects the overall funding available to individual programs. In addition, the procedures to recognize these grant awards to the foundation on the university's accounting system are not effective. Issues related to the foundation's processing of grants include:

- The foundation retained ten percent of the grant award as an administrative fee. The agreement between the university and the foundation did not address grants for specific programs or provide that the foundation could retain ten percent of the grant award for administrative costs. Because the university only receives 90 percent of the grant award, the university's departments had to either reduce the scope of the grant projects or obtain additional funding from other sources.

- The university did not record grants awarded to the foundation on the university's accounting system in a timely manner. For instance, the university charged approximately $209,000 in expenditures against general operating funds until it was aware of a fiscal year 2000 grant of $395,666 that covered those expenditures. The university then transferred these costs to the grant funding.

- Individual departments submitted requests for reimbursement of program expenses directly to the foundation. These reimbursements were not recorded in the accounting records and were not reflected on the department's budget.

The university needs to ensure that all grants for departmental projects are awarded directly to the university. This allows the university to properly budget a department's available resources.

Recommendation

- *The university should process certain grants intended for specific university programs directly through university accounts.*

2. Metropolitan State University did not verify the accuracy of its commission receipts.

Metropolitan State University did not determine if it was receiving the appropriate commissions. The university operates its bookstore, parking lot, vending, and food services activities through contracts it maintains with four vendors. Commission receipts from these activities for the two years ending June 30, 2001, amounted to approximately $300,000. The university receives monthly reports from the vendors summarizing the vendors' gross sales amounts, upon which the university's commission is based. The contract provisions with the vendors for the parking operation, vending service, and bookstore operations allowed the university to review the vendors financial records in order to verify the accuracy of its commission receipts. However, the university did not take the opportunity to verify or complete a detailed analysis of the vendors' reported sales in order to substantiate the commissions paid. As a result, the university did not assure itself that its commission receipts were accurate.

In addition, the university's contract with the food service vendor did not provide a provision to allow the university to review the vendor's sales records. As a result, the food service vendor denied the university access to its financial records. The university should ensure that it can independently determine or verify that it is receiving the appropriate commissions under its various contracts.

Recommendations

- *The university should ensure the accuracy of vendor paid commissions by reviewing external audit reports or performing other verification of vendor reported receipts.*

- *The university should ensure that all vendor contracts include a provision allowing the university to access vendor financial reports or financial records.*

Chapter 3. Tuition and Fees

Chapter Conclusions

Metropolitan State University's internal controls provided reasonable assurance that revenue collections were safeguarded, accurately reported in the accounting records, and in compliance with applicable legal provisions and management's authorization. However, the university did not adequately control access of certain business office staff to its accounting system. For the items tested, Metropolitan State University complied, in all material respects, with the significant finance-related legal provisions for tuition and fees.

Metropolitan State University currently offers both undergraduate and graduate programs. Table 3-1 shows the tuition and fee rates for each semester for the two fiscal years ended June 30, 2001.

Table 3-1
Combined Tuition and Miscellaneous Fee Rate Schedule
Fiscal Years 2000-2001

Classification:	2000	2001
Resident Undergraduate	$ 88.20	$ 91.75
Resident Graduate	$133.30	$138.65
Nonresident Undergraduate	$194.95	$202.75
Nonresident Graduate	$211.20	$219.65

Source: MnSCU System Board Policies as of July 1999 and January 2000, respectively.

Tuition and fee revenues collected for the two fiscal years ended June 30, 2001, totaled approximately $20,979,000.

Audit Objectives and Methodology

Our review of Metropolitan State University's tuition and fee revenues focused on the following questions:

- Did the university's internal controls provide reasonable assurance that revenue collections were safeguarded, accurately reported in the accounting records, and in compliance with applicable legal provisions and management's authorization?
- For the items tested, did the university comply, in all material respects, with the significant finance-related legal provisions concerning tuition and fees?

