OLA

OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial-Related Audit

St. Cloud Technical College
July 1, 1997, through June 30, 2000

SEPTEMBER 21, 2001 **01-44**

Financial Audit Division

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

Members of the Minnesota State Colleges and Universities Board of Trustees

Dr. Joan Barrett, President
St. Cloud Technical College

We have audited selected areas of St. Cloud Technical College for the period July 1, 1997, through June 30, 2000, as further explained in Chapter 1. Our audit scope included: tuition and fees, employee payroll, selected expenditure areas, and bookstore operations. We also reviewed the college's internal controls over compliance with federal student 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. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards require that we design the audit to provide reasonable assurance that St. Cloud Technical College complied with provisions of laws, regulations, contracts, and grants that are 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 St. Cloud Technical College, and the members of the Minnesota State Colleges and Universities Board of Trustees. This restriction in not intended to limit the distribution of this report, which was released as a public document on September 21, 2001.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: April 19, 2001

Report Signed On: September 17, 2001

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Audit Participation

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

Claudia Gudvangen, CPA	Deputy Legislative Auditor
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Laura Peterson, CPA	Auditor-In-Charge
Mike Byzewski	Senior Auditor
April Snyder	Senior Auditor
Amanda Voltz	Student Worker
Teresa Anderson	Student Worker

Exit Conference

We discussed the findings and recommendations with the following representatives of St. Cloud Technical College and the MnSCU system office at the exit conference held on August 24, 2001:

MnSCU System Office:	
Laura King	Vice Chancellor, Chief Financial Officer
Rosalie Greeman	Associate Vice Chancellor, Financial Reporting
Margaret Jenniges	Financial Reporting Director
Bill Tschida	Vice Chancellor, Human Resources
Toni Munos	Executive Director for Personnel
John Asmussen	Executive Director of Internal Audit
Melissa Primus	MnSCU Audit Coordinator
St. Cloud Technical College:	
Dr. Joan Barrett	President
Lori Kloos	Chief Financial Officer
Anita Baugh	Financial Aid Director
Ann Meredith	Human Resource Director

Report Summary

Since our last audit, St. Cloud Technical College made significant improvements in its internal controls over recording financial activity in the accounting systems, restricting security clearances to those systems, and separating incompatible duties. In addition, the college improved its budgetary controls and operated within available financial resources. Finally, the college performed key state treasury and bank reconciliations. We found, however, the following internal control weaknesses and instances of noncompliance with finance-related legal provisions.

Key Findings:

- We found the college did not resolve a $244,564 difference between the bank and its accounting system. The college has reconciled bank activity to the current financial activity recorded in the accounting system, but it has been unable to resolve a difference from prior years. We recommended the college work with the MnSCU system office to resolve or write-off the difference. (Finding 1, page 7)

- The college did not accurately record some faculty members' leave usage in SCUPPS. We also found the college overpaid nine faculty by miscalculating 1998 retroactive backpay and one faculty member by recording the wrong number of credits for an overload assignment. We recommended the college recalculate all faculty members' fiscal year 1998 retroactive pay, resolve any erroneous payments, and improve controls over input of overload credits. (Findings 2 and 3, pages 14 and 15)

- The college bookstore lacked an inventory control system. We recommended the college consider the need for a perpetual inventory system to improve accountability and detect inventory shortages. (Finding 4, page 21)

- We noted weaknesses in the college's process of packaging and awarding student financial aid and some instances of noncompliance with federal and state regulations regarding student financial aid. As a result, the college overpaid some students. (Findings 6 through 10, pages 22-26)

St. Cloud Technical College is part of the Minnesota State Colleges and Universities (MnSCU) system. This financial-related audit report focused on financial management, tuition and fees, employee payroll, selected operating expenditures, and bookstore operations for the period from July 1, 1997, through June 30, 2000. We also reviewed the college's internal controls over compliance with federal student financial aid for fiscal year 2001. The college's response is included in the report.

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Chapter 1. Introduction

St. Cloud Technical College is the second oldest technical college in the state. It began as part of the technical high school in 1948. In the early 1960's, the college moved to the current college campus that houses educational programs in business, health management, technology, and trade and industry. On July 1, 1995, the college became part of Minnesota State Colleges and Universities (MnSCU) system. Dr. Joan Barrett became the college president in July 1997.

The college serves about 4,000 students and has an estimated full-time enrollment of 1,900 students. It offers Associate in Applied Science degrees, certificates, diplomas, advanced certificates, customized training, and continuing education opportunities. The largest programs at the college are computer careers, sales and management, accounting, nursing, and architectural construction technology. Some unique programs include advertising, optometric technology, water environment technology, industrial electronics, and echocardiography.

The college finances its operations primarily from state appropriations and student tuition and fees. The MnSCU system office allocates a portion of the system-wide appropriation to the individual colleges and universities based on a formula. Table 1-1 provides a summary of the college's sources and uses of funds reported in the General, Special Revenue, and Enterprise Funds for the fiscal year ended June 30, 2000.

Table 1-1
Sources and Uses of Funds
Fiscal Year Ended June 30, 2000

	General Fund	Special Revenue Fund	Enterprise Fund
Revenues:			
State Appropriation	$10,091,888	$ 0	$ 0
Tuition and Fees	4,898,877	385,364	355
Sales and Services, Net (2)	118,480	7,740	692,752
Federal Grants	0	2,273,937	0
State Grants	321,423	1,215,078	0
Private Grants	6,904	50,500	0
Other Income	397,771	2,615	71,342
Total Revenues	$15,835,343	$3,935,234	$764,449
Expenditures/Expenses:			
Salaries	$10,409,949	$ 883,394	$310,631
Purchased Services	1,128,729	147,720	81,983
Utilities	428,042	1,776	0
Contract/Consultants	265,397	168,202	31,308
Supplies	1,376,309	154,593	25,535
Financial Aid	33,733	2,286,294	0
Capital Expenditures	517,807	18,601	20,835
Debt Service – Interest	264,977	9,657	3,057
Other Expenses	217,705	42,052	27,309
Total Expenditures/Expenses	$14,642,648	$3,712,289	$500,658
Transfers:			
Transfers-In	$ 86,565	$ 0	$ 0
Transfers-Out	(53,237)	(118,236)	(16,065)
Net Transfers	$ 33,328	($ 118,236)	($ 16,065)
Change in Fund Balance	$ 1,226,023	$ 104,709	$247,726
Beginning Fund Balance (4)	1,160,620	345,977	353,027
Ending Fund Balance (3)	$ 2,386,643	$ 450,686	$600,753

Note (1) This 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 generally accepted accounting principles. MnSCU budgetary accounting includes all receipts and expenditures up to the close of the books (early September) for the budget fiscal year. Revenues not yet received by the close of the books are not included. The criteria for recognizing expenditures are the actual disbursement, not when the goods or services are received. Capital project revenues and expenditures are not included. Long-term liabilities are not reported in the General and Special Revenue Funds. Beginning and ending fund balances do not reflect assets such as accounts receivable and prepaid assets, or long-term liabilities, such as debt and compensated absences. Compensated absences as of June 30, 2000, were estimated at $843,874 for the General Fund.

