OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial-Related Audit

North Hennepin Community College

July 1, 1997, through June 30, 2000

MARCH 29, 2001 **01-16**

Financial Audit Division

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Ms. Ann Wynia, President
North Hennepin Community College

We have audited selected areas of North Hennepin Community College for the period July 1, 1997, through June 30, 2000, as further explained in Chapter 1. Our audit scope included financial management, tuition and fees, payroll, operating expenditures, supplies and equipment, and the bookstore. We also reviewed the university's internal controls over compliance with federal financial aid for fiscal year 2001. The audit objectives and conclusions are highlighted in the individual chapters of this report.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, as issued by the Comptroller General of the United States. These 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 North Hennepin Community College complied with the provisions of laws, regulations, contracts, and grants significant to the audit. 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 the North Hennepin 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 March 29, 2001.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen
Deputy legislative Auditor

End of Fieldwork: February 10, 2001

Report Signed On: March 26, 2001

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Audit Participation

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

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Theresa Hahn	Auditor
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Exit Conference

The following staff from North Hennepin Community College and the MnSCU System Office participated in the exit conference held on March 15, 2001:

MnSCU System Office:

Laura King	Vice Chancellor, Chief Financial Officer
Rosalie Greeman	Associate Vice Chancellor, Financial Reporting
John Asmussen	Executive Director of Internal Auditing
Margaret Jenniges	Director of Financial Reporting
Deb Winter	Director of Campus Assistance
Jennifer Struemke	MnSCU Audit Coordinator

North Hennepin Community College:

Ann Wynia	President
Dawn Reiner	Chief Financial Officer

Report Summary

North Hennepin Community College operated within available financial services and generally complied with legal provisions and management's authorizations. The college made improvements in its financial management since our last audit report was issued. However, we found the following internal control weaknesses impacting the safeguarding of assets and recording of financial activities in the college's accounting systems:

Key Findings:

- The college did not verify the accuracy of financial activity recorded in its local bank account and did not reconcile cash on MnSCU accounting to cash in its bank accounts. (Findings 1 and 2, pages 7 and 8)

- The college did not control access to its business systems. Without proper security controls, the college is at risk that unauthorized or fraudulent transactions could occur. The college should periodically review system access, limit access to staff requiring it to complete their job responsibilities, and eliminate any incompatible access. (Finding 3, page 8)

- The college did not adequately monitor its agreement with its foundation. The college did not collect all funds owed by the foundation. The college should periodically review the foundation's billings and payments to ensure collection on a timely basis. (Finding 4, page 9)

- The college did not have adequate controls over its fixed asset inventory. Without an adequate system of accounting for fixed assets and periodic inventory counts, theft or misuse of those items could go undetected. (Finding 11, page 25)

North Hennepin Community College is a part of the Minnesota State Colleges and Universities (MnSCU) system. This audit report represents the conclusions of our audit of the college's tuition and fees, payroll, operating expenditures, supplies and equipment, and the bookstore for the period July 1, 1997, through June 30, 2000. We also reviewed the college's internal controls over compliance with federal student financial aid for fiscal years 2000 and 2001. The college's response is included in this report.

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Chapter 1. Introduction

North Hennepin Community College (NHCC), located in Brooklyn Park, Minnesota, is one of 35 colleges and universities included in the Minnesota State Colleges and Universities (MnSCU) system. The MnSCU Board of Trustees appointed Ms. Ann Wynia as president of North Hennepin Community College effective December 1, 1997.

NHCC is accredited by the North Central Association of Colleges and Schools. The college offers lower division and pre-professional courses, which may be transferred with full credit towards a bachelors degree in over 80 upper division majors. Work in these areas leads to the degree of Associate in Arts or Associate in Science at North Hennepin Community College and to the bachelor's degree at a four-year college or university. In school year 1999-2000, North Hennepin Community College had 3,135 full-time equivalent students enrolled in credit classes. Enrollment increased by six percent over the previous year.

NHCC also provides non-credit and customized training in essential skills and computer programs. In fiscal year 2000, the college provided training to nearly 9,000 students and supplied customized training at more than 100 business sites.

In 1998 and 2000, the Legislature approved two major capital projects for NHCC. The Legislature appropriated over $20 million towards the renovation of the Science and the General Education buildings. The college anticipates completion of these projects by fiscal year 2007.

North Hennepin Community College is affiliated with the North Hennepin Community College Foundation, a separate non-profit organization. The foundation has its own directors, articles of incorporation, and bylaws. The foundation maintained its own financial records and accounts, which were audited annually by a CPA firm. The college 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 college. In the past five years, the foundation has provided more than $1.5 million in private funds for scholarships, computer equipment, and facility improvements.

North Hennepin Community College funds its operations from three main sources: state appropriation allocations, tuition and fees, and federal grants. Table 1-1 provides a summary of the college's financial activity for fiscal year 2000.

Table 1-1
North Hennepin Community College Revenues, Expenditures/Expenses, and Changes in Fund Balance
Fiscal Year Ended June 30, 2000

	General Fund	Special Revenue Fund	Enterprise Fund
Revenues:			
State Appropriations	$10,125,876	$ 0	$ 0
Tuition and Fees	9,073,153	486,987	275,397
Sales and Services, Net	0	62,310	442,385(3)
Federal Grants	0	1,795,956	0
State Grants	31,677	708,832	0
Other Income	309,490	26,692	137,787
Total Revenues	$19,540,196	$3,080,777	$ 855,569
Expenditures/Expenses:			
Salaries	$14,185,966	$ 793,717	$ 188,348
Purchased Services	1,516,668	67,489	364,087
Utilities	525,051	0	0
Contracts, Consultants	707,689	0	0
Supplies	845,716	50,626	12,462
Financial Aid	18,273	2,167,477	168,477
Capital Expenditures	76,676	0	0
Debt Service-Interest	579,038	0	0
Other	236,206	60,610	81,540
Total Expenditures/Expenses	$18,691,283	$3,139,919	$ 814,914
Transfers:			
Transfers-In	$ 483	$ 25,000	$ 0
Transfers-Out	25,000	0	$ 0
Total Transfers	$ (24,517)	$ 25,000	$ 0
Change in Fund Balance	$ 824,396	($ 34,142)	$ 40,655
Beginning Fund Balance	1,865,936	415,937	3,489,576
Ending Fund Balance	$ 2,690,332	$ 381,795	$3,530,231(4)

Note 1: The statement is prepared on the budgetary basis of accounting and is provided for informational purposes only. MnSCU budgetary accounting, which is the basis for annual budgets and the allocation of state appropriation, differs from GAAP. MnSCU budgetary accounting includes all receipts and expenditures up to the close of the books (mid-September) for the budget fiscal year. Revenues not yet received by the close of the books are not included. The criterion for recognizing expenditures is the actual disbursement, not when the goods or services are received. Capital project revenues and expenditures are not included. Beginning and ending fund balances do not reflect assets, such as certain accounts receivable and prepaid assets, or long-term liabilities, such as debt and compensated absences.

