

Financial-Related Audit

**Fond du Lac Tribal and
Community College**
July 1, 1997, through June 30, 2000



Financial Audit Division

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

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Members of the Fond du Lac Tribal and Community College Board of Directors

Mr. Lester Briggs, President
Fond du Lac Tribal and Community College

We have audited Fond du Lac Tribal and 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, 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 government 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 the Fond du Lac Tribal and Community 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 Fond du Lac Tribal and 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 September 27, 2001.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: May 4, 2001

Report Signed On: September 21, 2001

Fond du Lac Tribal and Community College

Table of Contents

	Page
Report Summary	1
Chapter 1. Introduction	3
Chapter 2. Financial Management	5
Chapter 3. Tuition and Fees	9
Chapter 4. Payroll Expenditures	13
Chapter 5. Purchasing and Administrative Expenditures	17
Chapter 6. Bookstore and Other Enterprise Activities	21
Chapter 7. Student Financial Aid	25
Status of Prior Audit Issues	29
College Response	31

Audit Participation

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

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Tom Donahue, CPA	Audit Manager
Connie Stein	Auditor-in-Charge
Mike Willis, CPA, CIA	Auditor
Jess Frenzel	Auditor

Exit Conference

We discussed the findings and recommendations with the following representatives of Fond du Lac Tribal and Community College and the MnSCU system office at an exit conference held on September 6, 2001:

MnSCU System Office:

Laura King	Vice Chancellor, Chief Financial Officer
Rosalie Greeman	Associate Vice Chancellor, Financial Reporting
Margaret Jenniges	Director of Financial Reporting
John Asmussen	Executive Director of Internal Auditing
Jim Schneider	Campus Assistance
Kim McLaughlin	Regional Audit Coordinator

Fond du Lac Tribal and Community College:

Lester Jack Briggs	President
Elliot Skurich	Director of Fiscal Operations

Fond du Lac Tribal and Community College

Report Summary

Fond du Lac Tribal and Community College operated within available financial resources. Generally, the college's internal controls provided reasonable assurance that financial activities were properly recorded on the MnSCU and MAPS accounting systems and were in compliance with applicable legal provisions and management's authorization. However, we identified certain internal control weaknesses that could impact on the college's ability to safeguard assets and to correctly record financial activities in the accounting system.

Key Findings and Recommendations:

- Fond du Lac Tribal and Community College did not adequately restrict access to its accounting system and did not properly monitor transactions entered onto the accounting system. The college should review system security to limit employee access to the functions needed to complete their job responsibilities. In addition, the college should design mitigating controls that would independently monitor the risks posed by such incompatible access. (Finding 1, page 6)
- Fond du Lac Tribal and Community College did not perform an independent review of backdated registration cancellations or verify tuition waivers issued to waivers authorized. The college should develop a process to independently compare backdated transactions entered into the system with those specifically authorized. The college should compare tuition waivers issued to waivers authorized. (Finding 2, page 10)
- Fond du Lac Tribal and Community College has not done an adequate job of monitoring and pursuing the collection of past due accounts. The college should turn past due accounts over to the Minnesota Collection Enterprise and restrict students who still owe prior tuition and fees from registering for future classes. (Finding 3, page 11)
- Fond du Lac Tribal and Community College did not adequately separate duties in the bookstore. The college should properly separate duties or perform independent reviews to ensure the accuracy and completeness of its bookstore financial operations. (Finding 8, page 22)

<p>Fond du Lac Tribal and Community 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 expenditure areas, 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.</p>

Fond du Lac Tribal and Community College

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Fond du Lac Tribal and Community College

Chapter 1. Introduction

Fond du Lac Tribal and Community College is both a tribal college and a community college. It is guided by a unique governance relationship between the MnSCU board of trustees and the Fond du Lac Tribal and Community College board of directors as specified in Minn. Stat. Section 136F.12. Fond du Lac Tribal and Community College is one of 24 tribal colleges in the United States, but the only one that is part of a state college system. In 1994, the U.S. Department of the Interior, Bureau of Indian Affairs (BIA) reconfirmed Fond du Lac Tribal and Community College as a tribal college under the Tribal Community College Act. Also, Congress passed legislation giving Fond du Lac status as a land grant institution.

As addressed in the college's mission statement, the college is to "provide higher education opportunities for its communities in a welcoming, culturally diverse environment." The Fond du Lac Tribal and Community College is accredited by the Commission on Institutions of Higher Education of the North Central Association of Colleges and Schools.

The college offered several two-year degree programs, including a fully transferable Associate in Arts degree and an Associate in Applied Science degree. The full-time equivalent student population at the college was 603 for the 2000-2001 school year. Mr. Lester Jack Briggs is the college president.

Fond du Lac Tribal and Community College received funding in the form of grants from the Bureau of Indian Affairs and the U.S. Department of Labor's School-to-Work Program during the audit period. These grants were awarded to the college based solely on its status as a tribal college. The college considers the financial activity associated with the above grant funds to be tribal college activity. Total tribal college revenues reported on the federal fiscal year ended September 30, 2000, was approximately \$1.1 million.

Our audit scope did not include a review of the grant funds received from the Bureau of Indian Affairs (BIA). The BIA grant funds are audited annually as part of the Fond du Lac Reservation under the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments."

Table 1-1 shows financial activity for Fond du Lac Tribal and Community College for fiscal year 2000. The college financed its operations primarily from state appropriations and student tuition and fees. These activities are accounted for in the General Fund. The Special Revenue Fund includes federal student financial aid. The Enterprise Fund includes financial activities from the bookstore and student housing.