Note (2) The college bookstore transferred-out $16,065 to pay for indirect costs and overhead. However, other Enterprise Fund financial activity (food service, reprographics, and parking) recorded on the accounting system does not include all allocable costs, such as utilities and administrative costs. Enterprise Fund sales and services are shown net of cost of goods sold as follows:

Sales and Services – Gross	$1,556,021
Cost of Foods Sold	863,269
Sales and Services – Net	$ 692,752

Note (3) The Board Designated Reserve at June 30, 2000, is $1.3 million. Also, $129,975 of the ending balance is reserved for future obligations, such as Special Dedicated Appropriations, outstanding encumbrances, and faculty contractual commitments.

Note (4) The accounting system beginning and ending fund balances shown in this table are in error because of certain unrecorded transactions and unresolved differences. Prior year state treasury clearing account activities totaling $492,300, and a bank reconciliation difference totaling $244,564, require resolution and adjustment, as discussed in Finding 1.

Source: Prepared by MnSCU accounting staff.

Chapter 2. Financial Management

Chapter Conclusions

St. Cloud Technical College made significant improvements in its fiscal year 1999 and 2000 internal controls over recording of financial activity in the accounting systems, restricting security clearances to those systems, and separating incompatible duties. In addition, the college controls ensured it operated within available financial resources, complied with applicable legal provisions and management's authorization, and maintained an appropriate relationship with its foundation. We found, however, the college's accounting transactions were not properly recorded and controlled during fiscal year 1998, and accounting system information was not reliable. Finally, the college did not resolve or write-off a $244,564 unidentified difference between the cash balance on the accounting system and actual balance in the bank. The college also needs to resolve a large variance of $492,300 for state treasury clearing account transactions that were not recorded in MnSCU accounting for fiscal year 1997.

St. Cloud Technical College uses the MnSCU accounting system to record its financial activities and to initiate transactions. The MnSCU accounting system interfaces into the statewide accounting system (MAPS) to generate warrants from the state treasury for certain activities. MnSCU requires all campuses to use the MnSCU accounting system to account for money maintained within the state treasury and local activity accounts maintained outside the state treasury. St. Cloud Technical College administers certain funds, such as student financial aid, agency accounts, and enterprise activities in a local checking account. The local bank account also serves as the college's state depository and link to the state treasury.

Budgetary Controls

MnSCU receives the majority of its funding for operations from General Fund appropriations. The MnSCU system office allocates appropriated funds to St. Cloud Technical College and all other MnSCU campuses based on an allocation formula. St. Cloud Technical College, like all other MnSCU institutions, retains its tuition and other dedicated revenues to arrive at total available resources.

Once the college determined its authorized spending level, it allocated spending budgets for various administrative areas and academic departments. The college projected payroll costs, allocated department supply and equipment budgets, and established individual cost centers to control spending. It also monitored estimated and actual student enrollment to ensure sufficient tuition revenues were generated to support the spending budget. The college also budgeted a reserve amount. As shown in Table 1-1, the college had a total fund balance of approximately $2.4 million in its General Fund accounts for the fiscal year ended June 30, 2000.

Financial Operations

St. Cloud Technical College used one local bank account to facilitate the deposit of its funds. The college used this account as its state depository from which receipts are "swept" by the State Treasure's Office into the state treasury. The local bank account also holds student financial aid funds and other moneys. To ensure the accuracy of the accounting records, the college reconciles the MnSCU accounting system to the state treasury and bank accounting records. College funds are protected under a collateral agreement with the bank.

The college's financial control structure improved since its last audit. During our fiscal year 1996 and 1997 audit, which took place during 1998, we found the college lacked effective monitoring and budgetary controls, did not properly record its financial activities in the accounting system, did not perform key reconciliations, and did not adequately separate financial duties. These inadequate controls impacted our current audit as we identified several fiscal year 1998 transactions that were miscoded in the accounting system. As discussed in the conclusions below, the college significantly improved it internal control structure in fiscal years 1999 and 2000. Much of the improvement is attributable to the hiring of new financial management in the college business office.

The college is affiliated with the St. Cloud Technical College Foundation, a non-profit organization. The foundation has its own board of directors that meets periodically. The college provided administrative support to the foundation during the audit period. The foundation prepared annual financial statements that were audited by an independent CPA firm.

Audit Objectives and Methodology

Our review of St. Cloud Technical College's overall financial management focused on the following objectives:

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

- Did the college's internal controls provide reasonable assurance that state treasury and local bank financial activities were adequately safeguarded, accurately recorded in the accounting records, and in compliance with applicable legal provisions and management's authorization?

- Did the college establish an appropriate operating relationship with its foundation?

To answer these questions, we interviewed college personnel to gain an understanding of the use of the MnSCU accounting system for the program areas included in our audit scope. We also reviewed important management controls, such as budget monitoring and reconciliations in place over state treasury and bank account activities. Using computer assisted audit techniques, we analyzed and reviewed MnSCU transactions posted to the accounting records to determine if the college properly recorded its state treasury and local bank activities. We tested bank account activity for compliance with collateral requirements. We also reviewed the college's agreement with its foundation. Finally, we reviewed the administration of security privileges to determine whether the college adequately restricted access to its computerized business systems.

Conclusions

In fiscal years 1999 and 2000, St. Cloud Technical College made significant improvements in internal controls over recording its financial activity in the accounting system, restricting security clearances to its business systems, and separating incompatible duties. In addition, the college operated within available financial resources, complied with applicable legal provisions and management's authorization, and maintained an appropriate relationship with its foundation.

We found, however, the college's accounting transactions were not effectively controlled during fiscal year 1998 and accounting system information was not reliable. Because of the recording errors in prior fiscal years, the college determined that a $244,564 unidentified difference existed between the cash balance in the accounting system and the actual balance in the bank. The college currently reconciles the financial activity recorded in the accounting system to the bank, but the prior year difference has not been resolved or written off. The college also needs to resolve a large variance of $492,300 for state treasury clearing account transactions that were not recorded in MnSCU accounting for fiscal year 1997.

1. PRIOR RECOMMENDATION PARTIALLY RESOLVED – The college has unresolved prior year variances between MnSCU accounting and the bank cash balance and the state treasury clearing account balance.

St. Cloud Technical College has not resolved a $244,564 reconciliation difference between the bank and the accounting system. During the last audit, we found that the college did not verify the accuracy of bank and accounting transactions by performing key reconciliations. Several fiscal year 1996, 1997 and 1998 financial transactions were incorrectly recorded in the accounting system causing the recorded cash balance to differ from actual bank balances. Subsequent to fiscal year 1998, the college has been able to reconcile the financial activity in the accounting system to the bank cash inflows and outflows. However, after extensive analysis, they are unable to determine the cause of the prior years' discrepancies. College management needs to determine the cost-effectiveness of pursuing the cause of the unidentified difference and work with the MnSCU system office to resolve the variance.

