OLA
OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial-Related Audit

Anoka Ramsey Community College

July 1, 2000, through June 30, 2002

JUNE 5, 2003 **03-28**

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).

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

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OFFICE OF THE 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. Patrick Johns, President
Anoka Ramsey Community College

We have audited Anoka Ramsey Community College for the period from July 1, 2000, through June 30, 2002. Our audit scope included financial management, tuition and fees, payroll and other administrative expenditures, and bookstore operations. Our audit scope did not include student financial aid, which was audited as part of the Minnesota State Colleges and Universities' annual financial statement audit. We highlight the audit objectives and the conclusions of our audit 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 also require that we design the audit to provide reasonable assurance that Anoka Ramsey Community College complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. The management of the college is responsible for establishing and maintaining the internal control structure and complying with applicable laws, regulations, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission, the management of Anoka Ramsey Community College, and the members of the Minnesota State Colleges 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 June 5, 2003.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: February 21, 2003

Report Signed On: May 30, 2003

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Table of Contents

Audit Participation

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

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Jeanine Leifeld, CPA, CISA	Audit Manager
Tony Toscano	Auditor-in-Charge
Ellen Sibley, CPA	Auditor
Heather White	Auditor
Rob Litchke	Auditor

Exit Conference

We discussed the results of the audit with the following representatives of the Office of the Chancellor and the Anoka Ramsey Community College at an exit conference held on May 14, 2003:

Office of the Chancellor:	
Laura King	Vice Chancellor/Chief Financial Officer
Margaret Jenniges	Director of Financial Reporting
Denise Kirkeby	Financial Reporting Supervisor
John Asmussen	Executive Director, Internal Auditing
Tracey Gran	Audit Coordinator
Anoka Ramsey Community College:	
Patrick Johns	President
Michael Seymour	Vice President for Administration
Timothy Fischer	Director of Fiscal Services

Report Summary

Anoka Ramsey Community College operated within its available resources. The college's internal controls provided reasonable assurance that bookstore revenues and expenditures, and employee payroll expenditures were properly authorized and accurately reported in the accounting records. We found, however, that the college had internal control weaknesses that impacted the safeguarding of assets in the following areas:

Key Findings and Recommendations:

- The college did not sufficiently restrict employee access to certain computerized business systems. It should limit employee access to the minimal level necessary to complete their job responsibilities. (Finding 1, page 6)

- The college did not timely resolve all items identified during bank reconciliations. It should resolve reconciling items in a timely manner to ensure that the accounting system accurately reflects the college's financial activities. (Finding 2, page 7)

- The college did not always maintain sufficient collateral for its bank accounts. It should ensure that the bank provides sufficient collateral to secure its local checking account balance. (Finding 3, page 8)

- The college did not develop a written business plan for its bookstore. To help ensure efficient operation, it should develop a written multi-year business plan, as recommended by the MnSCU board. (Finding 4, page 8)

- The college did not maintain supporting documentation for backdated registration transactions. Backdated transactions are high-risk transactions because they allow employees to make changes that affect student account balances. It should retain documentation to support the validity of these transactions. (Finding 5, page 10)

- The college did not adequately safeguard its incoming receipts. It should secure its cash receipts during the day and should limit the number of employees who have access to secured areas. It should also set up a process to promptly deposit all incoming checks. (Finding 6, page 10)

Anoka Ramsey Community College is part of the Minnesota State Colleges and Universities (MnSCU) system. This audit report focused on financial management, tuition and fees, payroll and other administrative expenditures, and bookstore operations for the period July 1, 2000, through June 30, 2002. The college's response is included in the report.

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Chapter 1. Introduction

Anoka Ramsey Community College was established in 1965 and is now part of the Minnesota State Colleges and Universities (MnSCU) system. It has campuses in Coon Rapids and Cambridge. Dr. Patrick Johns has served as college president since April 1991.