To answer these questions, we interviewed university employees to gain an understanding of the controls over tuition and fees. We reviewed student registration and billing records and MnSCU accounting records to determine if the university charged students appropriate tuition and fee rates, collected earned revenue, and properly recorded revenue transactions in MnSCU accounting. We also reviewed bank deposit documentation to determine if the university properly safeguarded and deposited all revenue collections in compliance with material finance-related legal provisions.

Accounts Receivable

Metropolitan State University uses the Integrated Student Record System (ISRS) to record accounts receivable activity. This system contains various student data and registration modules that share common data through various interfaces.

The ISRS system accumulates all student charges from various sources. When students pay their bills at the cashier's office, the cashier enters the collections into the system. The system automatically applies the money to the outstanding balances in a specified priority order. As part of the closeout process, the accounts receivable module has available reports, which summarize the day's collections and postings.

The university requires students to pay tuition and fees at the time of registration if they are registering as a walk-in or by mail. Web or touch-tone registration is due within ten days of registration. If the charges are not paid by the deadline, holds are placed on overdue student accounts. The holds prevent further registration until the charges are paid. There are specific circumstances such as third-party payments or financial aid disbursements that provide for an approved override of an account hold. In order for the registrar's office to override a hold, a one-time release for register service form must be completed by the appropriate business office staff and forwarded to the registrar's office. In addition, the university pursued past due account receivables by periodically mailing bills to students. If a student did not voluntarily pay, the university referred the account to the Minnesota Collection Enterprise (MCE), the state's centralized collection function. MCE pursues collection of the outstanding balance until it is paid or determined uncollectible. MCE returns uncollectible accounts to the university.

Conclusions

Metropolitan State University's internal controls provided reasonable assurance that revenue collections were safeguarded, accurately reported in the accounting records, and in compliance with applicable legal provisions and management's authorization. However, as explained in Finding 3, the university did not adequately control access of certain business office staff to its accounting system. For the items tested, Metropolitan State University complied, in all material respects, with the significant finance-related legal provisions concerning tuition and fees.

3. PRIOR FINDING PARTIALLY RESOLVED: Metropolitan State University did not adequately control the access of certain business office staff to its accounting system.

Metropolitan State University did not adequately administer and control access to the MnSCU accounting system. In our prior audit report, we noted that certain university employees had improper access to the accounting system. Employees working with accounts receivable had improper access to cashiering functions and to the student course schedule security group. In addition, staff in the cashiers' office shared log-on identification numbers. The university has resolved all access issues except for the sharing of log-on identification numbers in the cashiers' office.

During our review, we noted that several staff were using the same log-on ID number at the cashiers window because of the time and effort necessary to reboot the system while servicing students. The business office was aware of this situation but was unable to develop a process to eliminate this practice.

Recommendation

- *The university should ensure that employees do not share system passwords.*

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Chapter 4. Payroll

Chapter Conclusions

Metropolitan State University's internal controls provided reasonable assurance that payroll expenditures were accurately reported in the accounting records and in compliance with applicable legal provisions and management's authorization. For the items tested, the university complied, in all material respects, with the significant finance-related legal provisions concerning payroll.

Metropolitan State University employed 693 employees as of December 31, 2001. Faculty consisted of 95 tenured, full-time faculty; 6 fixed-term, full-time faculty; 3 part-time faculty; and 371 part-time community faculty. Payroll expenditures during the audit period were approximately $42 million and represented approximately 53 percent of the university's expenditures. The following organizations represent the university's employees:

- The Inter Faculty Association
- The Minnesota State University Association of Administrative and Service Faculty
- The American Federation of State, County, and Municipal Employees
- The Minnesota Association of Professional Employees
- The Middle Management Association
- The Commissioner's Plan
- The Excluded Administrators Plan

Metropolitan State University used the State Employee Management System (SEMA4) and the State Colleges and Universities Personnel/Payroll System (SCUPPS) to process payroll information. SCUPPS stored pay rate information and bargaining agreement history. SEMA4 contained pay rate information and calculated employee biweekly payments.

The university had separate human resources and payroll departments. The human resources department updated SCUPPS appointments and salaries. The payroll office collected employee timesheets for update of SEMA4 mass time entry and was responsible for ensuring proper recording of payroll expenditures in MnSCU accounting.