The college also needs to resolve improper recording of state treasury clearing account financial activities from fiscal year 1997. Loan proceeds totaling $492,300 for a computer equipment lease purchase were recorded in the state treasury clearing account as revenue in MAPS but not receipted into MnSCU accounting. The expenditures for equipment were posted to the General Fund in MnSCU accounting and MAPS. This caused the accounting system to reflect a negative clearing account cash balance.

Recommendation

- *St. Cloud Technical College should work with the MnSCU system office to resolve or write-off the difference between the bank and its accounting system balances. The college should also work with the MnSCU system office to resolve the state treasury clearing account negative cash balance in the accounting system.*

Chapter 3. Tuition and Fee Revenue

Chapter Conclusions

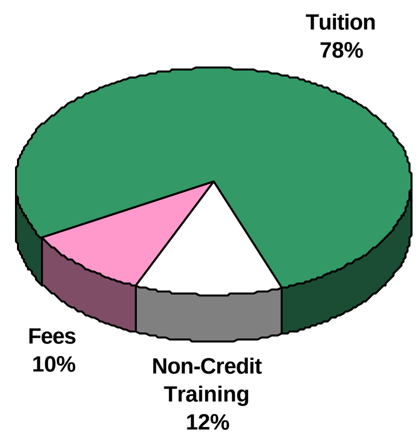
St. Cloud Technical College's fiscal year 1999 and 2000 internal controls provided reasonable assurance that revenue collections were accurately reported in the accounting records and were in compliance with applicable legal provisions and management's authorization. For the items tested, the college complied with the significant finance-related legal provisions concerning tuition. We found, however, that the college miscoded certain fiscal year 1998 tuition and fee receipts and did not adequately document credit card receipts for fiscal year 1998. In addition, since the implementation of the new accounts receivable module, the college gave cashiers incompatible security access to record tuition waivers. Cashier waiver capabilities were restricted in December 2000.

St. Cloud Technical College offers credit-based courses that lead to a diploma, certificate, or an Associate in Applied Science degree. Programs are technical in nature and are designed to prepare students for immediate employment in skilled occupations that do not require a baccalaureate degree. The college charged the standard mandatory fees and certain optional fees allowed by the MnSCU Board of Trustees. On a space available basis, St. Cloud Technical College allowed Minnesota high school juniors and seniors to enroll in courses as post secondary enrollment option students.

In addition to credit-based courses, the college provided hourly based or continuing education open enrollment courses to the public and customized training contract courses to business organizations and industry. The college based the rates for these classes on market conditions with consideration given for instructor fees, overhead, and supplies and materials.

For the 2000 academic year, the college charged tuition at a resident rate of $67.48 and a nonresident rate of $134.96 per semester credit. Standard fees were $6.52 per semester credit. The business office deposited tuition and fee receipts daily, and the funds were subsequently transferred to the state treasury. The college collected approximately $5.3 million in tuition and fees during fiscal year 2000. Figure 3-1 shows the breakdown of credit-based and other contract revenue for fiscal year 2000.

Figure 3-1
Tuition and Fees Revenue
Fiscal Year 2000



Source: MnSCU accounting system.

Accounts Receivable

The college used the Minnesota Multi-Campus Student Information System to register, bill, and collect tuition for fiscal year 1998. In the fall of 1998, the college began using MnSCU's Integrated Student Record System accounts receivable module. The accounts receivable module accumulates all student charges from a variety of sources. When the students pay their bills at the business office, staff enter the collections, and the system automatically applies the money to outstanding balances in a specified priority order. As part of the daily cash closeout process, the college produces an accounts receivable report summarizing the day's collections and account postings. Business office staff use this report to balance their cash collections to transactions posted to MnSCU accounting.

The college placed holds on student academic records if the student did not pay tuition and fee charges or make necessary arrangements for deferment. The college pursued past due accounts receivable by periodically mailing bills to students. If a student did not voluntarily pay, the college referred the delinquent account to the Minnesota Collection Enterprise.

Audit Objectives and Methodology

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

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

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

To answer these questions, we interviewed college employees to gain an understanding of the internal controls over tuition and fee revenue. We analyzed tuition and fee transactions to identify receipt and deposit trends. We examined tuition rate tables, security access privileges, and cash session close out procedures. We reviewed accounting records and supporting documentation to determine if the college collected earned revenue, properly recorded revenue transactions in the accounting system, and complied with applicable legal provisions. Finally, we reviewed how the college monitored and pursued collection of unpaid accounts receivables.

Conclusions

St. Cloud Technical College's fiscal years 1999 and 2000 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 college complied with the significant finance-related legal provisions concerning tuition.

However, during fiscal year 1998, the college did not effectively control its tuition and fee accounting transactions. The accounting records for that year were not reliable, and the college could not locate documentation to support credit card receipts. Because of these limitations, we could not verify that the college deposited all fiscal year 1998 credit card receipts related to tuition. We did note, however, there were many electronic deposits into the college's bank account from various credit card companies. When the college implemented the new Integrated Student Record System accounts receivable module in the fall of 1998, the module began tracking credit card receipts, and the college's documentation and controls improved.

We also noted that since the implementation of the new accounts receivable module, cashiers had incompatible security access to record tuition waivers. By allowing user's access to incompatible functions, the risk of cash shortages or unauthorized transactions increased. However, in December 2000, the college revoked the cashiers' ability to initiate posting of tuition waivers.

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Chapter 4. Employee Payroll

Chapter Conclusions

St. Cloud Technical College's internal controls provided reasonable assurance that it accurately compensated its employees in compliance with applicable legal provisions and management's authorization, and that payroll expenditures were accurately reported in the accounting records. However, the college did not accurately record leave usage for two faculty in its personnel system.

For the payroll transactions tested, the college complied with material finance-related legal provisions, bargaining agreements, and compensation plans. However, we found that the college incorrectly paid ten faculty members a total of $2,232 due to miscalculated fiscal year 1998 retroactive adjustments and an inaccurate fiscal year 2000 overload assignment.

Payroll was St. Cloud Technical College's largest expenditure. The college's employee payroll expenditure for fiscal year 2000 totaled nearly $11.3 million. College employees belong to various compensation plans:

- American Federation of State, County, and Municipal Employees,
- United Technical College Educators,
- Middle Management Association,
- Minnesota Association of Professional Employees,
- Administrators' Plan, and
- Commissioner's Plan.

The college maintained separate human resource and payroll offices to handle personnel and payroll transactions. The college used the State's Employee Management System (SEMA4) and the State Colleges and Universities Personnel/Payroll System (SCUPPS) to process payroll and human resource information. Human resource staff input personnel transactions into SCUPPS while payroll staff ensured the accuracy of employee payroll data in SEMA4 and payroll expenditures in the MnSCU accounting system. Salary and payrate history was maintained in SCUPPS and used to manage and monitor compensation paid to faculty and employees. SCUPPS assignment codes identify different type of instructional and non-instructional assignments for faculty appointments. The college also used the SCUPPS leave module to monitor faculty and administrators' leave.