The college offers a wide array of educational opportunities to its students, including liberal arts and science programs as well as many technical and career programs. The college also provides noncredit continuing education and customized training programs. For fiscal year 2002, the full-year equivalent student population of the college was 3,811.

The college is affiliated with two separate foundations, which are autonomous, non-profit organizations. One foundation represents the Coon Rapids campus, while the other represents the Cambridge campus. The college has a formal signed contract with each foundation that outlines the duties and responsibilities of the parties. Both foundations received staffing and other administrative support from the college. In return, the foundations provided student scholarships and other funding that benefited the educational mission of the college.

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Chapter 2. Financial Management

Chapter Conclusions

College internal controls provided reasonable assurance that it operated within available resources. The college maintained an appropriate operating relationship with its two foundations. We found, however, that the college did not sufficiently restrict employee access to certain computerized business systems. We also found that the college had many old reconciling items relating to cash that were not resolved in a timely manner. Finally, the college did not always maintain sufficient collateral for its bank accounts and did not prepare a business plan for its auxiliary enterprises.

As required by the MnSCU chancellor's office, the college used the MnSCU accounting system to initiate most transactions and record its financial activity. For funds held in the state treasury, MnSCU accounting interfaces into MAPS to generate warrants from the state treasury. The college also administers funds in local bank accounts, separate from the state treasury, for enterprise and special revenue activities, such as the bookstore and student financial aid.

Audit Objectives and Methodology

The primary objectives of our review of the college's financial management were to answer the following questions:

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

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

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

- Did the college's internal controls provide reasonable assurance that it had an appropriate operating relationship with its foundations?

To answer these questions, we interviewed college personnel to gain an understanding of the MnSCU accounting system and the extent the college used the system for the areas examined. We gained an understanding of management controls, such as budget monitoring and reconciliations, in place over state treasury and local bank accounts. We analyzed and reviewed state treasury and local bank account transactions posted to the accounting records to determine if the college properly recorded revenues and expenditures. Local bank activity was also reviewed to determine compliance with material finance-related legal provisions, such as collateral sufficiency. In addition, we reviewed employee access to MnSCU's business systems concentrating on powerful security privileges and incompatible access. Finally, we reviewed the college's relationship with its two foundations.

Conclusion

College internal controls provided reasonable assurance that it operated within available resources. The college maintained an appropriate operating relationship with its two foundations. As discussed below, however, we found that the college did not sufficiently restrict employee access to certain computerized business systems. We also found that the college had many old reconciling items relating to cash that were not resolved in a timely manner. Finally, the college did not always maintain sufficient collateral for its bank accounts and did not prepare a business plan for its auxiliary enterprises.

1. PRIOR FINDING NOT RESOLVED: The college did not adequately limit access to its computerized business systems.

Anoka Ramsey Community College did not separate or sufficiently restrict computer access privileges for business office employees in the areas of cashiering, accounts receivable, purchasing, accounts payable, and general accounting. Our review of the separation of incompatible duties and computer access privileges disclosed the following concerns:

Cashiering and Accounts Receivable

All twelve business office employees (includes business manager and director of fiscal services) had clearance to perform cashiering duties, as well as the ability to access accounts receivable and process increases, corrections, and adjustments. Additionally, all twelve could process negative receipts and deferments, while nine had the ability to process waivers.

Ideally, individuals with access to cash should not have the ability to adjust student accounts receivable records or process deferments or waivers. Additionally, access to high-risk transactions such as negative receipts and tuition waivers should be limited as much as possible. If certain incompatible access is necessary for back-up purposes, the college must develop mitigating controls to ensure that errors and/or irregularities do not go undetected. However, developing mitigating controls can be difficult if all business office employees have such broad access to the accounting system.

Purchasing and Accounts Payable

The college had seven business office employees with the ability to both encumber funds and enter vendor payments. Additionally, the college had eight business office employees with the ability to process forced encumbrances and initiate payments without a purchase order. Finally, there were four employees with business manager clearance in the purchasing system.