Note 2: Compensated absence liabilities at June 30, 2000, were $1,487,914, $52,278, and $33,994 for the General Fund, Special Revenue Fund, and the Enterprise Fund, respectively. These liabilities represent the amount due college employees for accrued vacation leave, sick leave, and compensatory leave at June 30.

Note 3: Enterprise Fund sales and services are net of cost of goods sold, as follows:

Sales and Services, Gross	$1,792,125
Cost of Goods Sold	1,349,740
Sales and Services-Net	$ 442,385

The Enterprise Fund includes an allocation of indirect costs totaling $39,000 for fiscal year 2000.

Note 4: The Enterprise Fund balance at June 30 includes federal and state student loans outstanding of $1,890,000.

Note 5: The General Fund ending balance included an unrestricted reserve of $815,000, as calculated by the college. The reserve was part of the college's operating budget for which no use is currently planned. The remaining fund balance was restricted for various commitments, including future retirement and severance payments, the new science building, departmental activities, and other obligations.

Note 6: North Hennepin Community College Trust Fund had a beginning and ending balance of $700. This fund was not included above.

Source: Prepared by MnSCU accounting staff as adjusted by OLA.

Chapter 2. Financial Management

Chapter Conclusions

North Hennepin Community College operated within available resources and generally complied with applicable legal provisions and management's authorization. The college has made improvements to its financial management since our last audit. However, we found the following internal control weaknesses impacting the safeguarding of assets and recording of financial activities in the college's accounting systems. North Hennepin Community College did not verify the accuracy of its financial activity recorded on its accounting systems. The college also did not reconcile cash or maintain sufficient collateral. Other control weaknesses included not adequately controlling access to its business systems, not adequately monitoring its agreement with its foundation, and not having a policy for facility rental. Finally, the college did not maximize its investment earnings.

North Hennepin Community College used the MnSCU accounting system to record its financial activity and to initiate transactions. MnSCU accounting interfaces with the statewide accounting system, the Minnesota Accounting and Procurement System (MAPS), to generate warrants from the state treasury. MnSCU system office also requires that all campuses use the MnSCU accounting system to account for money maintained outside of the state treasury. During the audit period, North Hennepin Community College administered certain funds, including financial aid and enterprise activities, in eight local bank accounts. The main checking account also served as the state depository for transfer of funds into the state treasury. In fiscal year 2001 the college consolidated its bank accounts into two accounts.

Audit Objectives and Methodology

Our review of North Hennepin Community College's financial management focused on the following objectives:

- Did the college's internal controls provide reasonable assurance that it had properly recorded financial activities on the MnSCU and MAPS accounting systems?
- Did the college comply with applicable legal provisions regarding local bank accounts?
- Did the college'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 college's internal controls provide reasonable assurance that it had an appropriate operating relationship with related organizations?

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 the 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 computerized business systems.

Budgetary Controls

MnSCU receives the majority of its funding for operations from General Fund appropriations. The MnSCU system office allocates appropriated funds to North Hennepin Community College and all colleges and universities based on an allocation formula. In addition, North Hennepin Community College, like other campuses, retains the tuition and other receipts it collects to arrive at its total authorized spending level.

Once North Hennepin Community College determines its authorized spending level, it allocates spending budgets to the various administrative areas and academic departments. The college established individual cost centers for each department or office to monitor its budget status. College management also monitor projected versus actual student enrollment to ensure that sufficient tuition will be received to support the spending budget. The college builds a reserve balance into its budget formula. As of June 30, 2000, North Hennepin Community College had about a five percent budget reserve, or approximately $815, 000. MnSCU policy 5.10 specifies colleges and universities reach a five to seven percent reserve by the end of fiscal year 2001.

General Financial Management

The college has undergone significant changes since the last audit. The college has developed a new organizational structure that reflects changes in employee reporting and responsibilities. A major change was the consolidation of the business activities under the chief financial officer, resulting in a more centralized business operation. The college increased staffing in the business office and financial aid office by one-half position each. The college also added one position to the human resource/payroll department. This increase in staffing provided more separation of duties within each of the offices.

The college has undergone significant changes in its accounting systems. In fiscal year 1998, North Hennepin Community College used the Collegiate Information System (CIS) to record tuition receipts. Subsequently, MnSCU developed a new information system to replace the former system. The new system, the Integrated Student Record System (ISRS), contains various student data and registration modules that share common data through various interfaces.

During the last three years, the business office analyzed and made changes in processing its financial activities. The business office has assumed more responsibilities including reconciling its business systems, processing invoices, and employees' expenses. These increased responsibilities continue to place additional demands on the business office staff.

Conclusion

North Hennepin Community College operated within available resources and generally complied with applicable legal provisions and management's authorization. The college has made improvements to its financial management since our last audit. Some notable improvements included developing more centralized controls over its financial activities, providing more separation of duties within payroll, the business office and student financial aid, and instituting more controls over certain revenue operations.

However, we found the following internal control weaknesses impacting the safeguarding of assets and recording of financial activities in the college's accounting systems. North Hennepin Community College did not verify the accuracy of its financial activity recorded on its accounting systems. The college also did not reconcile cash in the bank or maintain sufficient collateral to safeguard bank balances. Other control weaknesses included not adequately controlling access to its business systems, not adequately monitoring its agreement with its foundation, and not having a consistent policy for facility rental. Finally, the college did not maximize its investment earnings.