The MnSCU system office hired a contractor to administer faculty individual retirement plans for all MnSCU institutions, including St. Cloud Technical College. To perform its contractual duties, the contractor needed access to certain retirement data on SCUPPS. The security clearance granted by the MnSCU system office provided broader access than needed, including the ability to create a new employee record, modify personnel data, and update employee assignments and salaries. However, the contractors were not given the ability to initiate or schedule payroll disbursements.

MnSCU accepts the level of risk caused by the contractor's broad access to update SCUPPS. The MnSCU system office did not design a unique security group to restrict the contractor's access to the minimum level necessary to fulfill its contractual duties. Rather, the MnSCU system office relied on various college detective controls to identify any unauthorized transactions that could potentially occur

Audit Objectives and Methodology

We focused our review of payroll expenditures on the following questions:

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

- Did the college comply with applicable finance-related legal provisions and related employee bargaining agreements and personnel plans?

To answer these questions, we obtained an understanding of the internal control structure over the employee payroll and personnel processes. We interviewed college human resource and payroll employees to gain an understanding of the computerized systems, and we observed procedures used to process and reconcile payroll transactions. We also reviewed the system security clearances to payroll and human resource data. Finally, we analyzed payroll data and performed detailed tests of employee salaries and transactions to support our conclusions.

Conclusions

St. Cloud Technical College's internal controls provided reasonable assurance that it accurately compensated its employees in compliance with applicable legal provisions and management's authorization, and that payroll expenditures were accurately reported in the accounting records. However, the college did not accurately record leave usage for two faculty in its personnel system.

For the payroll transactions tested, the college complied with material finance-related legal provisions, bargaining agreements, and compensation plans. However, we found that the college incorrectly paid ten faculty members a total of $2,232 due to miscalculated fiscal year 1998 retroactive adjustments and an inaccurate fiscal year 2000 overload assignment.

2. The college did not accurately record some faculty members' leave usage.

St. Cloud Technical College did not accurately record faculty sick leave usage on the SCUPPS leave module for two of six instructors tested. For the first instructor, the college recorded one day of sick leave twice and did not record two other sick leave days. The second instructor used a day of sick leave that the college failed to record on SCUPPS. Generally, faculty members turn in approved leave forms to the respective dean of their departments. The deans forward the forms to staff in the human resource office who update the leave taken on SCUPPS. This procedure, however, was not consistently followed. In addition, when a faculty member requested a personal leave day or called in sick, the vice president's office recorded the usage on an independent log. The college did not compare the log to the leave posted on SCUPPS. By not accurately tracking leave usage, faculty members may be paid severance upon termination for leave days they were not entitled to.

Recommendations

- *St. Cloud Technical College should correct the leave posting errors for the two faculty members involved.*
- *The college should develop appropriate controls to ensure accurate posting of leave taken by faculty members.*

3. The college inaccurately calculated retroactive backpay for nine faculty members and overpaid one instructor for an incorrect overload assignment.

St. Cloud Technical College made employee overpayments of $587 due to inaccurate backpay calculations and $1,645 due to an incorrect overload assignment. The college should give greater care and attention during periods when special transactions are being calculated and processed.

The college incorrectly calculated retroactive backpay for all nine faculty members tested that belonged in the United Technical College Educators contract. The majority of the errors resulted from 1998 backpay calculations for overload assignments. The individual errors ranged from an underpayment of $728 to an overpayment of $450, with the net overpayments totaling $587. There is a strong likelihood that other retroactive backpay calculation errors occurred, and we suggest that the college review retroactive payments to all United Technical College Educators employees during that time period.

Another overpayment error resulted from the college's inaccurate input of a faculty overload assignment. The human resource office incorrectly entered a two-credit overload course into the college's personnel system (SCUPPS) as a three-credit overload assignment. The additional credit resulted in a $1,645 overpayment to the employee.

Recommendations

- *St. Cloud Technical College should recalculate all United Technical College Educators employees' fiscal year 1998 retroactive pay and resolve any over or underpayments.*

- *The college should recover the overpayment from the incorrect overload assignment and improve controls to ensure that overload credits are accurately input into SCUPPS.*

Chapter 5. Supplies, Equipment, and Services Expenditures

Chapter Conclusions

St. Cloud Technical College's fiscal years 1999 and 2000 internal controls provided reasonable assurance that assets were adequately safeguarded, payments were for goods and services actually received, and expenditures were accurately recorded in the accounting records. As explained in Chapter 2, the college miscoded certain fiscal year 1998 administrative expenditures, resulting in unreliable financial data. For the items tested, the college complied with applicable finance-related legal provisions and management's authorizations.

St. Cloud Technical College's administrative and academic departments initiated purchase requests directly in the MnSCU Purchase Control System, which encumbered available funds. The college's centralized purchasing clerk was responsible for procuring the goods and services, using college guidelines to solicit bids and select vendors. After the college received the goods or services, the accounts payable clerk matched the receiving evidence to the open purchase order and the invoice before processing payment. Total expenditures for equipment, supplies, and services, not including the bookstore expenses, was approximately $3.8 million for fiscal year 2000. Table 5-1 shows a breakdown of selected administrative expenditures.

Table 5-1
Selected Administrative Expenditures
Fiscal Year 2000

	2000
Supplies and Materials	$1,351,792
Purchased Services	696,097
Consultant/Contract Services	1,074,901
Equipment	634,475
Total	$3,757,265

Source: MnSCU accounting system for fiscal year 2000 as of August 31, 2000.

St. Cloud Technical College defines equipment as all articles that meet the following requirements:

- a unit cost of $2,000 or more,
- having a useful life of more than one year, and
- retaining its identity for inventory purposes.

St. Cloud Technical College

The college identified and tagged new equipment with a state identification sticker. The university recorded and tracked equipment on MnSCU's Fixed Asset System. MnSCU policy requires institutions to record fixed assets valued at over $2,000. The college used its discretion to record fixed assets valued under $2,000. The college recently finished a complete physical inventory of items over $10,000. In addition, the college has established a process to verify the existence of assets under $10,000 on a three-year cycle.

Audit Objectives and Methodology

Our review of St. Cloud Technical College's administrative expenditures focused on the following questions:

- Did the college's internal controls provide reasonable assurance that acquired assets were safeguarded, expenditures were for goods and services actually received, and that transactions were accurately recorded in the accounting system?

- Did the college comply with management's authorization and applicable legal provisions governing procurement and disbursements?

To answer these questions, we interviewed college employees to gain an understanding of the purchasing, fixed asset management, and invoice payment processes. We examined security profiles and payment reconciliations to the bank and state treasury. We also analyzed and tested transactions to determine if the college complied with purchasing requirements, accurately recorded transactions in the accounting records, and promptly paid the vendors. Finally, we reviewed the college's process to record and track its fixed assets.