Generally, the functions of purchasing, encumbering, and payment processing should be segregated. Employees should not be allowed to initiate purchases and enter payments for those purchases without an independent review of the transactions.

General Accounting

Finally, three college employees identified in the prior audit continue to have unnecessary access. All three have clearance to enter budgetary transactions. In addition, one also has clearance to enter journal and expense vouchers, and one has the ability to update the college's chart of accounts. Employees should not have access that is unrelated to their assigned duties.

By not limiting access to its computerized business systems, inappropriate or unauthorized transactions could occur and go undetected by the college.

Recommendations

- *The college should limit employee business system access to the minimal level necessary to complete individual job responsibilities.*
- *The college should limit computer system access to incompatible functions. If the college is unable to eliminate incompatible access because of insufficient staffing, it should develop effective detective controls, including periodic and independent review of the employees' work.*

2. PRIOR FINDING PARTIALLY RESOLVED: The college did not timely resolve all reconciling items involving cash.

Anoka Ramsey Community College did not resolve all of the reconciling items from its Coon Rapids campus checking account reconciliation. Although the college is now reconciling its checking accounts in a timely manner, it has still not resolved many of the reconciling items cited in our previous audit. As a result, it is carrying forward old reconciling items from month to month, making the reconciliation process more cumbersome. In addition, by not clearing up these old items, the college is allowing potential errors in the MnSCU accounting system to go uncorrected.

Recommendation

- *The college should resolve cash account reconciling items in a timely manner.*

3. The college did not always maintain sufficient collateral for its bank accounts.

Anoka Ramsey Community College did not always maintain sufficient collateral for its bank accounts. Minnesota Statutes require state agencies to establish collateral equal to 110 percent of the amount on deposit, less any insured portion. During its financial statement audit, Deloitte and Touche reported that the college's various local bank accounts were undercollateralized a total of five days during fiscal year 2002. Our current audit testing found that the Coon Rapids campus was also undercollateralized at the beginning of both fall and spring semester 2002-2003. In order to properly secure its deposits, the college needs to ensure that the bank provides sufficient collateral, especially during peak times at the beginning of each semester when the college receives its federal financial aid funds.

Recommendation

- *The college should ensure that the bank provides sufficient collateral to secure its local checking account balance.*

4. The college has not developed a written business plan for its auxiliary enterprises.

Anoka Ramsey Community College has not developed a written business plan for its bookstore. MnSCU system procedure 7.3.2, part 7 requires colleges and universities to maintain a written multi-year business plan for auxiliary enterprises. The plan is intended to help "ensure that adequate but not excessive retained earnings and designated reserves are established and maintained." During fiscal year 2002, the bookstore had revenues of approximately $2.4 million. Although the college has developed procedures for the bookstore, in order to ensure the proper and efficient management of the bookstore, the college should develop a written business plan.

Recommendation

- *Anoka Ramsey Community College should develop a written business plan for its bookstore, as recommended by the MnSCU board.*

Chapter 3. Tuition and Fees

Chapter Conclusions

Anoka Ramsey Community College's internal controls provided reasonable assurance that tuition and fee collections were accurately recorded in the accounting records and in compliance with applicable legal provisions and management's authorization. We found, however, that the safeguarding of assets was impacted by the lack of separation of duties, as discussed in Chapter 2, Finding 1. We also found that the college did not maintain supporting documentation for backdated registration transactions and did not adequately secure incoming receipts. For the items tested, the campus complied with significant finance-related legal provisions concerning tuition and fees.

The college collected, deposited, and recorded credit-based tuition and fee revenue at each of its campus business offices. The college collected approximately $11 million in tuition, fees, and customized training revenues during fiscal year 2002. The resident and nonresident tuition rates for fiscal year 2002 were $78.75 and $157.50 per credit, respectively. In addition, the college collected revenue from customized training courses, including noncredit continuing education and contract training courses.