Audit Objectives and Methodology

Our review of Metropolitan State University's payroll expenditures focused on the following questions:

Metropolitan State University

- Did the university's internal controls provide reasonable assurance that payroll expenditures were accurately reported in the accounting records and in compliance with applicable legal provisions and management's authorization?

- For the items tested, did the university comply, in all material respects, with the significant finance-related legal provisions concerning payroll?

To answer these questions, we obtained an understanding of the internal control structure over the payroll and personnel process. We made inquiries of university staff to gain an understanding of the personnel and payroll systems used by the university. We observed the procedures used to process and reconcile payroll transactions. We reviewed the computer system security clearances for payroll and human resources personnel. We analyzed payroll expenditures to determine proper recording of payroll transactions, reviewed source documents to determine proper authorization, and tested salaries to ensure proper payment pursuant to various bargaining agreement provisions. We tested student payroll to determine if it was authorized and accurately recorded in the system. Finally, we reviewed and tested employee leave balances maintained by the university.

Conclusions

Metropolitan State University's internal controls provided reasonable assurance that payroll expenditures were accurately reported in the accounting records and in compliance with applicable legal provisions and management's authorization. For the items tested, the university complied, in all material respects, with the significant finance-related legal provisions concerning payroll.

Chapter 5. Selected Operating Expenditures

Chapter Conclusions

Metropolitan State University's internal controls provided reasonable assurance that purchased services, consultant/contract services, and supplies and equipment expenditures were accurately reported in the accounting records, adequately safeguarded, and in compliance with applicable legal provisions and management's authorization. For the items tested, Metropolitan State University complied, in all material respects, with the significant finance-related legal provisions concerning those expenditures.

Metropolitan State University incurred approximately $13 million during fiscal years 2000 and 2001 on operating expenditures, supplies, and equipment. Operating expenditures included payments for purchased services and consultant/contract services. The university had a centralized purchasing department responsible for ordering and purchasing. Staff reviewed the budget, ensuring that sufficient funds were available in the applicable cost center, and used MnSCU guidelines to solicit bids and select vendors to complete purchases. Accounts payable staff matched invoices to the respective purchase order and packing slip before processing the payment.

During the audit period, we noted that the university did not make some payments to vendors in a timely manner. The university required individual departments to authorize the payments after the invoices were received. This procedure was in addition to the receipt confirmation provided by the receiving clerk. This sometimes delayed payments by two to seven months. However, in fiscal year 2002, the university instituted new payment procedures that result in timely payments.

Audit Objectives and Methodology

Our review of Metropolitan State University's operating expenditures focused on the following questions:

- Did the university's internal controls provide reasonable assurance that operating expenditures were accurately reported in the accounting records, adequately safeguarded, and in compliance with applicable legal provisions and management's authorization?

- For the items tested, did the university comply, in all material respects, with the significant finance-related legal provisions concerning these expenditures?

Metropolitan State University

To answer these questions, we made inquiries of university staff to gain an understanding of the internal control structure over purchasing and receiving of goods and services, accounts payable, and inventory control. We analyzed expenditures to determine proper authorization and tested invoices to ensure proper payments were made and charged to the correct MnSCU object codes. We also reviewed the university's process to record and safeguard fixed assets.

Conclusions

Metropolitan State University's internal controls provided reasonable assurance that operating expenditures were accurately reported in the accounting records, adequately safeguarded, and in compliance with applicable legal provisions and management's authorization. For the items tested, Metropolitan State University complied, in all material respects, with the significant finance-related legal provisions concerning those expenditures.

Status of Prior Audit Issues
As of April 5, 2002

Most Recent Audits

University Audit

Legislative Audit Report 00-29, issued in July 2000, covered the period July 1, 1996, through December 31, 1999. The audit report cited 12 audit findings related specifically to Metropolitan State University. The university implemented 11 of these findings. The remaining issue related to access controls was partially implemented and is restated as Finding 3 in our current report.