Fond du Lac Tribal and Community College

Table 1-1
Fond du Lac Tribal and Community College
Revenues, Expenditures/Expenses, and Changes in Fund Balance
Fiscal Year Ended June 30, 2000

	<u>General</u>	<u>Enterprise</u>	<u>Special Revenue</u>	<u>Trust</u>
Revenues:				
State Appropriations	\$2,491,447	\$ 0	\$ 0	\$ 0
Tuition and Fees	1,182,035	14,746	53,663	0
Sales and Services, Net ⁽⁴⁾	967	40,831	0	0
Room and Board	279	78,919	0	0
Federal Grants	0	0	843,154	0
State Grants	0	0	394,488	0
Private Grants	1,000	0	1,000	100,000
Other Income	860,664	(3,546)	25	0
Total Revenues	<u>\$4,536,392</u>	<u>\$130,950</u>	<u>\$1,292,330</u>	<u>\$ 100,000</u>
Expenditures/Expenses:				
Salaries	\$2,997,370	\$ 57,555	207,962	\$ 0
Purchased Services	479,507	14,036	40,571	0
Utilities	154,475	18,684	0	0
Contract/Consultants	38,614	0	0	0
Supplies	210,837	7,304	8,328	0
Financial Aid	0	0	996,249	119,143
Capital Expenditures	19,958	0	0	0
Debt Service ⁽⁵⁾	279,854	0	0	0
Other Expenses	40,226	(97)	29,121	0
Total Expenditures/Expenses	<u>\$4,220,841</u>	<u>\$ 97,482</u>	<u>\$1,282,231</u>	<u>\$ 119,143</u>
Transfers:				
Transfers In	\$ 11,938	\$ 50,291	\$ 0	\$ 0
Transfers Out	0	(16,199)	0	0
Net Transfers	<u>\$ 11,938</u>	<u>\$ 34,092</u>	<u>\$ 0</u>	<u>\$ 0</u>
Change in Fund Balance	\$ 327,489	\$ 67,560	10,099	\$ (19,143)
Beginning Fund Balance	39,583	156,250	96,521	24,604
Ending Fund Balance	<u>\$ 367,072</u>	<u>\$223,810</u>	<u>\$ 106,620</u>	<u>\$ 5,461</u>

Note 1: This statement is prepared using 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 (GAAP) in the following ways: 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 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 include all assets such as accounts receivable and prepaid assets, or long-term liabilities such as debt and compensated absences. Compensated absence liabilities at June 30, 2000, were estimated at \$185,316 for the General Fund.

Note 2: The Board Designated General Fund Reserve at June 30, 2000, is \$255,443. Also, \$11,626 of the ending fund balance is reserved for future obligations, including Special Dedicated Appropriations, outstanding encumbrances, and faculty contractual commitments.

Note 3: Enterprise funds do not include all allocable costs such as debt service and indirect costs.

Note 4: Sales and Services, Gross \$215,077
 Cost of Goods Sold -174,246
 Sales and Services, Net \$ 40,831

Note 5: Principal and interest payments of \$178,186 and \$101,668, respectively, on academic building and new student housing facility.

Source: Prepared by MnSCU accounting staff.

Chapter 2. Financial Management

Chapter Conclusion

Fond du Lac Tribal and Community College operated within available financial resources. Generally, the college's internal controls provided reasonable assurance that financial activities were properly recorded on the MnSCU and MAPS accounting systems and were in compliance with applicable legal provisions and management's authorization. However, the college did not adequately restrict access to its accounting system, or properly monitor transactions entered onto the system. Finally, the college maintained an appropriate operating relationship with its foundation.

Fond du Lac Tribal and Community College used the MnSCU accounting system to record its financial activity and to initiate transactions. The MnSCU accounting system interfaces with the state's accounting system, the Minnesota Accounting and Procurement System (MAPS), to generate warrants from the state treasury. The MnSCU system office also requires that all campuses use the MnSCU accounting system to account for money maintained outside the state treasury. The college administered certain funds, such as financial aid, agency accounts, and enterprise activities through a single checking account at a local bank. The local bank also served as the college's state depository for transfer of funds into the state treasury.

Audit Objectives and Methodology

Our review of Fond du Lac Tribal and Community College's financial management focused on answering the following questions:

- 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 properly recorded its 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 maintained an appropriate operating relationship with related organizations?

To answer these questions, we interviewed college personnel to gain an understanding of the MnSCU accounting system and how the college used the system for each of the individual

Fond du Lac Tribal and Community College

program areas we audited. We gained an understanding of the management controls, such as budget monitoring, and reconciliations in place over state treasury and local bank 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 reviewed security privileges to determine whether the college adequately limited access to its computerized business systems. We reviewed local bank activity to determine compliance with material finance-related legal provisions, such as collateral sufficiency. We also reviewed the college's relationship with its foundations.

Budgetary Controls and Financial Operations

MnSCU receives the majority of its funding for operations from General Fund appropriations. The MnSCU system office allocates appropriated funds to Fond du Lac Tribal and Community College based upon an allocation formula. In addition, the college, like other campuses, retains the tuition and other receipts it collects to arrive at its total authorized spending level.

Once the college determined its authorized spending level, it established spending budgets for various administrative areas and academic departments. The business office monitored the budgets at a cost center level using budget reports from MnSCU accounting. In addition, individual cost center managers received detailed expenditure reports.

The college builds a reserve balance into its budget formula. As of June 30, 2000, Fond du Lac Tribal and Community College had about a seven percent budget reserve, or approximately \$255,000. MnSCU Policy 5.10 specified that colleges and universities reach a five to seven percent reserve by the end of fiscal year 2001.

Conclusions

Fond du Lac Tribal and Community College operated within available financial resources. Generally, the college's internal controls provided reasonable assurance that financial activities were properly recorded on the MnSCU and MAPS accounting systems and were in compliance with applicable legal provisions and management's authorization. As explained in Finding 1, the college did not adequately restrict access to its accounting system or properly monitor transactions entered onto the system. Finally, the college maintained an appropriate operating relationship with its foundation

- 1. Fond du Lac Tribal and Community College did not adequately restrict access to its accounting system and did not properly monitor transactions entered onto the accounting system.**

Fond du Lac Tribal and Community College did not adequately control access to the MnSCU accounting system. In addition, there was no process in place to adequately monitor cash receipt transactions, accounts receivable adjustments, and purchasing transactions. The college has primary authority and responsibility to ensure that employee access to the accounting system is necessary based on their job responsibilities. Without proper access controls, the college faces

Fond du Lac Tribal and Community College

increased risk that unauthorized or fraudulent transactions could be entered onto the accounting system.