The college uses the Integrated Statewide Record System (ISRS) to register students that enroll in credit-based and continuing education courses. ISRS also assesses charges and tracks accounts receivable. The business office was responsible for recording revenues on the MnSCU accounting system.

Audit Objective and Methodology

Our review of the college's tuition and fee revenues, including customized training, focused on the following questions:

- Did the college design and implement internal controls to provide reasonable assurance that revenue collections were safeguarded, accurately reported in the accounting records, and in compliance with applicable legal provisions and management's authorizations?

- For the items tested, did the college comply, in all material respects, with the significant finance-related legal provisions concerning tuition and fees?

To answer these questions, we interviewed college employees to gain an understanding of the controls over billing, collecting, depositing, and recording of tuition, fee, and customized training revenues. We reviewed student registration and billing records and MnSCU accounting records to determine if the college charged students the appropriate tuition and fee rates, collected the amounts due, and properly recorded revenue transactions on the MnSCU accounting system.

Conclusions

Anoka Ramsey Community College's internal controls provided reasonable assurance that tuition and fee collections were accurately recorded in the accounting records and in compliance with applicable legal provisions and management's authorization. We found, however, that the safeguarding of assets was impacted by the lack of separation of duties, as discussed in Chapter 2, Finding 1. We also found that the college did not maintain supporting documentation for backdated registration transactions and did not adequately secure incoming receipts. For the items tested, the campus complied with significant finance-related legal provisions concerning tuition and fees.

5. The college did not maintain documentation for backdated registration transactions.

The Coon Rapids Campus only retained supporting documentation for backdated registration transactions for one year. Backdated transactions are high-risk transactions because they allow employees to make changes that affect student account balances. Without supporting documentation, we were unable to verify the validity of these transactions.

The computerized accounts receivable application allows users to eliminate a student's tuition and fee charges by backdating registration cancellation records. MnSCU Policy 5.12 (Refunds, Withdrawals, and Waivers) allow institutions discretion when canceling tuition charges. For example, a student is allowed to drop a class, without obligation, prior to the institution's established "drop date." During the two-year audit period, the college backdated a total of 5,360 credit cancellations, with an estimated value of $400,696 based on the college's resident tuition rates. The college believed that a large number of backdates occurred because the college allowed a 100 percent refund for dropping a course no later than the first business day following the first class meeting date. However, we noted that about 69 percent of all backdated transactions for the audit period occurred after the first seven days of the term.

Recommendation

- *The college should maintain proper documentation for backdated transactions, including explanations and approvals.*

6. The college did not adequately safeguard its incoming receipts.

Anoka Ramsey Community College did not adequately safeguard receipts. Our review of receipt collection disclosed the following weaknesses:

Anoka Ramsey Community College

- The college did not adequately secure cash during the day at the Coon Rapids campus. The campus business office had six employees who performed cashiering duties on a rotating basis each day. While they were not working the business office window, the cashiers left their cash drawers on their desks at their individual workstations. Storing receipts in unsecured cash drawers increases the risk of theft. To limit this risk, the college should store any cash drawers not in use in a secured area.

- The college did not adequately limit the number of employees having access to stored receipts. Eight employees had keys and were able to operate the alarm system for the business office storeroom. Receipts are more susceptible to theft or loss when an excessive number of employees have access to secured areas.

- The college did not promptly deposit some checks received from third party payers, as required by Minn. Stat. Section 16A.275. Some third party employers sent in payments for their employees' tuition and fees before the college billed them. Rather than depositing these checks into a temporary suspense or clearing account, the college simply held them until a receivable was established in the accounting system. Since the college's process is to establish a receivable approximately three weeks after the semester begins, some checks were held for several weeks. For example, during December 2002, the college received six checks totaling $4,700 for the 2003 spring semester, but did not deposit the checks until January 10, 2003. The risk of loss increases when checks are not promptly deposited. To improve controls and comply with state statutes, the checks should be deposited daily.