Conclusions

St. Cloud Technical College's fiscal years 1999 and 2000 internal controls provided reasonable assurance that assets were adequately safeguarded, payments were for goods and services actually received, and expenditures were accurately recorded in the accounting records. As explained in Chapter 2, the college miscoded certain fiscal year 1998 administrative expenditures resulting in unreliable financial data. For the items tested, the college complied with applicable finance-related legal provisions and management's authorization.

Chapter 6. Bookstore Operations

Chapter Conclusions

St. Cloud Technical College's fiscal years 1999 and 2000 internal controls provided reasonable assurance that bookstore revenue collections and expenses were accurately recorded in the accounting records and in compliance with applicable legal provisions and management's authorization. However, as discussed in Chapter 2, the college did not effectively control and properly record its fiscal year 1998 accounting transactions making the financial data unreliable. In addition, we found the bookstore lacked an inventory control system.

For the items tested, St. Cloud Technical College complied, in all material respects, with finance-related legal provisions concerning bookstore revenues and expenses.

St. Cloud Technical College's bookstore sold textbooks, school supplies, apparel, and other miscellaneous items to students. Bookstore sales were entered into a cash register, which was closed at the end of the day. Receipts were locked in the business office safe after a bookstore student worker reconciled the sales recorded on the register tape to the actual receipts being deposited. The bookstore account clerk then recorded the cash receipts in the MnSCU accounting system based on a spreadsheet completed by the student worker. The next morning, a business office employee verified the bookstore receipts with the register tape and bank deposit slip. An armored service later transferred the receipts to the bank.

The bookstore's largest expense category was for purchases of new academic textbooks. Other bookstore purchases included school supplies, beverages, and apparel. The bookstore manager worked with the business office purchasing clerk to procure bookstore inventory. The bookstore account clerk received the inventory and forwarded the receiving documents to the bookstore manager. The bookstore manager matched the purchase order, receiving documents, and vendor invoice and approved the invoice for payment. The bookstore manager then forwarded the documentation to the business office account payable clerk who initiated the vendor payment in MnSCU accounting.

The college prepared an income statement for the financial activities incurred in fiscal year 2000. Table 6-1 shows the financial activity reported on that statement.

Table 6-1
Bookstore Income Statement
Fiscal Year 2000

	Amount
Sales	$944,739
Cost of Goods Sold	655,522
Gross Profit	$289,217
Expenses(1)	165,656
Income from Operations	$123,561

Note (1): Operating expenses include a $16,065 transfer-out for rent and overhead allocated to the bookstore.

Source: St. Cloud Technical College prepared income statement.

Audit Objectives and Methodology

The primary objectives of our review of bookstore operations were as follows:

- Did the college's internal controls provide reasonable assurance that bookstore revenues and expenditures were accurately recorded in the accounting system and in compliance with applicable legal provisions and management's authorization?

- Did the college comply with significant finance-related legal provisions concerning procurement and payment of bookstore expenditures?

To answer these questions, we interviewed college employees to gain an understanding of the internal controls over the bookstore receipt and disbursement processes. We performed analytical reviews and tested receipt transactions to determine if the college properly recorded bookstore revenue in the accounting system and deposited cash receipts in the bank. We also analyzed and tested disbursement transactions to determine if the college properly procured, authorized, disbursed, and recorded expenses in the accounting system. Finally, we reviewed the college's procedure to record and track its bookstore inventory.

Conclusions

St. Cloud Technical College's fiscal years 1999 and 2000 internal controls provided reasonable assurance that bookstore revenue collections and expenditures were accurately recorded in the accounting records and in compliance with applicable legal provisions and management's authorization. However, as discussed in Chapter 2, the college did not effectively control and properly record its fiscal year 1998 accounting transactions making the financial data unreliable. In addition, we found the bookstore lacked an inventory control system.

For the items tested, St. Cloud Technical College complied, in all material respects, with finance-related legal provisions concerning bookstore revenues and expenses.

4. The college bookstore lacked an inventory control system.

St. Cloud Technical College did not maintain perpetual inventory records for new and used textbooks. Textbooks were purchased from publishers in large volumes and sold to students individually. Without comparing an inventory system to periodic physical counts, shortages could occur and go undetected. A perpetual inventory system would improve accountability and provide a valuation of textbooks held in inventory.

Recommendation

- *St. Cloud Technical College should consider the need for a perpetual system to control bookstore inventory*.

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Chapter 7. Student Financial Aid

Chapter Conclusions

St. Cloud Technical College properly recorded its financial aid transactions in the accounting system. However, the college needs to improve controls ensuring that student financial aid was administered in compliance with applicable state and federal regulations. We found that the college did not coordinate certain scholarships and grants when awarding and packaging financial aid. In addition, the college did not control its allocation of certain students' cost of attendance. Finally, the college did not adequately separate the awarding and disbursing functions for some student loans.

For the items tested, except for the following concerns, the college complied with applicable federal and state student financial aid requirements. We found the college did not have minimum and maximum award limits in its written selection procedures for awarding the federal SEOG and did not transmit federal Pell data timely on two occasions. In addition, the college paid Minnesota State Grants to five ineligible students. Finally, the college incorrectly awarded FFEL to two students.

During the audit period, St. Cloud Technical College had substantial turnover of financial aid personnel. The college's financial aid director left in January 1999 and under a reorganization, the vice president of academic affairs became the acting financial aid director. The assistant director transferred to another MnSCU institution in December 2000. While a search for a new financial aid director occurred during 2000-2001, it was necessary for the college to assign a Business Office employee temporary responsibility to oversee financial aid duties and ensure students received their spring 2001 aid. The college subsequently hired a new financial aid director and a financial aid assistant to replace an assistant who had also transferred to another MnSCU institution.

The college participated in several student financial aid programs administered by the U.S. Department of Education and the State of Minnesota. Table 7-1 shows the programs we reviewed and the fiscal year 2001 expenditure levels for those programs.

Table 7-1
Federal and State Financial Aid Expenditures
Fiscal Year 2001 (as of March 21, 2001)

CFDA #	Program	Amount
84.007	Federal Supplemental Education Opportunity Grant (FSEOG)	$92,000
84.032	Federal Family Education Loan (FFEL)	$2,183,965
84.033	Federal Work-Study (FWS)	$98,006
84.063	Federal Pell Grant	$1,262,189
n/a	Minnesota State Grant	$993,582

Source: St. Cloud Technical College's Student Aid Reporting Analysis System's database as of March 21, 2001.

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. The college packaged and awarded financial aid using the Student Aid Reporting and Analysis System. The college then interfaced award information from the Student Aid Reporting and Analysis System to MnSCU's Integrated Student Record System accounts receivable module to disburse financial aid.