- All four employees of the Fond du Lac Tribal and Community College business office have access to incompatible security groups within the MnSCU accounting system. These four employees have full access to the cashiering functions as well as the accounts receivable functions, including receivable increases, corrections, withdrawals, and waivers. As a result, each employee has the ability to collect and record cash receipts, update waivers, and record accounts receivable adjustments. In addition, there are no mitigating controls in place to independently review the accounting transactions entered into the MnSCU accounting system by these employees. Although we did not find any irregularities, this complete access to both the cashiering and accounts receivable functions could potentially give an employee the ability to misappropriate cash and conceal the theft in the accounting records.
- Three employees of the Northeast Service Unit (NESU) maintained access to the accounts receivable, accounts payable, and purchasing modules of the MnSCU accounting system after these functions were assumed by the college. The access for NESU employees to these modules was subsequently eliminated during the course of our fieldwork.
- Three employees of the Fond du Lac Tribal and Community College had incompatible access to the purchasing and accounts payable modules of the MnSCU accounting system. These individuals had the ability to initiate purchases, certify that purchases had been received, and make payment for the purchases. Although we did not find any irregularities, such access could potentially give these employees the ability to initiate and pay for fraudulent purchases.
- One employee of the Fond du Lac Tribal and Community College human resources office had the ability to make adjustments to her own pay rates.

For each of the instances described above, there were no mitigating controls in place, such as an independent review of the accounting transactions entered into the MnSCU accounting system by those employees. It is very important in situations where a complete separation of duties is not possible or impractical that steps be taken to mitigate or reduce the risk of errors and irregularities.

Recommendations

- *The college should periodically review system security and limit employee access to the functions needed to complete their job responsibilities. In addition, the college should eliminate any incompatible access, wherever practical.*

Fond du Lac Tribal and Community College

- *Where the elimination of any incompatible access to the accounting system is not possible or impractical, the college should design mitigating controls that would independently monitor the risks posed by such incompatible access.*

Chapter 3. Tuition and Fees

Chapter Conclusions

Fond du Lac Tribal and Community College needs to improve its controls over the collection and recording of tuition and fee receipts. As noted in Chapter 2, Finding 1, the college did not adequately restrict access to its accounting system for various functions related to revenue collections. The college did not perform an independent review of backdated registration cancellations or verify tuition waivers issued to waivers authorized. In addition, the college did not adequately monitor and pursue the collection of its past due accounts. For the items tested, the college complied with significant finance-related legal provisions concerning tuition, fees, and other revenue.

Fond du Lac Tribal and Community College collected approximately \$3.4 million in tuition and fees during the period from July 1, 1997, through June 30, 2000. The college collected tuition at a resident rate of \$67.50 per semester credit plus fees for fiscal year 2000. The college collected revenue from customized training, which included non-credit continuing education and contract training courses. The college also designed continuing education courses for the public and developed contract-training courses to meet the educational needs of specific businesses or industries. Table 3-1 shows the tuition, fees, and non-credit tuition revenue for fiscal years 1998 through 2000.

**Table 3-1
Tuition and Fee Revenue
Fiscal Years 1998 through 2000**

<u>Revenue Source:</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Tuition	\$854,972	\$816,191	\$ 952,678
Fees	78,930	118,409	287,335
Non-credit tuition	<u>29,481</u>	<u>148,859</u>	<u>94,011</u>
Total	<u>\$963,383</u>	<u>\$1,083,459</u>	<u>\$1,334,024</u>

Note 1: Tuition amount is net of tuition refunds.

Note 2: FY 2000 Fees include housing charges.

Source: MnSCU accounting system.

Fond du Lac Tribal and Community College collected tuition and fees at the college business office. The college used the Collegiate Information System (CIS) for registration, fee assessment, and accounts receivable functions during fiscal years 1998 and 1999. The business office reconciled each day's tuition receipts to a daily report generated by CIS, prepared the deposit, and entered the receipts into the MnSCU accounting system. In fiscal year 2000, the

Fond du Lac Tribal and Community College

college implemented the Student Information System Accounts Receivable module, which automated certain recording functions.

Audit Objectives and Methodology

Our review of Fond du Lac Tribal and Community College's tuition and fees focused on answering the following questions:

- Did the college's internal controls provide reasonable assurance that the appropriate tuition and fee revenues were collected, adequately safeguarded, and accurately reported in the accounting records?
- For the items tested, did the college comply with significant finance-related legal provisions concerning tuition, fees, and other revenue?

To answer these questions, we interviewed staff to obtain an understanding of the internal controls over billing, collecting, depositing, and recording tuition and fee revenues. We reviewed the college's controls over access to the accounts receivable module of its accounting system. We tested a sample of transactions to determine if timely deposits were made and if the college accurately recorded tuition and fee transactions on the MnSCU accounting system. Finally, we reviewed how the college monitored and pursued collection of outstanding accounts receivable.

Conclusions

Fond du Lac Tribal and Community College needs to improve its controls over collection and recording of tuition and fee receipts. As noted in Chapter 2, Finding 1, the college did not adequately restrict employee access to collect and record cash receipts, update waivers and record accounts receivable adjustments. As discussed in Finding 2, the college did not perform an independent review of backdated registration cancellations or verify tuition waivers issued to waivers authorized. Also, the college did not adequately monitor and pursue the collection of its past due accounts as discussed in Finding 3. For the items tested, the college complied with significant finance-related legal provisions concerning tuition, fees, and other revenue.

2. Fond du Lac Tribal and Community College did not perform an independent review of backdated registration cancellations or verify tuition waivers issued to waivers authorized.

The college did not perform an independent review of backdated registrations entered onto the system to ensure that they were properly approved. The college has not developed any specific criteria to determine when the cancellation of registration records should be backdated or recorded as waivers. In addition, as reported in our prior audit report, the college did not verify tuition waivers issued to tuition waivers authorized.

Fond du Lac Tribal and Community College

The college has the ability to eliminate a student's obligation to pay tuition by changing the registration date to fall within the allowable drop/add period. This is known as a backdated transaction. These transactions are particularly sensitive since they eliminate the student's obligation.