Recommendations

- *The college should secure cash receipts, including cash drawers, when not in use.*

- *The college should limit the number of employees who have access to secured areas where receipts are stored.*

- *The college should set up a suspense account in the MnSCU accounting system to deposit incoming receipts prior to setting up a receivable.*

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Chapter 4. Employee Payroll

Chapter Conclusions

Anoka Ramsey Community College's internal controls provided reasonable assurance that it properly authorized and accurately reported employee payroll expenditures in the accounting records, and that it complied with applicable legal provisions and management's authorization. For the items tested, the college complied with significant legal provisions and bargaining unit agreements.

Employee payroll represents the college's largest operating cost, totaling about $19 million each year. The college employees belong to various bargaining units and compensation plans including:

- American Federation of State, County, and Municipal Employees
- Minnesota Community College Faculty Association
- Middle Management Association
- Minnesota Association of Professional Employees
- Excluded Administrators Plan
- Commissioner's Plan

The college used the State's Employee Management System (SEMA4) and the State Colleges and Universities Personnel and Payroll System (SCUPPS) to process payroll and personnel information. The payroll section processed biweekly payroll transactions on SEMA4. SEMA4 interfaced with SCUPPS, which provided employment history, pay rates, and bargaining contract details for all college employees. The human resources section entered all personnel changes and new employee records onto SCUPPS.

Audit Objective and Methodology

The primary objective of our review was to answer the following questions:

- Did the college's internal controls provide reasonable assurance that it accurately recorded payroll expenditures in the accounting records, and that it complied with applicable legal requirements and management's authorization?

- For the items tested, did the college comply with material finance-related legal provisions and bargaining unit agreements?

To address these objectives, we interviewed college staff to obtain an understanding of the internal control structure over employee payroll expenditures, analyzed employee payroll data to determine unusual trends, reviewed source documents to determine proper authorization, and recalculated employee payroll amounts to ensure proper payment. We also observed procedures for processing and reconciling employee payroll transactions, and we reviewed employees' access to the college's business systems.

Conclusions

Anoka Ramsey Community College's internal controls provided reasonable assurance that it properly authorized and accurately reported employee payroll expenditures in the accounting records, and that it complied with applicable legal provisions and management's authorization. For the items tested, the college complied, in all material respects, with significant legal provisions and bargaining unit agreements.

Chapter 5. Administrative Expenditures

Chapter Conclusions

Except for the access issue discussed in Chapter 2, Finding 1, Anoka Ramsey Community College's internal controls provided reasonable assurance that it adequately safeguarded its assets, accurately recorded non-payroll administrative expenditures in the accounting records, and complied with applicable legal provisions and management's authorization. For the items tested, Anoka Ramsey Community College complied with significant finance-related legal provisions concerning administrative expenditures.

The college incurred non-payroll administrative expenditures for items such as purchased services, consultant and contract services, supplies, utilities, and capital purchases. These expenditures totaled approximately $3.6 million for the fiscal year 2002. Table 5-1 provides a breakdown of these expenditures.

Table 5-1
Administrative Expenditures
Fiscal Year 2002

	2002
Purchased Services	$1,195,305
Supplies	1,121,926
Consultant/Contract Services	426,574
Utilities	401,519
Equipment	140,348
Travel	117,069
Other	220,192
Total	$3,622,933

Source: MnSCU accounting system.

To purchase goods or services, college faculty or employees submit an authorized purchase requisition to the business office. The business office solicits bids if necessary, verifies that funds are available in the appropriate cost center, encumbers the funds, creates a purchase order, and sends it to the vendor. The business office also receives the invoices and makes payments upon confirming receipt of the goods or services.