The federal Pell grant is considered the first source of assistance to eligible students. Eligibility for the grant is based on the cost of education, the family or student's ability to pay, and the student's enrollment level. Pell grant funding is not limited to funds available at an institution. The maximum Pell grant for the 2000-2001 award year was $3,300 per student.

The Federal Family Education Loan (FFEL) program includes subsidized and unsubsidized Stafford loans. The student borrower applies for the loan from a private lender. The school certifies the promissory note for qualifying students. Agencies guarantee the loan in case of default or cancellation. The federal government pays the interest to the private lender on subsidized Stafford loans while the student is in school and during deferment periods. For unsubsidized Stafford loans, interest accrues from the date of origination and is the responsibility of the borrower. The maximum FFEL program amount for a given student is determined by the borrower's grade level and the amount previously borrowed.

The Federal Work-Study (FWS) Program and Federal Supplemental Educational Opportunity Grant (FSEOG) are additional sources of federal financial aid. The federal government share must not exceed 75 percent of the total expenditures in the FSEOG and FWS programs. The institution contributes the remaining 25 percent of the program funding.

St. Cloud Technical College also participates in the Minnesota State Grant Program funded by the Minnesota Higher Education Services Office (MnHESO). The college packages the Minnesota State Grants along with federal financial aid. Minnesota residents who demonstrate financial need could receive a Minnesota State Grant. The awards are to undergraduate students attending schools in Minnesota, who did not exceed the equivalent of eight full-time semesters of attendance. MnHESO establishes eligibility requirements for the state grant program and reimburses the college for eligible grant disbursements.

Audit Objectives and Methodology

The primary objectives of our audit were to answer the following questions related to financial aid programs:

- Did the college's internal controls over packaging and awarding student financial aid provide reasonable assurance that only eligible students received aid in the appropriate amounts?

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

- For the items tested, did the college comply, in all material respects, with applicable legal requirements over receiving federal and state funds and preparing applicable reports?

To meet these objectives, we interviewed employees from the college's financial aid and business offices to gain an understanding of the controls over student eligibility, awarding, disbursing, reporting, and requesting federal and state financial aid. In addition, we analyzed bank statement and financial aid data. We selected some random students for testing, in addition to key item students receiving larger awards, and reviewed certain documentation related to student financial aid. Further key items were selected to identify the impact of problematic areas. Finally, we reviewed security clearances into the Integrated Student Record System's student payroll module.

Conclusions

St. Cloud Technical College properly recorded its financial aid transactions in the accounting system. However, the college needs to improve controls ensuring that student financial aid was administered in compliance with applicable state and federal regulations. We found that the college did not coordinate certain scholarships and grants when awarding and packaging financial aid. In addition, the college did not control its allocation of certain students' cost of attendance. Finally, the college did not adequately separate the awarding and disbursing functions for some student loans.

For the items tested, except for the following concerns, the college complied with applicable federal and state student financial aid requirements. We found the college did not have minimum and maximum award limits in its written selection procedures for awarding the federal SEOG and did not transmit federal Pell data timely on two occasions. In addition, the college paid Minnesota State Grants to five ineligible students. Finally, the college incorrectly awarded FFEL to two students .

5. PRIOR FINDING SUBSTANTIALLY RESOLVED: The college did not consistently comply with certain federal regulations.

As noted in our last audit report, St. Cloud Technical College did not have written selection procedures for awarding Federal Supplemental Education Opportunity Grants. Subsequently, the college developed the federally-required procedures. However, the written selection procedures did not address minimum and maximum award limits. By not including award limits in its written selection procedures, the college risks awarding financial aid to students in an inequitable manner. For example, we noted the college's financial aid system parameters used to award and package aid set the maximum FSEOG award at $800. We found one student received a FSEOG award of $837 despite having the same estimated family contribution (EFC) as another student receiving a $800 award.

Our last report also noted that the college did not transmit changes to the college's Pell Grant Program within the required timeframe. During the current audit, we found two instances where the financial aid office electronically transmitted changes to the U.S. Department of Education slightly beyond the 30 day requirement. In one example, the changes were transmitted in 35 days, or 5 days late. In the second instance, the college transmitted changes 43 days later, or 13 days late. The 2000-2001 Federal Student Financial Aid Handbook states, "Schools must report any Pell change within 30 days of the date the school becomes aware of the change (or more frequently), or may set up their own system to ensure that changes are reported in a timely manner." Because the college disburses Pell grants to the student's twice a week, it should report the changes at least every 30 days.

Recommendations

- *St. Cloud Technical College should included minimum and maximum award limits in its written selection procedures for awarding FSEOG.*
- *St Cloud Technical College should submit Pell Grant disbursement data to the U.S. Department of Education within the required time frame.*

6. The college did not consider certain scholarships and grants when awarding and packaging financial aid.

St. Cloud Technical College did not incorporate foundation scholarships and miscellaneous scholarships and grants in the SARA system when it packaged and awarded student financial aid. According to the 2000-2001 Student Financial Aid Handbook, "A basic premise of need-based aid is that the total package of aid must not exceed the student's financial need. Therefore, when awarding aid from the SFA programs, the school has to take into account other sources of aid." We found that, because the college did not consider the foundation scholarships when it packaged and awarded students' aid, two out of thirteen students receiving the largest scholarships were paid a total of $2,747 more in aid than their calculated financial need. These students received excessive subsidized Stafford loans. The college plans to implement MnSCU's new ISRS financial aid module for the 2001-2002 school year, which should provide improved scholarship accounting and coordination.

Recommendations

- *St. Cloud Technical College should develop a systematic method of identifying all scholarships and grants and incorporate these other funding sources into the packaging and awarding process.*
- *The college should review the 2000-2001 financial aid paid to all students who received unique scholarships and grants and recover any overpayments.*

St. Cloud Technical College

7. The college paid Minnesota State Grants to five ineligible students.

St. Cloud Technical College paid a total of $2,687 in Minnesota State Grants to five ineligible students. Minn. Stat. Section 136A.121, Subd. 9 states, "[a student is] *eligible to apply for and receive a grant in any year of undergraduate study unless the student…previously has been enrolled for fulltime or the equivalent for eight semesters or 12 quarters.*" Each of these five key item transfer students exceeded the maximum of eight semesters. When the financial aid office determined eligibility for the Minnesota State Grant, it did not consider all credits attempted at other colleges. Rather, it only considered transfer credits accepted by St. Cloud Technical College.

Recommendation

- *St. Cloud Technical College should reevaluate the eligibility of all 2000-2001 students receiving the Minnesota State Grant and recover any overpayments.*

8. The college did not properly determine the cost of attendance budget for certain students.

We found two instances where the college used a cost of attendance budget meant for students with dependents even though the students did not have dependents. We reviewed these students' Individual Student Information Report, verification forms, and supplemental information forms and found no evidence that these two students had dependents. As a result, the college overpaid one student $1,421. The second student was not overawarded since they did not receive aid up to their cost of attendance budget.