1. PRIOR AUDIT RECOMMENDATION NOT RESOLVED: North Hennepin Community College has not reconciled cash on MnSCU accounting to cash in the bank and did not maintain sufficient collateral for its local bank accounts.

The college has not completed the reconciliation of cash on MnSCU accounting to cash in the local bank accounts. The general bank account has not been reconciled since July 1999. This account had inconsistent differences ranging from $35,000 to $307,000 each month through December 2000. In addition, the all-college account had a difference of $23,600, and the federal financial aid account had a balance of $18,000 that needs to be resolved. The college is reconciling bank deposits and checks to MnSCU balances on a monthly basis. This provides assurance that current receipts and checks have been properly recorded on the accounting system. However, the differences between the accounting records and the bank statements have not stabilized.

The college had completed reconciliations of the bank accounts through fiscal year 1999. Difference between cash in the bank and cash on MnSCU accounting started after the college converted to the new accounts receivable module. The consolidation of accounts contributed to the reconciliation difficulties. The college has dedicated a full-time employee to complete the reconciliations and resolve the differences. In addition, the college has requested help from several sources, including the system office and staff at other colleges. However, as of January 2001, the accounts remained unreconciled.

North Hennepin Community College also did not maintain the legally required amount of collateral for its local bank account. For the period December 1999 through November 2000, the month-end bank balance exceeded the collateral coverage for eight out of twelve months. Differences between the month-end cash balance and collateral ranged from $175,000 to

$1.16 million. In December 2000, the college increased its collateral amount to $3.3 million. The largest bank balance in the past six months totaled $2.9 million. This increase should provide sufficient collateral to cover the anticipated bank balances in the near future. However, the college needs to continually monitor the bank account balance on a periodic basis to ensure the college has sufficient collateral.

Recommendations

- *The college should work with the system office to understand the recording of transactions on MnSCU accounting and to identify bank account reconciling items. The college should complete bank reconciliations monthly.*

- *The college should periodically monitor the bank balances to ensure that collateral for the bank balances are sufficient.*

2. North Hennepin Community College has not verified the accuracy of financial activity recorded on its business systems in a timely manner.

The college has not reconciled all financial activity recorded on the MnSCU and MAPS accounting systems for fiscal years 2000 and 2001. The General Fund appropriation account had a difference of $5,300 for fiscal year 2000 as of January 2001. The account had a difference of $30,000 in revenues and $41,000 in expenditures for fiscal year 2001. In addition, the college has not attempted to reconcile financial activity for federal and state grants and the clearing account.

This reconciliation needs to be completed on a periodic basis to ensure that financial activity is properly recorded on the two systems. MnSCU's finance section is in the process of developing guidelines for these reconciliations that at a minimum would require colleges to perform quarterly reconciliations. The college needs to have accurate accounting records so that the accounting system accurately reflects the financial activity of the institution.

Recommendation

- *North Hennepin Community College should reconcile the financial activity recorded on MnSCU's accounting system to MAPS on a timely basis.*

3. PRIOR AUDIT RECOMMENDATION NOT RESOLVED: North Hennepin Community College did not adequately control the access of certain employees to its accounting systems.

North Hennepin Community College did not adequately administer and control access to the MnSCU accounting system. The college has primary authority and responsibility to ensure employee access is necessary based upon job responsibilities. Without the proper security controls, the college is at risk for possible unauthorized and/or fraudulent transactions to occur.

In our prior audit report, we discussed a concern about student worker access to the financial aid and registration systems. The method of inputting the transactions changed with the new ISRS and that issue is resolved. However, we noted new access control issues for current business systems. Our review of administration of computer system security disclosed the following weaknesses:

- Two human resource personnel had update access to both SCUPPS and SEMA4. The two employees had the ability to make adjustments to employee leave records. The two human resource personnel need view access to SEMA4 only.

- Four employees outside the Accounting and Fees Office had clearance to update general accounting screens. Two financial aid employees had clearance to process various general ledger, budgeting, and cashiering transactions. Another financial aid employee had clearance to process cashiering transactions. Finally, an administrator had clearance to process general ledger transactions.

- One Accounting and Fees Office employee had incompatible access to the student payroll module. This employee had clearance to set up student work authorizations, process payroll hours, and print student payroll checks.

- Eleven system office employees had clearance to update data in various ISRS modules, including the account receivable, financial aid, student payroll, and the accounting and SCUPPS modules. We question whether that number of individuals need update access to the college's data.

Recommendation

- *The college should periodically review system access, limit access to staff requiring it to complete their job responsibilities, and eliminate any incompatible access.*

4. The college has not adequately monitored its agreement with the North Hennepin Community College Foundation.

The college has not collected amounts due from the foundation on a timely basis. An addendum to the memorandum of agreement between the college and the foundation provided a listing of payments to be made to the college for fiscal year 2000. This listing includes payments for administrative services, reimbursement of employee expenses, grants, and scholarships.

College records indicated that the foundation paid only one-half of the $75,000 due for administrative services. Based upon our review, the college has billed the foundation for the remaining $37,500. In addition, the college only collected $74,000 of the $90,000 scholarship money due from the foundation for fiscal year 2000. The college stated that several years ago an informal arrangement with student organizations authorized the use of bookstore profits to match the foundation grants and provide the remaining $16,000. The arrangement was not formalized in writing. The college also did not collect payment for reimbursement of fiscal year 2000 employee expenses totaling $10,900 until January 2001.

The college has a responsibility to monitor the provisions of the agreement. These payments need to be verified on a periodic basis to ensure collection of all amounts due.

Recommendation

- *The college should periodically review the foundation billings to ensure collection on a timely basis. The college should also monitor the agreement to ensure that the foundation complies with all provisions of the agreement. If an arrangement with the bookstore exists outside of the agreement, the agreement should be corrected to reflect the arrangement.*

5. North Hennepin Community College did not have a policy for facility use by other organizations.

The college did not have a policy for renting college facilities to other organizations. The college allows state, local, or federal agencies and charitable organizations to use its facilities. The facility director had discretion whether to charge organizations a fee for using college facilities. We noted that local organizations and some charitable or non-profit organizations were charged a fee, while the college charged no fees to other similar organizations. Because there was no policy, we could not determine whether the college should have charged a particular organization. The college stated that the decision of whether or not to bill an organization was based on past experience and the college's interest in supporting local community activities. However, we think that this process resulted in inconsistent billing practices. A facility use policy should provide general criteria regarding use of college space that results in equitable treatment for similar organizations. The college is in the process of developing a policy for use of facilities.