Audit Objective and Methodology

The primary objective of our review of other administrative expenditures was to answer the following questions:

- Did the college's internal controls provide reasonable assurance that it accurately recorded administrative expenditures in the accounting records, adequately safeguarded its assets, and complied with applicable legal provisions and management's authorization?
- For the items tested, did the college comply with the significant finance-related legal requirements concerning administrative expenditures?

To meet these objectives, we interviewed college employees to gain an understanding of the internal controls over the procurement and disbursement process. We examined employees' access to its business systems, performed analytical reviews, and tested transactions. Finally, we reviewed the college's process to record and track its fixed assets.

Conclusions

Except for the access issue discussed in Chapter 2, Finding 1, Anoka Ramsey Community College's internal controls provided reasonable assurance that it adequately safeguarded its assets, accurately recorded non-payroll administrative expenditures in the accounting records, and complied with applicable legal provisions and management's authorization. For the items tested, Anoka Ramsey Community College complied with significant finance-related legal provisions concerning administrative expenditures.

Chapter 6. Bookstore Operations

Chapter Conclusions

The college designed and implemented internal controls to provide reasonable assurance that bookstore revenue collections and disbursement transactions were accurately recorded in the accounting records and in compliance with applicable legal provisions and management's authorization. For the items tested, the college complied with the significant finance-related legal provisions concerning bookstore operations.

The college operates a bookstore at each of its two campuses. Each bookstore sells textbooks, school supplies, clothing, and other items to students. In fiscal year 2002, bookstore revenues totaled approximately $2.4 million, while purchases totaled approximately $1.8 million.

One manager oversees operations in both bookstores. There are four employees at the Coon Rapids bookstore and two at the Cambridge bookstore. Bookstore cashiers close out registers and perform cash counts each day. The following morning the bookstore manager reconciles the previous days activity. The business office prepares the bookstore's deposits. There are employees at each campus responsible for purchasing. The bookstore manager approves bookstore purchases. The business office processes payments for the bookstore.

Audit Objectives and Methodology

We focused our review of bookstore revenue and expenses on the following objectives:

- Did Anoka Ramsey Community College design internal controls to provide reasonable assurance that bookstore revenue collections and disbursement transactions were accurately recorded in the accounting records and in compliance with applicable legal provisions and management's authorization?

- For the items tested did Anoka Ramsey Community College comply with material finance-related legal provisions concerning bookstore operations?

To meet these objectives, we interviewed bookstore staff to gain an understanding of the controls in place over bookstore revenue and expenses. We also performed analytical reviews and tested samples of transactions to determine if the college had adequate supporting documentation and accurately recorded the transactions on the MnSCU accounting system.

Anoka Ramsey Community College

Conclusion

The college designed internal controls to provide reasonable assurance that its bookstore revenue collections and disbursement transactions were accurately recorded in the accounting records and in compliance with management's authorization. For the items tested, the college complied with significant finance-related legal provisions concerning bookstore operations.

Status of Prior Audit Issues
As of February 21, 2003

Most Recent Audit

Legislative Audit Report 01-46, issued in September 2001, covered the college's material activities and programs, including: general financial management, tuition and fees, employee payroll, administrative expenditures, bookstore activities, and federal financial aid. The report covered the period July 1, 1997, through March 31, 2001, and contained eight findings. The college implemented recommendations related to six of the findings. The unresolved issues are addressed in the current audit report in Findings 1 and 2.

Other Audit Coverage

The MnSCU Office of the Chancellor contracted with Deloitte and Touche, LLP, an independent CPA firm, to audit the MnSCU basic financial statements and to report on its internal controls and compliance for its major federal programs. MnSCU received unqualified opinions for fiscal years 2001 and 2002. As part of the financial statement audits, the firm issued management letters to MnSCU's Board of Trustees commenting on accounting, administrative, and operating matters. The firm also issued separate management letters as a result of its work on MnSCU's major federal programs, including federal student financial aid.