The computerized accounts receivable system allows users to eliminate a student's tuition and fee charges by backdating registration cancellation records. MnSCU Policy 5.12 *Refunds, Withdrawals, and Waivers* allows institutions discretion when canceling tuition charges. For example, a student is allowed to drop a class without obligation, if done prior to the institution's established "drop date."

Currently, system users with appropriate access rights can backdate a student's drop date to reflect a date prior to the required drop date. In essence, they eliminate the student's obligation and reduce the amount earned by the institution. While these transactions were documented and specifically authorized by management, the college did not perform an independent review of backdated registrations entered onto the system to ensure that they were properly approved. Since implementing the new registration and accounts receivable systems in fiscal year 2000, the college has backdated over 500 student registration transactions. We think a waiver transaction may provide a better audit trail than backdated transactions. These transactions can be more easily monitored through the use of the system waiver report.

During fiscal year 2000, the Integrated Statewide Record System (ISRS) showed approximately \$13,000 in tuition waivers posted to the system. Tuition waivers were granted to college employees and their dependents as part of collective bargaining agreements. When a waiver is requested, it is authorized by human resources and entered onto the ISRS. The student who is given a waiver is not assessed tuition and fees on ISRS in accordance with the applicable collective bargaining agreement. The ISRS produces a report, which summarizes waivers issued on the system. This report should be compared to the waivers authorized to ensure that only authorized waivers were issued.

Recommendations

- *Fond du Lac Tribal and Community College should develop a process to independently compare backdated transactions entered into the system with those specifically authorized by management. If appropriate, the college may want to consider using tuition waivers in place of backdated registration transactions.*
- *The Fond du Lac Tribal and Community College should compare tuition waivers issued to waivers authorized.*

3. Fond du Lac Tribal and Community College did not adequately monitor and pursue the collection of past due accounts.

As of April 2001, the Fond du Lac Tribal and Community College's accounts receivable balance was approximately \$365,000. The college's receivable balance for terms prior to spring 2001

Fond du Lac Tribal and Community College

was over \$200,000. The college has chosen not to use the feature in ISRS, which would prevent students from registering if they have an outstanding balance from the prior term. We found students in our testing who owed tuition and fees for up to five different terms.

Minn. Stat. Section 16D.04 states that, “When a debt owed to a state agency becomes 121 days past due, the state agency must refer the debt to the commissioner for collection.” The statute permits state agencies to collect the debt for an extended period on their own if the debtor is adhering to an acceptable repayment plan. The Department of Finance further permits MnSCU campuses to pursue overdue accounts for 30 days into the subsequent semester’s registration period. This allows colleges and universities the ability to deny future registration as a means to resolve the past due debt. If these measures do not result in collection, the unpaid balances are to be referred to Minnesota Collection Enterprise.

The college did not begin sending regular statements to past due accounts until July of 2000. Fond du Lac Tribal and Community College has not turned any accounts over to the Minnesota Collection Enterprise for collection since 1999.

Recommendations

- *The college should turn past due accounts over to the Minnesota Collection Enterprise in a timely manner.*
- *The college should consider restricting students who still owe prior tuition and fees from registering for future classes.*

Chapter 4. Payroll Expenditures

Chapter Conclusions

Fond du Lac Tribal and Community College's internal controls provided reasonable assurance that it accurately reported payroll expenditures in the accounting records and that it complied with applicable legal provisions and management's authorization. However, as explained in Chapter 2, Finding 1, the college did not monitor the transactions of an employee who had the ability to make adjustments to her own pay rate.

For the transactions tested, the college complied with material finance-related legal provisions and bargaining agreements. However the college did not conduct annual evaluations of its employees. In addition, the college did not adequately monitor business expenses.

Payroll is Fond du Lac Tribal and Community College's largest operating cost. The college's payroll expenditures of \$3 million during fiscal year 2000 were approximately 50 percent of total college expenditures. In 2000, the college employed approximately 90 employees, who are covered by the following compensation plans:

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

Currently, Fond du Lac Tribal and Community College is under contract with Hibbing Community College to process its payroll and personnel information. Hibbing also ensured payroll expenditures were properly recorded in the accounting system.

During the audit period, the MnSCU system office hired a contractor to administer faculty individual retirement plans for all MnSCU institutions, including Fond du Lac Tribal and Community 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.

Fond du Lac Tribal and Community College

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

Our review of Fond du Lac Tribal and Community College's payroll expenditures focused on answering the following questions:

- Did the college's internal controls provide reasonable assurance that the college accurately reported payroll expenditures in the accounting records and that it complied with applicable legal provisions and management's authorization?
- For the items tested, did the college comply with material finance-related legal provisions concerning payroll?

To answer these questions, we obtained an understanding of the internal control structure over the payroll and personnel process. We interviewed college employees to gain an understanding of the personnel and payroll accounting systems used by the college. We reviewed the security level clearances for payroll and human resources personnel and the procedures used to process and reconcile payroll transactions. We also performed various detail tests of employee payroll transactions to support our conclusions.

Conclusions

Fond du Lac Tribal and Community College's internal controls provided reasonable assurance that the college accurately reported employee payroll transactions in the accounting records and that it complied with applicable legal provisions and management's authorization.

For the items tested, the college complied with material finance-related legal provisions and bargaining agreements for employee payroll. As noted in Chapter 2, Finding 1, we found that one employee had the ability to make adjustments to her own pay rate. In addition, the college did not adequately complete annual evaluations of its employees, as discussed in Finding 5. Finally, as explained in Finding 6, the college did not adequately monitor some business expenses.

4. Fond du Lac Tribal and Community College did not complete the annual employee performance evaluations.

The college did not follow Administrative Procedure 20, relating to job clarification and performance appraisal. Although the college requires its supervisors to complete employee performance evaluations annually, they are not being done. Currently, the college's human

Fond du Lac Tribal and Community College

resources office distributes the performance evaluation forms to college supervisors, however, the evaluations are not being performed and the forms are not returned to human resources.

The employee performance appraisal ensures a continuous process of reviewing, analyzing, and evaluating employee performance. It is based on the individual position descriptions, established performance indicators, formal performance review, and individual development planning. It is used to establish a clear understanding between supervisor and employee of the employee's job duties and responsibilities, and the level of authority and accountability. Establishing a formal evaluation process to determine how well the employee meets the standards of performance for those job duties provides an opportunity and direction to improve work performance. It also provides managers with information on which to base, in whole or in part, various personnel decisions, such as salary increases, promotions, and discipline.