There was also a lack of separation of responsibilities regarding facility rental income. The facility director had multiple responsibilities for facility rental. The facility director not only decided whether to bill an organization, but also sent out the invoices and collected the payments. An opportunity existed to bill an organization, collect and divert the receipts, and indicate in the records that no fee was charged to the organization. The college is reviewing the option to have the receipts mailed directly to the business office.

Recommendations

- *North Hennepin Community College should develop a facility use policy addressing charges for facility rental.*

- *The college should also require that facility rental receipts be sent directly to the business office.*

6. The college did not maximize its investment earnings for funds in its local bank account.

North Hennepin Community College did not maximize its investment earnings and invest available cash in its local bank accounts. We determined that the college had approximately $983,000 as of December 2000 in its local checking account that could be invested. This amount represents cash in the college parking and food service accounts. At the time of our review, cash in the local checking account earned no interest in lieu of bank fees charged to the college. However, the bank offers an interest bearing account with a current interest rate of approximately five to six percent. This option would include daily deposits and withdrawals with the cash available on a daily basis.

The college was reluctant to invest the food service amount because they were uncertain about what constituted the balance. However, given the daily deposit and withdrawal option, it would be advantageous to invest the money until such time as withdrawals may be required. The management of the college is responsible for the effective and reasonable use of available funds, including the investment of money not required for immediate needs.

Recommendation

- *North Hennepin Community College should analyze its cash needs and establish a cash management strategy to maximize its investment earnings.*

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Chapter 3. Tuition and Fees

Chapter Conclusions

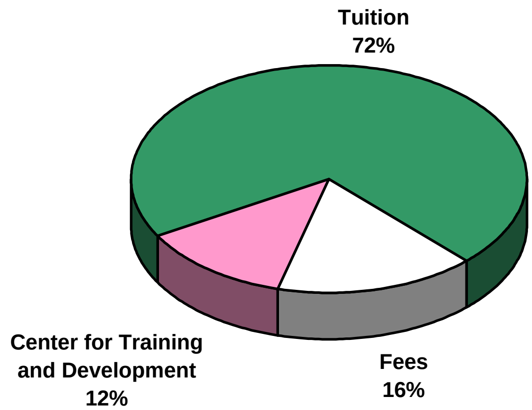
North Hennepin Community College's internal controls provided reasonable assurance that revenue collections were accurately reported in the accounting records and were in compliance with applicable legal provisions and management's authorization. For the items tested, the institution complied with the significant finance-related legal provisions concerning tuition. However, the college did not provide adequate separation of duties in the business office. The college also did not properly safeguard cash receipts.

North Hennepin Community College offers both undergraduate credit and continuing education classes. The college collected approximately $28 million in credit and non-credit tuition and fees during fiscal years 1998 through 2000.

The college collected tuition for undergraduate credit classes at a resident rate of $47.82 and a nonresident rate of $92.47 per quarter credit for fiscal year 1998. The college did not bill all fees separately from tuition receipts until fiscal year 1999. The college changed to a semester system for fiscal year 1999, and charged a resident rate of $65.80 and a nonresident rate of $131.60 per semester credit. They also charged student fees totaling $12.20 per credit. The college charged a resident rate of $69.10 and a nonresident rate of $138.18 per semester credit for fiscal year 2000, with fees totaling $12.25 per credit. The college determines tuition rates for continuing education classes on an individual class basis.

The college used the Collegiate Information Systems (CIS) for recording and maintaining student data, assessing tuition, and monitoring unpaid balances. This system supported various activities such as admissions, registration, financial aid, and accounts receivable. Subsequently, MnSCU developed a new information system to replace CIS. The new system, the Integrated Student Record System (ISRS), contains various student data and registration modules which share common data through various interfaces. North Hennepin Community College started using the new accounts receivable module in April of 1999. Figure 3-1 shows the breakdown of the revenue by type.

Figure 3-1
Tuition and Fees Revenue
Fiscal Years 1998-2000



Source: MnSCU accounting system.

Except for students who were to receive financial aid and third-party funding, North Hennepin Community College required students to pay tuition and fee charges by the due date established by the college. The college dropped students who had not paid by the deadline and placed holds on student's accounts if the student had not paid the entire bill by the end of the semester. The college pursued past due accounts receivable by periodically mailing bills to students. The college referred all unpaid accounts to the Minnesota Collection Enterprise, the state's centralized collection function. The Collection Enterprise pursues collection of the outstanding balance until the student pays off the balance or it determines the account is uncollectible. It returns uncollectible accounts to the college.

The new Integrated Student Record System accounts receivable module accumulates all student charges from various sources. When the students pay their bills, the staff enters the receipts into ISRS and the system automatically applies the money to the outstanding balances in specified priority. As part of the closeout process, the accounts receivable module prints out a report, which summarizes the day's collections and postings.

Audit Objectives and Methodology

The primary objectives of our review of tuition and fees were as follows:

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

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

To meet these objectives, we interviewed college employees to gain an understanding of the controls over tuition and fees. We assessed risks and performed analytical tests to identify possible unusual trends. We reviewed student registration and billing records and MnSCU accounting records to determine if the college charged students appropriate tuition and fees, and whether the college properly recorded receipt transactions in MnSCU accounting. We also reviewed bank deposit documentation and reconciliations to determine if the college properly safeguarded and deposited all revenue collections in compliance with material finance-related legal provisions.

Conclusions

North Hennepin Community College's internal controls provided reasonable assurance that revenue collections were accurately reported in the accounting records and were in compliance with applicable legal provisions and management's authorization. For the items tested, the institution complied with the significant finance-related legal provisions concerning tuition. However, the college did not provide adequate separation of duties in the business office. The college also did not verify the accounts receivable balance and did not properly safeguard cash receipts.

7. PRIOR AUDIT RECOMMENDATION NOT RESOLVED: The college did not adequately segregate certain duties related to the tuition process.