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 audits of the Minnesota State Colleges and Universities (MnSCU) to the MnSCU Office of Internal Auditing. MnSCU 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. The process covers all colleges and universities within the MnSCU system.

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AnokaRamsey
Community College

Office of the President

May 22, 2003

Jeanine Leifeld
Office of the Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
St. Paul, MN 55155-1603

Dear Ms. Leifeld:

This letter is in response to Anoka-Ramsey Community College's financial audit for the period of July 1, 2000, through June 30, 2002. Anoka-Ramsey Community College takes audits very seriously. We, as an organization, will work diligently to resolve all audit findings.

Below is our response to each finding:

1. **The college did not adequately limit access to its computerized business systems.**

   Response: Cashiering and Accounts Receivable

   Anoka Ramsey Community College will appropriately limit the computer system access to individual job duties. The college will work with the internal auditor in finding a mitigating control for some that may have incompatible access.

   Responsible Staff: Tim Fischer, Director of Fiscal Services
   Projected Completion Date: December 31, 2003

   Response: Purchasing and Accounts Payable/General Accounting

   The college will change the access of the employees that have the ability to both encumber funds and enter vendor payments.

   Responsible Staff: Tim Fischer, Director of Fiscal Services
   Projected Completion Date: Partially done, May 30, 2003

2. The college did not timely resolve all reconciling items involving cash.

Anoka Ramsey Community College will resolve any old reconciling items it can and will obtain the necessary authorization to write off all the other old reconciling items that have been forwarded for several years. A system of following up on the current bank reconciling items will be implemented so that going forth the cash account's reconciling items will be addressed in a timely manner.

Responsible Staff: Tim Fischer, Director of Fiscal Services
Projected Completion Date: June 30, 2003

3. The college did not always maintain sufficient collateral for its bank accounts.

Anoka Ramsey Community College will work with our bank to ensure that it is aware of times during the year high balances will occur. The college has an agreement with Wells Fargo to keep a sufficient amount of collateral on our accounts. In addition, a business office staff person will call the bank prior to large financial aid days.

Responsible Staff: Amie Wunderlich, Accounting Officer
Projected Completion Date: Completed.

4. The college has not developed a written business plan for its auxiliary enterprises.

After hiring a new bookstore manager, the college will develop a written business plan for all auxiliary enterprises.

Responsible Staff: Tim Fischer, Director of Fiscal Services
Bookstore Manger
Projected Completion Date: June 30, 2004

5. The college did not maintain documentation for back dated registration transactions.

A new drop/add policy will be implemented beginning fall semester, 2003, which will reduce the number of back dated drops. Registration will also use the reason code on the system and also provide documentation for all drops.

Responsible Staff: Tim Fischer, Director of Fiscal Services
Rhonda Kern, Registration Director
Projected Completion Date: December 31, 2003

6. **The college did not adequately safeguard its incoming receipts**.

Response: Adequate secure of cash

The Anoka Ramsey Community College's business office staff will consistently place all cash drawers in the secured area after providing cashiering duties at the window.

Responsible Staff: Tim Fischer, Director of Fiscal Services
Projected Completion Date: Completed.

Response: Limit access to cash deposits

Anoka Ramsey will use a safe that will have a limited number of people with access to secure the deposits during the day and at night.

Responsible Staff: Tim Fischer, Director of Fiscal Services
Projected Completion Date: June 30, 2003

Response: Holding checks

Anoka Ramsey Community College will deposit third party checks daily in a clearing account or as a prepayment on the customer account. The business office staff will also continue to communicate with third party payers that they should pay the invoice the college bills to them and not there client notices.

Responsible Staff: Tim Fischer, Director of Fiscal Services
Projected Completion Date: Completed.

We appreciate this opportunity to provide our response to each finding. If you have any questions or concerns, please contact me.

Sincerely,

/s/ Patrick M. Johns

Patrick M. Johns
President

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