Recommendation

- *Fond du Lac Tribal and Community College should develop a monitoring system to ensure that the required employee performance evaluations are completed annually.*

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Chapter 5. Purchasing and Administrative Expenditures

Chapter Conclusions

Fond du Lac Tribal and Community College needs to improve its internal controls over purchased services, consultant contracts, supplies, and equipment expenditures. As noted in Chapter 2, Finding 1, the college's business office staff had incompatible access to both the purchasing and accounts payable modules of the accounting system. In addition, the college did not adequately monitor purchasing and administrative expenditures entered onto the accounting system. The college did not determine if sufficient unencumbered funds were available prior to incurring financial obligations, did not correctly post expenditure transaction occurrence dates, and did not promptly pay some of its bills. Also, the college had not updated its fixed asset inventory system on a timely basis.

For the items tested, except for not properly approving consultant contracts, the college complied with significant finance-related legal provisions concerning administrative expenditures.

Fond du Lac Tribal and Community College incurred expenditures for purchased services, supplies, consultant contracts, and equipment totaling \$2.1 million during fiscal years 1998 to 2000. Members of the business office staff were responsible for ordering supplies, equipment, and services. Various college departments submitted purchase requisitions to the purchasing staff. The purchasing clerk completed the purchase orders authorizing the purchase. Accounts payable staff matched invoices to the respective purchase orders and verified that the goods or services were properly received. Purchased goods were secured in a locked room in the receiving area. Fond du Lac Tribal and Community College has implemented the fixed asset module of the Integrated Statewide Record System (ISRS).

Table 5-1 shows a breakdown of selected non-payroll administrative expenditures during the audit period.

Fond du Lac Tribal and Community College

Table 5-1
Selected Purchasing and Administrative Expenditures
Fiscal Years 1998 to 2000

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Contracts and Purchased Services	\$374,829	\$450,262	\$539,743
Supplies	243,698	188,721	222,347
Equipment	<u>82,506</u>	<u>33,453</u>	<u>19,958</u>
Total	<u>\$701,033</u>	<u>\$672,436</u>	<u>\$782,048</u>

Source: MnSCU accounting system.

Audit Objectives and Methodology

Our review of Fond du Lac Tribal and Community College's purchased services, contracts, and supplies and equipment expenditures focused on answering the following questions:

- Did the college's internal controls provide reasonable assurance that administrative expenditures were accurately reported in the accounting records, adequately safeguarded, and in compliance with applicable legal provisions and management's authorization?
- Did the college comply with significant finance-related legal provisions concerning administrative expenditures?

To meet these objectives, we interviewed college staff to gain an understanding of the internal controls over the procurement and disbursement processes for purchased services, consultant/contract services, supplies, and equipment. We performed analytical reviews and tested transactions to determine whether Fond du Lac Tribal and Community College properly procured goods and services, disbursed funds, and recorded expenditures in the accounting system.

Conclusions

Fond du Lac Tribal and Community College needs to strengthen its internal controls over purchased services, consultant contracts, supplies, and equipment expenditures. As noted in Chapter 2, Finding 1, the business office staff had incompatible access to both the purchasing and the accounts payable modules in the accounting system. In addition, the college did not adequately monitor purchasing and administrative expenditures entered onto the accounting system. As discussed in Finding 5, the college failed to determine if sufficient unencumbered funds were available prior to incurring financial obligations. It also did not post expenditure transaction occurrence dates correctly or pay some of its bills promptly. Also, as discussed in Finding 7, the college had not updated its fixed asset inventory system on a timely basis. For the items tested, except for not properly approving consultant contracts, as explained in Finding 6,

Fond du Lac Tribal and Community College

the college complied with significant finance-related legal provisions concerning administrative expenditures.

5. Fond du Lac Tribal and Community College did not determine if sufficient unencumbered funds were available prior to incurring financial obligations, did not post expenditure transaction occurrence dates correctly, and did not pay some of its bills promptly.

The college failed to determine if sufficient unencumbered funds were available on the accounting system before incurring financial obligations, as required by Minn. Stat. 16A.15, and MnSCU Policy 5.14.5, Part 5. The college also entered expenditure transactions onto the accounting system using incorrect occurrence dates. In addition, we noted that the college did not always pay its vendors on a timely basis.

Minn. Stat. Section 16A.15 provides in part that an obligation may not be incurred against any fund, allotment, or appropriation unless there are sufficient unencumbered funds. In addition, MnSCU policy provides that “Funds must be encumbered prior to making an obligation through an authorized employee certifying that the accounting system shows sufficient allotment or encumbrance balance in the fund, allotment, or appropriation to meet it.” For the items tested, the bookstore did not encumber funds on the accounting system until after goods were received by the college. In addition, we noted that the college had received other services from vendors before the funds were encumbered on the accounting system.

The college often entered expenditure transactions onto the accounting system using occurrence dates that do not reflect the liability date of the college. The occurrence date should reflect the date on which goods or services were received. When recording the occurrence date, the college used the purchase order date, the date the funds were encumbered, or the invoice date. This incorrect coding of the date of liability could cause expenditure transactions to be accrued into the wrong fiscal year. We noted that the college often used incorrect occurrence dates for expenditures that it failed to timely encumber.

In addition, the college did not pay some of its vendors on a timely basis. For example, we noted in a number of instances that the college took 90 days or more to pay vendors for goods and services that it had received. We also noted several over due notices from college vendors.

Recommendations

- *The college should encumber funds for all purchases on the accounting system prior to incurring a financial obligation.*
- *The college should use the date on which goods or services are received as the occurrence date in recording liability transactions on the accounting system.*
- *The college should pay its financial obligations on a timely basis.*

Fond du Lac Tribal and Community College

6. Fond du Lac Tribal and Community College did not obtain properly approved consultant contracts with some of its professional and technical service providers.