The college did not properly segregate duties related to the tuition process in the business office and in the continuing education department. Three cashiers and one student worker in the business office collected receipts and also had the ability to alter students' accounts receivable balances in ISRS. These employees made cancellations and adjustments to tuition charges, including waiver transactions, without an independent review. In addition, one employee in the Center for Training and Development maintained the accounts receivable records and had access to the cash kept in a locked drawer.

The cashiers' ability to cancel or adjust accounts receivable records without any type of review increases the risk of errors or irregularities occurring and going undetected. Another employee should periodically review the collection of cash and adjustments to accounts receivable.

Recommendation

- *The college should separate the cashiering and accounts receivable functions, or, at a minimum, have another employee review documentation for sensitive transactions.*

8. The college did not adequately safeguard cash receipts.

The business office safe remained open throughout the day. The safe contains daily deposits and other cash and checks, car keys, and other documents. The safe was kept open so employees could have access to the state car keys and other documents. Although the door to the business office is locked, a number of college personnel enter the business office during business hours. Allowing the safe to remain open provides a high risk for theft or misuse of state property.

The continuing education and registration offices did not endorse checks. The continuing education center receives checks during registration, and the registration office collects checks as part of its application process. These offices sent the unendorsed checks to the business office daily. The risk of stolen receipts increases when checks are not endorsed upon receipt.

Recommendation

- *The college should keep its safe locked. The college should endorse all checks in the continuing education and registration offices when received.*

Chapter 4. Payroll

Chapter Conclusions

North Hennepin Community College's 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 institution complied, in all material respects, with the significant finance-related legal provisions concerning payroll. However, as explained in Chapter 2, Finding 3, the college did not adequately restrict employee access to its human resource and payroll systems.

North Hennepin Community College employed 336 staff, consisting of 98 full-time faculty, 100 part-time faculty, 13 administrators and 125 professional and support staff. Payroll expenditures comprised approximately 60 percent of total college expenditures, totaling approximately $15.2 million during fiscal year 2000. Employees at North Hennepin College are members of the following compensation plans:

- American Federation of State, County, and Municipal Employees (AFSCME),
- Minnesota Community College Faculty Association (MCCFA),
- Middle Management Association (MMA),
- Minnesota Association of Professional Employees (MAPE),
- Excluded Administrators Plan, and
- Commissioner's Plan.

The college used the State Employees 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.

Human resource personnel updated SCUPPS appointments and salaries. The payroll personnel collected employee timesheets for update of SEMA4 mass time entry and were responsible for ensuring proper recording of payroll expenditures in MnSCU accounting.

In the course of the audit, the college pointed out that there had been errors in the pay increases of some AFSCME and MAPE employees. The college was unaware of salary increase changes in the 1995 bargaining agreement. The new agreement provided employees with a step four pay level after a year and a half instead of after two years under the previous agreement. However, the college did not appropriately increase salaries based upon the new agreement. This error resulted in approximately 125 employees being six months behind on their step increases since 1995. The college detected the error in 1998 and is currently working on reviewing all employees that may have been effected by the error and making the appropriate corrections. The college has approximately 50 employees remaining to be reviewed.

Audit Objectives and Methodology

The primary objectives of our review were to answer the following questions:

- Did the college'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 college comply, in all material respects, with material finance related legal provisions governing payroll?

To answer these questions, we made inquiries of college staff to gain an understanding of the internal control structure over the payroll and personnel process. 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 contract provisions. We also reviewed and tested employee leave balances maintained by the college.

Conclusions

North Hennepin Community College's 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 institution complied, in all material respects, with the significant finance-related legal provisions concerning payroll. However, as explained in Chapter 2, Finding 3, the college did not adequately restrict employee access to its human resource and payroll systems.

Chapter 5. Enterprise Fund Activities

Chapter Conclusions

North Hennepin Community College's internal controls provided reasonable assurance that Enterprise Fund activities were accurately recorded in the accounting records, and were in compliance with applicable legal provisions and management's authorization. For the items tested, North Hennepin Community College complied, in all material respects, with the significant finance-related legal provisions concerning Enterprise Fund revenues and expenditures. However, the college did not collect cafeteria receipts in a timely manner.

North Hennepin Community College operated three auxiliary activities in the Enterprise Fund during fiscal years 1998 through 2000. The activities included the bookstore, food service, and parking operations. The Enterprise Fund balance as of June 30, 2000, related to those activities, was approximately $1,640,000. The college incurred mainly operating costs in the fund. The Enterprise Fund was also charged indirect costs totaling $39,000 in fiscal year 2000.

North Hennepin Community College contracted with a vendor to provide food service to students and faculty. The cafeteria provided breakfast, lunch, and snacks. Total revenue for fiscal year 2000 amounted to $16,000.

The college also operated a parking facility within the Enterprise Fund. The college charged parking fees of $45 per semester for full-time staff and $3 per credit up to a maximum of $45 per semester for students. Total revenue for fiscal year 2000 amounted to approximately $296,000.

The bookstore is the largest activity in the Enterprise Fund. The bookstore accepts cash, checks, and credit card charges. It also establishes student charge accounts for students who receive financial assistance from third-party agencies. The bookstore processes sales through three different cash registers. At the end of the day, the cash register receipts are reconciled with the register tape and locked in the safe. The following day, the accounting office deposits the receipts and enters the sales information into the MnSCU accounting system. To order books or supplies, the bookstore prepares a purchase order. Upon receipt, the purchase order, vendor's invoice, and a pay order form are sent to the accounting office for payment.

Audit Objectives and Methodology

The primary objectives of our review of the Enterprise Fund's revenue and expenses were to answer the following questions:

- Did the college design internal controls to provide reasonable assurance that bookstore, food service, and parking revenue collections were accurately recorded in the accounting records and in compliance with applicable legal provisions and management's authorization?

- Did the college provide reasonable assurance that bookstore 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 the college comply, in all material respects, with the significant finance-related legal provisions concerning parking, food service, and bookstore expenditures?

We interviewed accounting staff to determine how they processed receipts and disbursements. We tested supporting documentation for sales and bookstore disbursements. We also performed an analytical review of receipt and expenditure transactions. We reviewed available reports showing the financial results of the bookstore. In addition, we followed up on prior audit findings.