In addition, the college used a standard $1,510 cost of attendance increase for childcare costs. Students with or without childcare expenses were given the $1,510 budget increase regardless of the age and number of dependents. Per the 2000-2001 Student Financial Aid Handbook, a student's cost of attendance can include "*for a student with dependents, an allowance for costs expected to be incurred for dependent care. The amount of the allowance should be based on the number and age of such dependents and should not exceed reasonable cost in the community for the kind of care provided.*" We selected random students for testing, as well as key item students receiving the largest aid awards. For 11 students out of 20 tested, the college added the maximum childcare grant award on top of the $1,510 budget increase. This caused the college to overpay one student $802.

Recommendations

- *St. Cloud Technical College should comply with federal guidelines for assigning cost of attendance budgets consistent with individual student circumstances.*

- *The college should recover the $1,421 and $802 overpayments it made to two students identified.*

9. The college did not correctly award FFEL loans to two students, and it set a lower aggregate maximum limit than specified in federal regulations.

St. Cloud Technical College did not award two students the full amount of the subsidized Stafford loan before awarding an unsubsidized Stafford loan. The Student Financial Aid Handbook 2000-2001 states that the financial aid office should first determine the student's subsidized Stafford loan eligibility, because it is in the best interest of the student to receive the full subsidized loan before an unsubsidized loan. With a subsidized Stafford loan, a student does not pay interest while attending a higher education institution and, with an unsubsidized loan, interest begins accruing as soon as the student takes out the loan.

- The college paid one student $2,308 in subsidized and $2,192 in unsubsidized Stafford loans. However, this student was entitled to the maximum subsidized loan of $2,625 for a first year student.

- The college did not reevaluate a second student's status when she requested additional loans during spring semester. The student earned sufficient credits after fall semester to be considered a second year student. The college paid this student $2,625 in subsidized and $4,709 in unsubsidized Stafford loans. However, this student was entitled to the maximum subsidized loan of $3,500 for second year students. According to the 2000-2001 Financial Aid Handbook, a student who has already borrowed to the annual limit within the year can receive additional loan funds if the student progresses to a grade level with a higher limit.

In both cases the college gave the students excessive unsubsidized Stafford loans costing the students more in interest than if they had received the maximum subsidized loans.

Finally, the college internally established a maximum aggregate FFEL limit of $14,125. The maximum aggregate limit set by the U.S. Department of Education for a dependent undergraduate was $23,000 and $46,000 for independent undergraduates. The U.S. Department of Education provided the college with correspondence indicating that this practice is not permitted. By setting an aggregate limit less than the federal government allows, students were prevented from borrowing all FFEL loans they were entitled to.

Recommendation

- *St. Cloud Technical College should award FFEL loans in accordance with federal regulations.*

10. PRIOR RECOMMENDATION PARTIALLY RESOLVED: The college did not adequately separate the awarding and disbursing function over paper loan checks.

Since our last audit, the college restricted the financial aid office employees' security access to the student accounts receivable system helping to separate the awarding and disbursing functions. However, the financial aid office continued to receive FFEL and SELF checks from the lenders before forwarding the paper checks to the business office for distribution to the student. The majority of the lending agencies electronically transfer subsidized and unsubsidized Stafford loan funds into the college's local bank account. However, the college received $276,809 in paper checks, representing 12 percent of the total loans disbursed. To prevent potential misuse of financial aid funds, the college needs to ensure that the employees awarding financial aid do not have access to those funds.

Recommendation

- *St. Cloud Technical College should instruct lenders to electronically transmit funds or send all financial aid loan checks directly to the business office.*

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Status of Prior Audit Issues
As of April 19, 2001

Most Recent Audits

College Audit

Legislative Audit Report 98-38, issued in June 1998, covered the period July 1, 1995, through June 30, 1997, and we reviewed tuition and fee revenues; payroll, supplies, and equipment expenditures; bookstore operations; and student financial aid receipts and disbursements. The audit cited 31 audit findings related specifically to St. Cloud Technical College. The college fully implemented all but four of the recommendations. One finding reported that the college did not verify the accuracy of accounting records through key reconciliations. The college subsequently developed procedures to reconcile financial activity between the various accounting systems and the bank. However, as reported in Finding 1 of this report, the college did not resolve a $244,564 bank variance from the accounting system. In addition, two separate findings involving student financial aid selection procedures and reporting of Pell Grant data are repeated in Finding5. Finally, as explained in Finding 10, the college improved its controls over awarding and disbursing financial aid but did not completely separate the functions.

Statewide/Single Audits

Legislative Audit Report 01-15, issued in March 2001, examined MnSCU's activities and programs material to the State of Minnesota's general purpose financial statements and the Single Audit for the year ended June 30, 2000. We audit the federal financial aid programs on an annual basis as part of the Single Audit of the state's federal expenditures. This report did not include any findings related specifically to St. Cloud Technical College.

Legislative Audit Report 00-11, issued in March 2000, covered MnSCU activities material to the state's general purpose financial statements and federal programs administered for the year ended June 30, 1999. This report did not include any findings related specifically to St. Cloud Technical College.

Legislative Audit Report 99-19, issued in March 1999, covered MnSCU activities material to the state's general purpose financial statements and federal financial aid programs administered for the year ended June 30, 1998. This audit did not include any financial aid findings related specifically to St. Cloud Technical College.

State of Minnesota Audit Follow-Up Process

The Department of Finance Legislative Auditor. However, Finance has delegated this responsibility for audits of the Minnesota State Colleges and Universities (MnSCU) to the, on behalf of the Governor, maintains a quarterly process for following up on issues cited in financial audit reports issued by the MnSCU Office of Internal Auditing. MnSCU's Office of Internal Auditing 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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St. Cloud Technical College

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September 14, 2001

Mr. James R. Nobles
Legislative Auditor
100 Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155

Dear Mr. Nobles:

Enclosed you will find our response to the legislative audit report of the St. Cloud Technical College for the period July 1, 1997, through June 30, 2000. Thank you for this opportunity to present a historical perspective and specific details surrounding the audit findings.

In accordance with my pledge to resolve serious audit concerns covering the period July 1, 1995 through June 30, 1997, a reorganization of the college administrative structure occurred. In the spring 1998, the position of Business Manager was eliminated. In spring 1999, the Vice President for Finance and Facilities retired and that position was eliminated. A new position, Chief Financial Officer, was created in its stead. In October 1998, Lori Kloos, a former auditor with the office of the Legislative Auditor, became the Chief Financial Officer. The Chief Financial Officer focuses on sound financial management, facilities planning and management. She also controls and oversees all auxiliary accounts.

Current findings include the Financial Aid department. In January 1999, the Director of Financial Aid position was eliminated as a reduction in force in that department (from four to three staff). Marjorie Henkemeyer, Vice President for Academic and Student Affairs, assumed responsibility for the role of director overseeing and managing the staff. The Assistant Director of Financial Aid reported directly to the Vice President and was responsible for day-to-day operations and reporting functions. The Director of Financial Aid position was reinstated in spring 2001, and the Assistant Director position was eliminated. Anita Baugh currently holds the position of Director of Financial Aid and reports directly to Vice President Henkemeyer.