The majority of the college's professional and technical service expenditures were for instructional services and were not under contract as required by MnSCU policy. In six of the eight samples of consultant contract purchases tested, we found that there was either no contract on file or the contract was not on a properly approved form that was signed by both the college and the service provider. The purchases tested ranged from \$1,050 to \$9,050 for services provided by instructional and technical consultants. We did note however, that the largest purchases of professional services were obtained through properly approved contracts as required by MnSCU policy.

MnSCU Board Policy 5.14.2, Part 3, requires that contracts for consultant, professional, and technical services must be prepared on forms approved by the system office to assure that they include all state required contract language. Any modification of forms approved by the system office or the use of a non-system office form require the review of the Attorney General's Office and approval of the vice chancellor/chief financial officer.

Recommendation

- *The college should ensure that it obtains properly approved contracts with all of its consultant, professional, and technical services providers.*

7. Fond du Lac Tribal and Community College did not perform regular updates to the fixed asset inventory system.

The college has not maintained an accurate record of its equipment on the fixed asset accounting system. At the time of our audit, the college had not updated the fixed asset inventory system for over two years. MnSCU Board policy 5.14.5 requires that colleges and universities develop a procedure for recording fixed assets over \$2,000. Fixed assets under \$2,000 may be recorded at the institution's discretion.

The college performed a physical inventory of its equipment during the summer of 2000. Staff did not use this inventory to update their fixed asset records until April of 2001 when we requested a copy of the current fixed asset inventory. The college had not reconciled its equipment purchases and disposals to the equipment recorded on the fixed asset inventory system since March 1999.

Recommendation

- *The college should ensure that it maintains an accurate record of its fixed assets and update these records on a timely basis.*

Chapter 6. Bookstore and Other Enterprise Activities

Chapter Conclusions

Fond du Lac Tribal and Community College's internal controls did not provide reasonable assurance that bookstore expenses were accurately recorded in the accounting records and in compliance with applicable legal provisions and management's authorization. As noted in Chapter 2, Finding 1, the bookstore's employee had access to both the purchase control system and the accounts payable module in the accounting system. In addition, the college did not adequately separate duties in the bookstore. Also, in Chapter 5, Finding 5, the college did not determine if sufficient unencumbered funds were available prior to incurring financial obligations. There were also many instances in which the bookstore failed to promptly pay its vendors for goods and services. In addition, the college did not have a systematic process to determine the total cost of its enterprise activities.

For the items tested, the college complied with the significant finance-related legal provisions concerning bookstore expenses.

Fond du Lac Tribal and Community College operates a small bookstore that sells textbooks, supplies, clothing, and other miscellaneous items to students. The college recorded the financial activities of its bookstore in the Enterprise Fund during fiscal years 1998 through 2000. During the audit period, Fond du Lac Tribal and Community College completed construction on a new student housing facility. Beginning with the 1999 fall semester, students began moving into the apartment style facility located on the college campus. Student housing activities were also recorded in the Enterprise Fund. The Enterprise Fund balance as of June 30, 2000, was \$223,810.

The bookstore is the largest activity in the Enterprise Fund. In fiscal year 2000, the bookstore incurred expenses, including cost of goods sold, of \$177,000. The bookstore accepts cash, checks, and/or charge accounts for students who receive financial assistance from third-party payers. The bookstore does not accept credit cards.

Audit Objectives and Methodology

Our review of Fond du Lac Tribal and Community College's bookstore expenditures focused on answering the following questions:

Fond du Lac Tribal and Community College

- Did the college's internal controls provide reasonable assurance that bookstore expenses 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 with the significant finance-related legal provisions concerning bookstore expenses?

To address these objectives, we interviewed college employees to gain an understanding of the internal control structure in place over bookstore operations. We reviewed a sample of expense transactions to determine if they were properly authorized and processed, and accurately recorded in the accounting system. We also reviewed these transactions to determine if the college complied with material finance-related legal provisions.

Conclusions

Fond du Lac Tribal and Community College's internal controls did not provide reasonable assurance that bookstore expenses were accurately recorded in the accounting records and in compliance with applicable legal provisions and management's authorization. As noted in Chapter 2, Finding 1, the bookstore employee had access to both the purchasing system and the accounts payable module in the accounting system. In addition, as discussed in Finding 8, the college did not adequately separate duties in the bookstore. Also, in Chapter 5, Finding 5, we noted that the college did not determine if sufficient unencumbered funds were available prior to incurring financial obligations. There were also many instances in which the college failed to promptly pay its vendors for goods and services. As noted in Finding 9, the college did not have a systematic process to determine the total cost of its enterprise activities. For the items tested, the college complied with the significant finance-related legal provisions concerning bookstore expenses.

8. Fond du Lac Tribal and Community College did not adequately separate duties in the bookstore.

Fond du Lac Tribal and Community College did not adequately separate duties in the bookstore. The bookstore has one employee, a bookstore coordinator, who is responsible for a number of incompatible activities and accounting functions. The conflicting duties included purchasing and receiving goods, authorizing payment, and also performing physical inventory counts.

Also, as discussed in Chapter 2, Finding 1, the bookstore employee had access to both the purchasing system and the accounts payable module in the accounting system. This incompatible access would allow an employee to initiate purchases and make payments for those purchases. This employee was also responsible for ensuring that goods and services were received before payment was made.

The college also does not independently review or monitor bookstore expenditures. It is very important in situations where a complete separation of duties is not possible or impractical, that a

Fond du Lac Tribal and Community College

periodic independent review be performed to mitigate or reduce the risk of errors or irregularities.

Recommendation

- *The college should properly separate duties or perform independent reviews to ensure the accuracy and completeness of its bookstore financial operations.*

9. The college did not have a systematic process to determine the total cost of its enterprise activities.

Fond du Lac Tribal and Community College's financial statements for the bookstore and housing operations did not include certain indirect costs, such as rent and maintenance. The college believed that the unallocated costs for the bookstore would be immaterial as the bookstore occupies a small corner of the commons area. However, the college had not quantified the allocable costs to determine whether its belief was valid. In fiscal year 1999, the bookstore transferred \$50,000 to the college's General Fund due to a short fall of General Fund revenues. The college has no plans to reimburse the bookstore.