Conclusions

North Hennepin Community College's internal controls provided reasonable assurance that Enterprise Fund revenue collections and expense transactions were accurately recorded in the accounting records and in compliance with applicable legal provisions and management's authorization. For the items tested, North Hennepin Community College complied, in all material respects, with the significant finance related legal provisions concerning the Enterprise Fund's revenues and expenses. However, the college did not pursue the timely collection of cafeteria receipts.

9. The college did not collect cafeteria receipts in a timely manner.

The college had not collected its food service commissions in a timely manner. North Hennepin Community College had an agreement with a contractor to provide a food service operation at the college. The contract provides that the contractor will collect the proceeds from sales and pay the agreed percentage of monthly gross receipts to the college on or before the last day of the following month. However, the college did not collect receipts for May and June 2000 until October 9, 2000. In addition, as of February 2001, the college has not received payment for its percentage of cafeteria receipts for the months of August through December 2000. College staff told us that the contractor has retained the commissions in hopes of renegotiating the terms of the contract.

The contractor's monthly statements do not meet the requirements of the agreement. The statements only list the total sales and the college's commission for the particular time period. However, Section E of the agreement states that the contractor will provide monthly sales and cash count reports and a daily summary of sales. The contractor is also required to submit a monthly summary of vending machine sales and units sold by machine. The college needs to review this information periodically to analyze the effectiveness of the food service operation.

Recommendations

- *The college should require the vendor to submit commission payments on a monthly basis in compliance with the food service agreement.*

- *The college should require the contractor to submit the required information on the monthly statements.*

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Chapter 6. Administrative Expenditures

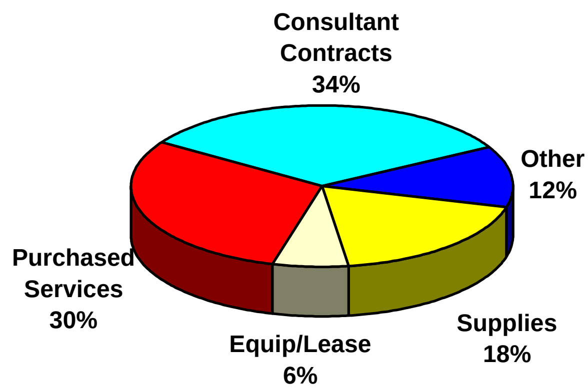
Chapter Conclusions

North Hennepin Community College's internal controls provided reasonable assurance that operating expenditures were processed in accordance with management's authorization and properly recorded in the accounting records and in compliance with applicable legal provisions and management's authorization. However, the college did not maintain an accurate inventory listing, do a complete physical inventory, or reconcile the fixed asset inventory module. The college also did not maintain supporting documentation for some transactions. For the items tested, the college complied, in all material respects, with the significant finance-related legal provisions concerning administrative expenditures.

North Hennepin Community College spent approximately $13 million during the audit period on operating expenditures, supplies, and equipment. Operating expenditures included payments for consultant contracts, purchased services, supplies, equipment, and other miscellaneous costs. The college's administrative and academic departments initiated purchase requests and submitted them to the business office for processing. The college used the MnSCU Purchase Control System, which encumbered available funds. The business office procured the goods and services, using MnSCU guidelines to solicit bids and select vendors. After the college received the goods or services, the business office matched the original invoice and the requisition, before processing payment. Figure 6-1 shows a breakdown of the college's nonpayroll administrative expenditures in fiscal year 2000.

North Hennepin Community College

Figure 6-1
Administrative Expenditures
Fiscal Year 2000



Note: This chart does not include payroll, financial aid, or student activity expenditures.

Source: MnSCU Accounting.

Audit Objectives and Methodology

- Did the college'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 institution comply, in all material respects, with the significant finance related legal provisions concerning supply and equipment expenditures?

To meet these objectives, we interviewed North Hennepin Community College employees to gain an understanding of the controls over the material expenditure categories included in the audit scope. We reviewed a sample of expenditure transactions in each area to determine if they were properly authorized, processed, and recorded. We also reviewed expenditures to determine if the college complied with material finance-related legal provisions.

Conclusion

North Hennepin Community College's internal controls provided reasonable assurance that operating expenditures were processed in accordance with management's authorization, properly recorded in the accounting records, and in compliance with applicable legal provisions and management's authorization. The college did not maintain an accurate inventory listing, do a complete physical inventory, or properly use the fixed asset inventory module. The college also did not maintain supporting documentation. For the items tested, the college complied, in all material respects, with the significant finance related legal provisions concerning administrative expenditures.

10. North Hennepin Community College could not locate certain records supporting the processing and recording of administrative expenditures.

North Hennepin Community College could not locate certain documentation required for the payment of administrative expenditures. The process for ordering supplies, services, or equipment includes college departments submitting requisitions, the business office preparing purchase orders, the departments approving the payment for the goods, and central receiving reviewing delivery receipts. We could not determine that 6 out of 42 purchase requisitions were properly authorized. The college could not locate three purchase orders, making it difficult to determine if the correct amount was paid. Finally, the college could not locate documentation supporting approval for 12 payments.

North Hennepin Community College did not maintain a centralized file for contracts and other purchase documents. The college had a difficult time locating the documentation because many of the documents were filed in different offices throughout the campus. It would be advantageous to attach all documentation related to an individual purchase in one file. A centralized filing of purchases documentation would provide some assurance that the payments were based on items received. It would also make it easier to locate documents should the need arise.

Recommendation

- *The college should consider centralizing the filing of documents and records supporting administrative expenditures. The college should also require that individual departments submit necessary documentation before payments are made.*

11. North Hennepin Community College did not maintain a complete listing of fixed assets.

North Hennepin Community College does not maintain a complete listing of fixed assets. The college has no listing of fixed assets acquired prior to 1998. Although there is evidence that the former inventory system did assign asset numbers to fixed assets, most historical information relating to those assets cannot be retrieved. Some individual departments, such as the computer center and the audio-visual center, maintain inventory records of their fixed assets. However, the college has no inventory listing of assets in other departments within the college.

The college has also not completed a physical inventory of all fixed assets for several years. The computer center and the audio-visual center do a physical inventory count yearly. There was no physical inventory at other departments within the college. Furthermore, fixed asset disposals are not recorded on the inventory listing. Without an adequate system of accounting for fixed assets and periodic inventory counts, theft or misuse of those items could go undetected.