Statewide Audits

Legislative Audit Report 01-15, issued in March 2001, and **Legislative Audit Report 00-11**, issued in March 2000, examined MnSCU's activities and programs material to the State of Minnesota's general purpose financial statements or the Single Audit for the years ended June 30, 2000 and 1999, respectively. The findings related specifically to Metropolitan State University have been resolved.

Other Audit Coverage

The MnSCU Office of the Chancellor contracted with Deloitte and Touche, LLP, an independent CPA firm, to audit the MnSCU's general purpose financial statements and to report on its internal controls and compliance for its major federal programs. MnSCU received an unqualified opinion for fiscal year 2001. As a part of the audit, the firm issued a management letter to MnSCU's Board of Trustees. The letter contained 13 comments on accounting, administrative, and operating matters. The comments did not specifically mention Metropolitan State University.

State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up on issues cited in financial audit reports issued by the Legislative Auditor. Finance has delegated this responsibility for all Minnesota State Colleges and Universities (MnSCU) audit findings to the MnSCU Office of Internal Auditing. MnSCU's Office of Internal Auditing's process consists of quarterly activity reports documenting the status of audit findings. The follow-up process continues until the Office of Internal Auditing is satisfied that the issues have been resolved.

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OFFICE *of the* PRESIDENT

700 EAST SEVENTH STREET
SAINT PAUL, MINNESOTA
55106-5000

30 August 2002

James Nobles
Legislative Auditor
Office of the Legislative Auditor
Centennial Building
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles,

Thank you for the opportunity to respond to the audit report on Metropolitan State University for the period July 1, 1999 through June 30, 2001. I am gratified to receive this independent confirmation of the significant improvements that have been made to our financial operations, as are the staff members who contributed so greatly to those improvements. At Metropolitan State University we have embraced the principles of continuous improvement; your favorable audit report reflects just how far we have come in embedding those principles in our daily business operations, and provides clear encouragement to continue integrating these principles into our institutional culture.

University staff reviewed the audit findings and recommendations, and respond to those recommendations in this letter.

#1 Metropolitan State University allowed the Metropolitan State University Foundation to receive certain grants or sponsored programs intended for specific university programs.

Metropolitan State University agrees that it has been historical practice to have the university's foundation receive not only gifts and contributions but also programmatic grants on behalf of the university. As these kinds of grants have increased, we have recognized the need to move sponsored programs administration, including grants management, into the university. Discussions are already underway to develop those capabilities and relocate these activities from the foundation to the university. These discussions will need to address the impact of this change on the foundation's revenue stream.

Responsible person: Wilson G. Bradshaw, President
Cathleen Brannen, Vice President for Finance and Administration
Nancy McKillips, Executive Director of the Foundation

OLA Audit Response
Metropolitan State University
30 August 2002

#2 Metropolitan State University did not verify the accuracy of its commission receipts.

The University agrees with this finding, with reservation. While we have not invoked our right to periodically examine receipts from our contractors, we did routinely conduct informal "reasonableness" tests, comparing commission amounts and reported activity levels with prior year amounts. In the future we will exercise our contractual rights to periodically examine our vendors' financial records to verify the accuracy of commission receipts. Our contract with the food service vendor contains a typo that the vendor has chosen to believe gives us no rights to examine their financial records. This disagreement will be resolved, either by a clarifying contract amendment or by contract termination.

Responsible Party: Jill Bemis, Director of Finance
Daniel Kirk, Associate Vice President for Administration

#3 PRIOR FINDING PARTIALLY RESOLVED: Metropolitan State University did not adequately control the access of certain business office staff to its accounting system.

The University agrees with this finding. The physical structure of our cashier window only allows for a single cash drawer, although several business office staff work at the window over the course of any given day. Because of the time it takes to reboot the system while trying to serve students quickly, staff members have been sharing a single log-on ID. A solution to this problem has been elusive, but we are re-examining our options, including renovating the space, and will work with Internal Audit to find an acceptable resolution of this issue.

Responsible person: Cathleen Brannen, Vice President for Finance and Administration
Jill Bemis, Director of Finance

Sincerely,

/s/ Wilson G. Bradshaw

Wilson G. Bradshaw
President

cc: President's Council