Student housing became available on campus during the 1999 Fall Semester. During the audit period, the revenues generated from student housing were insufficient to pay the costs of debt service. For fiscal year 2000, the General Fund paid debt service of \$91,500 for the student housing facility consisting of principal and interest of \$58,259 and \$33,241, respectively. The college has no plans to repay the General Fund.

The college's bookstore and student housing operations are accounted for in the Enterprise fund. As such, the college should attempt to measure the total actual cost of these operations for financial reporting purposes. Enterprise funds should measure the total cost, including indirect costs, of its operations whether or not those costs are funded from enterprise activities or subsidized by other sources.

Recommendation

- *The college should identify and document all costs, including indirect costs, of its bookstore and student housing operations for financial reporting purposes and management decisions on funding practices.*

Fond du Lac Tribal and Community College

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Chapter 7. Student Financial Aid

Chapter Conclusions

Fond du Lac Tribal and Community College's internal controls provided reasonable assurance that the college properly recorded student financial aid transactions in the accounting system and administered financial aid in accordance with applicable federal regulations. Fond du Lac Tribal and Community College's internal controls over the packaging, awarding, and disbursing of financial aid provided reasonable assurance that only eligible students received aid in the appropriate amounts. For the items tested, Fond du Lac Tribal and Community College complied with applicable federal requirements over receiving federal funds.

Fond du Lac Tribal and Community College used the MnSCU Integrated Statewide Record System (ISRS) financial aid module to package and award financial aid. The financial aid module is highly computerized, shares data, and interfaces with other modules within ISRS, such as the accounts receivable and student records modules. It electronically receives and stores the Student Aid Report from the federal processor and accepts and stores the institutional financial aid application and tax data from the student. The system compares data provided by the student to the Student Aid Report. Any discrepancies between the two sets of data, beyond established tolerances, are identified in a process called "verification." The system enforces compliance with the legal requirements of the financial aid programs. These legal requirements are defined through a set of system edits and activated at the discretion of the institution. Awards are adjusted if enrollment is reduced below a certain credit level at the time of disbursement. The system interfaces these adjusted expenditures into MnSCU accounting.

The college participated in a variety of federal financial aid programs. Table 7-1 summarizes program expenditures from July 1, 2000, through December 31, 2000.

Table 7-1
Federal Financial Aid Expenditures
Fiscal Year 2001 as of December 31, 2001

CFDA Number	Program	Total Expenditures
84.032	Federal Family Loan (FFEL)	\$616,467
84.063	Federal Pell Grant	\$658,879
84.007	Federal Supplemental Educational Opportunity Grant (FSEOG)	\$ 38,173
84.033	Federal Work-Study (FWS)	\$ 6,550

Source: MnSCU accounting system.

Fond du Lac Tribal and Community College

Following are descriptions of the material federal and state financial aid programs:

- Under the Federal Family Education Loan Program, private lenders provided the loan principal, and the federal government guaranteed the loan in case of default or cancellation. For subsidized Stafford loans, the federal government paid interest to the lender while the student was in school and during certain deferment periods. For unsubsidized Stafford loans, the student paid all interest that accrued on the loan.
- The Federal Pell Grant was generally the first source of financial assistance to an eligible student. The federal government did not limit Pell Grant funding to the college; all eligible students received Pell Grant awards. The student's enrollment level, cost of education, and the family's ability to pay will determine eligibility for the grant. The maximum Pell grant for 2000-2001 school year was \$3,300.
- The college awarded Federal Supplemental Educational Opportunity Grants to exceptionally needy undergraduate students. ISRS determined a student's need based on the cost of attendance budget and the expected family contribution. The U.S. Department of Education funded 75 percent of the Federal Supplemental Educational Opportunity Grants and the college funded the remainder.
- The Federal Work-Study program provided part-time employment for students who continued to have financial need after receiving all other available grants. Like FSEOG, the U.S. Department of Education funded 75 percent of the Federal Work-Study program and the college funded the remainder.
- The college also participated in the Minnesota State Grant program, funded through the Minnesota Higher Education Services Office. The award amount varied based on the credits the student earned. In fiscal year 2000, the college disbursed Minnesota State Grants totaling \$205,318.

Audit Objectives and Methodology

Our review of Fond du Lac Tribal and Community College's student financial aid programs, as of December 31, 2000, focused on answering the following questions:

- 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?
- Did the college's internal controls over packaging and awarding federal financial aid provide reasonable assurance that only eligible students received aid in the appropriate amounts?
- For the items tested, did the college comply with applicable federal requirements over receiving federal funds?

Fond du Lac Tribal and Community College

To answer these questions, we evaluated and tested controls over compliance for determining student eligibility, packaging, awarding, and disbursing state and federal financial aid funds. We also evaluated and tested controls over compliance for managing federal cash and reporting federal expenditures.

Conclusions

Fond du Lac Tribal and Community College's internal controls provided reasonable assurance that the college properly recorded student financial aid transactions in the accounting system and administered financial aid in accordance with applicable federal regulations. In addition, the college's internal controls over the packaging, awarding, and disbursing of financial aid provided reasonable assurance that only eligible students received aid in the appropriate amounts. For the items tested, Fond du Lac Tribal and Community College complied with applicable federal requirements over receiving federal funds.

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Fond du Lac Tribal and Community College

Status of Prior Audit Issues As of May 4, 2001

Most Recent Audits

Legislative Audit Report 98-39, issued in July 1998, examined Fond du Lac Tribal and Community College's activities for fiscal years 1996 and 1997. The audit report cited 12 audit findings. The college has resolved nine findings. However, our prior audit Finding 8, concerning the reconciliation of tuition waivers issued to waivers authorized is repeated in this report as Finding 2.

The college disagreed with our prior Finding 1 concerning certain federal grants not accounted for on MnSCU accounting. The practice of not recording federal Tribal College grants such as those received from the Bureau of Indian Affairs on MnSCU accounting continues. The college believes that federal regulations require them to maintain a separate accounting system to ensure the Tribal College's accountability. The intent of our recommendation was not to place the Tribal College in noncompliance with federal regulations, but to improve the reporting mechanism showing total financial resources available to the Fond du Lac Tribal and Community College, while still maintaining the appropriate level of Tribal College accountability. The college should consider the possible future impact of the Governmental Accounting Standards Board's exposure draft entitled, "The Financial Reporting Entity – Affiliated Organizations."