The college has not fully implemented MnSCU's fixed asset module. This module is designed to provide an inventory record of fixed assets. However, to successfully use this module, the college would be required to enter all assets. The college is in the process of reviewing options related to a fixed asset inventory system.

Recommendation

- *The college should complete a physical inventory and develop a complete list of fixed assets at the college. The college should also provide a process to ensure that all additions and deletions are recorded on inventory records.*

Chapter 7. Student Financial Aid

Chapter Conclusions

North Hennepin Community College's internal controls provided reasonable assurance that student financial aid transactions were properly recorded in the accounting system and administered in accordance with applicable federal and state regulations. Except for the following issue, for the items tested, the college complied with applicable federal and state requirements over awarding, disbursing, and reporting aid. We found the college did not submit Federal Pell Grant disbursement data to the federal government within the required 30 days.

During the 2000-2001 academic year, North Hennepin Community College participated in the following student financial aid programs administered by the U.S. Department of Education and the State of Minnesota.

- Federal Pell Grant Program (CFDA #84.063)
- Federal Family Education Loan (FFEL) Program (CFDA #84.032)
- Federal Perkins Loan Program (CFDA #84.038)
- Federal Work-Study (FWS) Program (CFDA #84.033)
- Federal Supplementary Educational Opportunity Grant (FSEOG) Program (CFDA #84.007)
- Nursing Student Loans Program (CFDA #93.364)
- Minnesota State Grant Program

To apply for financial aid, students completed an application and submitted it to the federal central processor. The college received the processed information electronically from the processor for students who applied for enrollment at the college. Beginning in the fall of 2000, the college packaged and awarded financial aid using the MnSCU Integrated Student Records System (ISRS) financial aid module.

Students generally received the Federal Pell Grant as the first source of assistance. The federal government did not limit Federal Pell Grant funding to the college, and all eligible students received Federal Pell Grant awards. The maximum Federal Pell Grant award for each student during the 2000-2001 award year was $3,300. The federal central processor calculated each student's expected family contribution, which the college used to determine the award.

Under the Federal Family Education Loan (FFEL) Program, loans went to a guaranty agency where private lenders were contacted to provide the loan principal to eligible students. The federal government guaranteed the loan. For Federal Subsidized Stafford Loans, the federal government paid interest to the lender while the student attended school and during certain deferment periods. For Unsubsidized Federal Stafford Loans and Federal Plus Loans, interest accrued from the date of origination and the borrower assumed the responsibility for the interest. First year students could borrow up to $2,625 per year under the Federal Subsidized and Unsubsidized Stafford Student Loan Programs. Second year students could borrow up to an additional $3,500.

The college also awarded Federal Work-Study (FWS) and Federal Supplemental Educational Opportunity Grants (FSEOG) to eligible students. The federal government share must not exceed 75 percent of the total expenditures in these two programs. The state contributed the remaining 25 percent of the program funding.

North Hennepin Community College also participated in the other financial aid programs funded by the Minnesota Higher Education Services Office. For the Minnesota Grant Program, the college awarded grants to Minnesota residents who demonstrated financial need, attended school in Minnesota, and did not exceed the equivalent of eight full-time semesters of attendance.

Audit Objectives and Methodology

Our audit of financial aid focused on the following questions:

- Did North Hennepin Community College's internal controls provide reasonable assurance that student financial aid transactions were properly recorded in the accounting system and administered in accordance with federal and state regulations?

- For the items tested, did North Hennepin Community College comply with applicable federal requirements over receiving federal funds?

To answer these questions, we gained an understanding of the controls over student eligibility, awarding, disbursing, reporting, and requesting federal and state financial aid. In addition, we analyzed financial data and reviewed certain documentation related to student financial aid.

Conclusions

North Hennepin Community College's internal controls provided reasonable assurance that student financial aid transactions were properly recorded in the accounting system and administered in accordance with applicable federal and state regulations. Except for the items listed below, for the items tested, the college complied with applicable federal and state requirements over awarding, disbursing, and reporting aid. We found the college did not submit Federal Pell Grant disbursement data to the federal government within the required 30 days.

12. The college did not submit Pell Grant disbursement data to the U.S. Department of Education within the required 30 days.

As of December 31, 2000, the college had not submitted the fall 2000 Pell Grant disbursement data to the U.S. Department of Education. Federal regulations require schools to submit Pell disbursement records no later than 30 calendar days after the school makes payments or becomes aware of the need to make an adjustment to previously reported data. The college began using the ISRS financial aid module in the fall of 2000. With the implementation of the new module, the college also needed to install software that would enable the transmission of Pell data to the central processor. The college was unable to install the software until January 2001. By not submitting the required Pell Grant disbursement data, the college risked over-awarding students who attend multiple colleges simultaneously.

Recommendation

- *The college should submit Pell Grant disbursement data to the U.S. Department of Education within the required time frame.*

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Status of Prior Audit Issues
As of February 10, 2001

Most Recent Audits

College Audit

Legislative Audit Report 98-27, issued in April 1998, covered the period July 1, 1995, through June 30, 1997. The audit report cited 20 audit findings related specifically to North Hennepin Community College. The college implemented 17 of these findings. The remaining issues relate to reconciling the bank accounts, controls over tuition waivers, and reviewing access controls.

Statewide Audits

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 year ended June 30, 1999. This report did not include any findings specifically related to North Hennepin Community College.

Legislative Audit Report 99-19, issued in March 1999, examined MnSCU's activities and programs material to the State of Minnesota's general purpose financial statements, or the Single Audit, for the year ended June 30, 1998. This report did not include any findings specifically related to North Hennepin Community College.

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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NORTH HENNEPIN COMMUNITY COLLEGE
7411 Eighty-Fifth Avenue North, Brooklyn Park, MN 55445-2299 (763) 424-0702
TTY#: (763) 424-0949

March 23, 2001

Mr. James R. Nobles
Legislative Auditor
Office of the Legislative Auditor
Room 140, Centennial Building
658 Cedar Street
St. Paul, MN 55155-1603

Subject: Response to Financial Audit of North Hennepin Community College for the Years July 1, 1997 through June 30, 2000

Dear Mr. Nobles:

Enclosed are North Hennepin Community College responses to the audit findings identified in the most recent audit conducted by the Office of Legislative Auditors. Thank you for recognizing the improvements we have made in our financial management since the last audit. This is a continuous improvement process, and in fact, most of the findings in this current audit were resolved prior to your visit, were resolved during your visit, have been resolved since your visit or are in the process of being resolved.