The college community is actively involved in continuous quality improvement and is committed to improving the system to maximize controls and accountability. Recommendations made by the legislative audit team are taken very seriously and every effort will be made to realize sound management in these areas. As noted in the attached response, most issues have already been resolved.

We appreciate the audit process. Please thank Claudia Gudvangen, Deputy Legislative Auditor, Brad White, Audit Manager, Laura Peterson, Auditor-in-Charge, and the audit team for the professional way in which they carried out their duties during the process. Thank you again for a professional and helpful audit. Any comments or questions that you may have regarding our response will be greatly appreciated.

Sincerely,

/s/ Joan Barrett

Dr. Joan B. Barrett
President

enclosure

St. Cloud Technical College
Response to Audit Findings
September 17, 2001

1. Prior Recommendation Partially Resolved – The college has unresolved prior year variances between MnSCU accounting and the bank cash balance and the state treasury clearing account balance.

St. Cloud Technical College identified the $492,300 accounting error when reconciling MnSCU accounting to the state accounting system (MAPS). The college has worked with the MnSCU system office and resolved the state treasury clearing account negative cash balance in the accounting system. The college has also worked with the system office and has written-off the difference between the bank and the MnSCU accounting system.

Person Responsible: Lori Kloos, CFO
Darla Roeker, Accounting Officer Senior
Projected Completion Date: Completed

2. The college did not accurately record some faculty members' leave usage.

The Director of Human Resources has established a systematic process for monitoring leave usage and ensuring the accurate posting of leave taken by faculty members. All leave posting errors have been corrected.

Person Responsible: Ann Meredith, Director of Human Resources
Projected Completion Date: Completed

3. The college inaccurately calculated retroactive backpay for nine faculty members and overpaid an instructor for an incorrect overload assignment.

The human resource staff recalculated all 1998 retroactive payments and recovered all overpayments in May, 2001. In addition, the overpayment from the incorrect overload assignment has been recovered.

Person Responsible: Ann Meredith, Director of Human Resources
Projected Completion Date: Completed

4. The college bookstore lacked an inventory control system.

St. Cloud Technical College currently analyzes book sale revenues and compares expected revenues to actual. Book sale revenues are also compared to expenditures as a means to analyze profit margins. Significant variances would be investigated to ascertain if there was an inventory control or other problem. Throughout the audit period, and to date, the college has not encountered variances warranting the need for further investigation.

The college recognizes that the analysis discussed above does not provide detailed current information. The college agrees that a perpetual inventory system would improve accountability and provide an up-to-date valuation of textbooks held in inventory. St. Cloud Technical College has started the process of researching various systems and identifying costs versus benefits of installing a perpetual inventory system. A decision will be reached by the college as to whether the benefits of purchasing and installing such a system outweigh the costs associated with the purchase, installation, and upkeep of the system.

Person Responsible:	Marge Parry, Bookstore Manager Lori Kloos, CFO
Projected Completion Date:	The college plans on making a decision by January, 2002.

5. Prior Finding Substantially Resolved: The college did not consistently comply with certain federal regulations.

Selection procedures for Federal Supplemental Educational Opportunity Grants are set in regulation. These selection criteria have been followed. Maximum award limits are also set by regulation. These limits have also been followed. The college had a practice of awarding $800 per student per year for the 2000-2001 award year. One student was awarded $837. This is not over the federal maximum and since the college did not have a written maximum, this award is not out of compliance with the maximum award limits.

The college has revised the Financial Aid Policy manual to include minimum and maximum award limits.

Pell data is due at the Department of Education within 30 days of the student being paid. A schedule has been established where the college will transmit Pell payment data to the Department of Education every other Friday for the 2001-2002 year and beyond.

Person Responsible:	Anita Baugh, Financial Aid Director
Projected Completion Date:	Completed

6. The college did not consider certain scholarships and grants when awarding and packaging financial aid.

A review of all 2001-2002 financial aid paid to students receiving Foundation scholarships has been completed. One hundred six students received Foundation scholarships. Of these students, three received excess subsidized Stafford loan amounts. Two of these students were identified in this audit finding and their subsidized loan was subsequently changed to an unsubsidized Stafford loan. The third student's overaward was identified and discussed in Finding 8. That student's loan has also been changed from a subsidized to an unsubsidized Stafford loan.

The college implemented MnSCU's ISRS financial aid and third party billing systems as of the 2001-2002 award year. The use of these systems ensures that all funding from outside agencies will be updated and recorded on the financial aid system. The college has also set up miscellaneous fund codes to ensure that all scholarships are recorded on the financial aid system. The system has an overaward edit to prevent overpayments.

Person Responsible: Anita Baugh
Projected Completion Date: Completed

7. The college paid Minnesota State Grant to five ineligible students.

A review of the five students' transcripts has been completed. The Minnesota State Grant overpayment amounts have been returned to MNHESO. Receivables have been established on these students' accounts and the students have been notified of the overpayment and the amount due on their accounts.

A transcript review has been completed for all state grant recipients over the age of 20 to ensure that no other students were overpaid Minnesota State Grant funds. Edits have been established in the ISRS system to identify students that have attended other colleges or universities. In addition, the system identifies students that have been in school for over three years. Students identified by the system and/or listing previous education on the institutional financial aid application will be reviewed to ensure that the maximum number of educational units is not exceeded.

Person Responsible: Anita Baugh
Projected Completion Date: Completed

8. The college did not properly determine the cost of attendance budget for certain students.

Previously, the cost of attendance budget was increased by a standard amount for child care costs when students indicated they had children. The college has changed that practice. Currently, the cost of attendance budget includes tuition and fees, books and supplies, room and board, transportation, and personal expenses. Child care costs increase the cost of attendance budget only by the actual documented costs on a case by case basis. Other actual costs may also be added to the cost of attendance budget on a case by case basis (e.g. student loan fees).

Person Responsible: Anita Baugh
Projected Completion Date: Completed

9. The college did not correctly award FFEL loans to two students, and it set a lower aggregate maximum limit than specified in federal regulations.

Each student's grade level will be reviewed before loan certification to ensure that students receive the full amount of subsidized Stafford loan funding they are entitled to. In addition, the college discontinued the use of the reduced aggregate FFEL limit and now follows the maximum aggregate limit set by the U.S. Department of Education.

Person Responsible: Marcia Provost
Projected Completion Date: Completed

10. Prior Recommendation Partially Resolved: The college did not adequately separate the awarding and disbursing function over paper loan checks.

Electronic Fund Transfers have been established for all loan funds having such service available. Lenders not having the availability of Electronic Fund Transfers have been directed to forward all paper checks to an employee in the Business Office. No paper loan checks are being received in the Financial Aid Office.

Person Responsible: Marcia Provost
Projected Completion Date: Completed