Finally, the college decided not to implement our prior Finding 11, which asked for the repayment of \$454 in BIA grant funds paid to an individual under a consultant contract while that individual was still a state employee. In its response, the college indicated they would "require that the former employee repay this amount." However, in accord with MnSCU Internal Audit guidelines, the college subsequently decided to "accept the risk" of not implementing the recommendation and did not seek reimbursement from its former employee.

Statewide Audits

Legislative Audit Report 01-15, issued in March 2000, examined MnSCU's activities and programs material to the State of Minnesota's general-purpose financial statements 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 Fond du Lac Tribal and 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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Fond du Lac  College

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Office of the President

September 17, 2001

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

Dear Mr. Nobles:

Thank you for the opportunity to respond to the audit report of Fond du Lac Tribal and Community College for the period from July 1, 1998, through June 30, 2000. Fond du Lac Tribal and Community College's formal written response to the nine audit findings is attached.

I would like to thank Tom Donahue, audit manager; Connie Stein, auditor-in charge; and the entire audit team for their professionalism and willingness to work with campus staff to resolve outstanding findings and audit issues.

We are pleased with the audit report. The audit is an important step in improving and making significant progress on fiscal and organizational issues. Resolving audit findings is important as we grow in the future. Please contact me if you have questions regarding the attached response.

Sincerely,

/s/ Lester Jack Briggs

Lester Jack Briggs
President

pc: Elliot Skurich, FDLTCC Director of Fiscal Operations

Attachment

**Response and Corrective Action Plan on Audit Findings
September 2001
Fond du Lac Tribal and Community College
Legislative Audit Report for Fiscal Years 1998, 1999, and 2000**

Finding #1: Fond du Lac Tribal and Community College did not adequately restrict access to its accounting system and did not properly monitor transactions entered onto the accounting system.

Classification: **Critical**

For the most part, the College agrees with this finding. Items of contention are the computer access of a past service unit and the human resources employee having the ability to adjust her own pay rates. The computer access issue was an old access from when these transactions were performed at the Northeast Service Unit (NESU)--the Director of Fiscal Operations has a well documented file of employee computer access additions and deletions as employment conditions change. The accesses of NESU employees was not on any listings supplied by the Moorhead Computer Center. The Director of Fiscal Operations and well as the payroll input coordinator at Hibbing Community College would have discovered any improper payroll adjustment by the staff member--the Director has a historical listing of reports listing cost center encumbrances and SCUPPS data that would identify any improprieties.

The College will address whether to focus staff computer accesses or implement mitigating controls that would independently review transactions for appropriateness.

Responsible Person: Elliot Skurich, Director of Fiscal Operations and Human Resources

Timeline: September/October 2001

Finding #2: Fond du Lac Tribal and Community College did not perform an independent review of backdated registration cancellations or verify tuition waivers issued to waivers authorized.

Classification: **Important**

The College will implement mitigating controls to monitor these transactions. A review of the process that back dates registrations will be conducted for adherence to MnSCU Board Policy.

Responsible Person: Larry Anderson, Vice President and Elliot Skurich, Director of Fiscal Operations and Human Resources

Timeline: September/October 2001

Finding #3: Fond du Lac Tribal and Community College did not adequately monitor and pursue the collection of past due accounts.

Classification: **Important**

The College is almost complete with the mailing of letters to students notifying of past due debt. The process of passing these account to the Minnesota Collection Enterprise is now known by the College.

Responsible Person: Elliot Skurich, Director of Fiscal Operations and Human Resources

Timeline: September 2001

Finding #4: Fond du Lac Tribal and Community College did not complete the annual employee performance evaluations.

Classification: **Management Discretion**

The College will stress to supervisors the need to not only complete the reviews, but to return them to the Human Resources Office for record keeping.

Responsible Person: Fond du Lac Tribal and Community College supervisors

Timeline: Fall 2001

Finding #5: Fond du Lac Tribal and Community College did not determine if sufficient unencumbered funds were available prior to incurring financial obligations, did not post expenditure transaction occurrence dates correctly, and did not pay some of its bills promptly.

Classification: **Important**

The purchasing and accounts payable functions were the responsibility of NESU prior to September of 1999. The College has experienced on the job education for these functions. Education will be provided to all employees of the importance of this issue and proper procedures will be followed.

Responsible Person: Elliot Skurich, Director of Fiscal Operations and Human Resources

Timeline: Fall 2001

Finding #6: Fond du Lac Tribal and Community College did not obtain properly approved consultant contracts with some of its professional and technical service providers.

Classification: **Important**

The College had been using a contract that existed without reference to the author. This contract did not meet guidelines. As of May 2001, all contracted work has the appropriate State of Minnesota contract.

Responsible Person: Elliot Skurich, Director of Fiscal Operations and Human Resources

Timeline: May 2001

Finding #7: Fond du Lac Tribal and Community College did not perform regular updates to the fixed asset inventory system.

Classification: **Important**

Once again, this process was the responsibility of NESU prior to September 1999. Presently, the exception report for fixed assets does not show any items. Assets are entered to the fixed asset system timely.

Responsible Person: Elliot Skurich, Director of Fiscal Operations and Human Resources

Timeline: May 2001

Finding #8: Fond du Lac Tribal and Community College did not adequately separate duties in the bookstore.

Classification: **Critical**

Similar to Finding #1, the College will address whether to focus staff computer accesses or implement mitigating controls that would independently review transactions for appropriateness.

Responsible Person: Elliot Skurich, Director of Fiscal Operations and Human Resources

Timeline: Fall 2001

Finding #9: Fond du Lac Tribal and Community College did not have a systematic process to determine the total cost of its enterprise activities.

Classification: **Important**

The size of the College did not seem to warrant these costs. The College will now allocate indirect costs to the bookstore and to the Housing Enterprise once the entity, opened in August 1999, begins to show a positive income.

Responsible Person: Elliot Skurich, Director of Fiscal Operations and Human Resources

Timeline: Fall 2001