Our Chief Financial Officer, Dawn Reimer, is responsible for the resolution of all audit findings from this most recent audit. The date of completion listed with each finding is our best estimate.

1. ***PRIOR AUDIT RECOMMENDATION NOT RESOLVED: North Hennepin Community College has not reconciled cash on MnSCU accounting to cash in the bank and did not maintain sufficient collateral for its local bank accounts.***

We agree with this finding. Since June 30, 1999, North Hennepin Community College bank accounts have not been reconciled to a net zero difference, nor stabilized to a fixed amount. However, we believe we are close to solving the monthly differences and resolving the answer to the larger difference, which has existed since July 1999.

Expected completion date: June 30, 2001

The second part of this finding, having to do with collateral, was resolved in November 2000. The CFO will monitor future cash balances and adjust collateral as necessary.

Expected completion date: Completed / Ongoing

2. ***North Hennepin Community College has not verified the accuracy of financial activity recorded on its business systems in a timely manner.***

We agree with this finding. The current status of the MnSCU-to-MAPS reconciliations is as follows: Federal and State Grants are reconciled through January 2001. General Fund reconciliation has been worked on and the adjusting entries will occur in March. The Clearing Account is reconciled through year-end 2000 and the reconciliation for year-to-date 2001 will occur by April. We will continue to move towards a more routine reconciliation of MnSCU to MAPS, following the guidelines set by the MnSCU System Office.

Expected completion date: Ongoing

3. ***PRIOR AUDIT RECOMMENDATION NOT RESOLVED: North Hennepin Community College did not adequately control the access of certain employees to its accounting systems.***

We agree with this finding. We will lower the access rights for the two Human Resource personnel that had rights to adjust leave balances in SEMA4. We have removed the accounting access of the two Financial Aid employees and the one Administrator.

We will put controls in place for the Business Office Supervisor who has incompatible student payroll access. This is a case where staffing does not allow for elimination of incompatible access (only one person performs a task and the back-up person has access to incompatible screens for their job), and other control features need to be put in place.

Only the CFO has the rights to approve ISRS security access requests from NHCC personnel. The CFO has spoken to the MnSCU Finance people who approve security access requests of System Office people. There has been an agreement that all NHCC security access given to System Office personnel will be copied to the NHCC CFO.

Expected completion date: June 30, 2001

4. ***The College has not adequately monitored its agreement with the North Hennepin Community College Foundation.***

We agree with this finding. We have invoiced the NHCC Foundation for all outstanding payments due to date. We will be providing the Foundation with a "Schedule of Payments Due" to assist them in planning their cash flow to meet their due dates. Any special agreements, such as the one that existed with the Bookstore, will be included in future contracts.

Expected completion date: Ongoing

5. ***North Hennepin Community College did not have a policy for facility use by other organizations.***

We agree with this finding. Prior to this audit we began working on a Facility Use Policy, which is still in draft form. We have also implemented a change to the process, which will have the facility rental payments going directly to the Business Office rather than to the Facility Director.

Expected completion date: June 30, 2001

6. ***The College did not maximize its investment earnings for funds in its local bank account.***

We agree with this finding. Prior to this audit, the CFO began working with Wells Fargo Bank to identify the proper investments for its Enterprise Funds. The accounts have been set up and we are in the process of determining the level of funds to be transferred. A cash management strategy will be established.

Expected completion date: Investments to be made by April 15, 2001

7. ***PRIOR AUDIT RECOMMENDATION NOT RESOLVED: The college did not adequately segregate certain duties related to the tuition process.***

We agree with this finding. Given our relatively small business office, it is inefficient and not cost-effective to have different people perform cashiering and accounting. Therefore, we will continue to develop additional review processes that will minimize the risks of not separating the functions.

In the Customized Training and Development area, we will determine how we can either separate the duties, or implement controls and review processes.

Expected completion date: September 30, 2001 and ongoing

8. The College did not adequately safeguard cash receipts.

We agree with this finding. We will either lock the safe during the day until the deposit is picked up or we will purchase a lock box to store the deposit.

Expected completion date: June 30, 2001

We agree with the second part of this finding. Endorsement stamps were ordered during the audit, have been received and disbursed, and are being used.

Expected completion date: Completed

9. The College did not collect cafeteria receipts in a timely manner.

We agree with this finding. The food service vendor began holding commission checks because he was losing money. The CFO and the Student Life Director met with the vendor on February 22, 2001 to review his Financial Statements. We now have all full commission checks.

Expected completion date: Completed

We agree with this finding. We will provide the vendor with a format for the monthly statements.

Expected completion date: August 31, 2001

10. North Hennepin Community College could not locate certain records supporting the processing and recording of administrative expenditures.

We agree with this finding. The documents we could not locate were primarily from 1997 and 1998. We have since organized and combined the purchasing process. In the future, we will keep all purchasing documents with the Purchase Orders. Since the audit, we have implemented a process change, which will request approvals and documents, if missing. The Business Office is reviewing the purchases identified by the audit as missing information to confirm that proper purchases were made.

Expected completion date: June 30, 2001

11. North Hennepin Community College did not maintain a complete listing of fixed assets.

We agree with this finding. We are now entering new fixed assets into the ISRS Fixed Asset Module. The old inventory listing is out of date. We will do a complete physical inventory of the campus and enter the appropriate data into the module.

Expected completion date: Inventory to be taken by June 30, 2001. Module use will be ongoing.

12. The College did not submit Pell Grant disbursement data to the U.S. Department of Education within the required 30 days.

We agree with this finding. However, we believe it was a one-time occurrence due to the only Information Technology person, experienced with this software, being on medical leave. It should not happen again.

Expected completion date: Completed

If you have any questions concerning our responses, please feel free to contact me at (763) 424-0820 or Dawn Reimer at (763) 424-0817. Thank you.

Sincerely,

/s/ Ann Wynia

Ann Wynia
President