OLA

OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial-Related Audit

Ridgewater College
July 1, 1997, through June 30, 2000

OCTOBER 18, 2001 **01-51**

Financial Audit Division

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Minnesota State Colleges and Universities

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Ms. Colleen Thompson, President
Ridgewater College

We have audited selected areas of Ridgewater 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, bookstore operations, purchased services, supplies, equipment, and state grants. We also reviewed the college's internal controls over compliance with federal financial aid for fiscal year 2001. The audit objectives and conclusions are highlighted in the individual chapters of this report.

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

The report is intended for the information of the Legislative Audit Commission, the management of Ridgewater 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 October 18, 2001.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen
Deputy Legislative Auditor

End of Fieldwork: June 15, 2001

Report Signed On: October 15, 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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Patrick Phillips, CPA	Senior Auditor
Ellen Sibley	Senior Auditor
Heather White	Auditor

Exit Conference

The following staff from Ridgewater College and the MnSCU system office participated in the exit conference held on September 18, 2001:

MnSCU System Office:	
Laura King	Vice Chancellor, Chief Financial Officer
Rosalie Greeman	Associate Vice Chancellor, Financial Reporting
Margaret Jenniges	Director, Financial Reporting
John Asmussen	Executive Director, Internal Auditing
Melissa Primus	Audit Coordinator
Ridgewater College:	
Colleen Thompson	President
Gary Myhre	Director of Business Services
Gary Barber	Accounting Director

Report Summary

Ridgewater College resolved many of the issues discussed in the previous audit report but it continued to have weaknesses in significant areas, including the reconciliation of bank accounts and accounting systems and the proper recording of financial activity. The college generally complied with legal provisions and management's authorization.

Key Findings:

- The college did not perform certain duties necessary to ensure the integrity of its accounting data. It had not successfully reconciled its bank cash balance to the MnSCU accounting system since July 2000. It also had not adjusted the MnSCU accounting system to correct discrepancies with the state's accounting system. Finally, college staff had not investigated or resolved unusual balance in certain accounts. We recommended that the college compete monthly bank reconciliations, make the adjustments needed to resolve differences between MnSCU's and the state's accounting systems, and regularly review its recorded financial data it identify and correct transaction errors. (Finding 1, page 9)

- The college did not maintain sufficient collateral for its bank accounts. Statutes require state agencies to establish collateral equal to 110 percent of the amount on deposit. We recommended that the college revise its contract with the bank to ensure that the bank provides sufficient collateral to secure its local checking account balance. (Finding 2, page 11)

- The college did not have contracts with the bookstore vendor or the food service vendors. Without contracts, the parties could misunderstand the agreed to terms or conditions of the services. We recommended that the college establish contracts with these vendors. (Finding 3, page 11)

- The college did not draw down federal funds in a timely manner. We recommended that the college draw down federal financial aid in a timely manner. (Finding 11, page 31)

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

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Chapter 1. Introduction

Ridgewater College, with campuses located in Willmar and Hutchinson, is one of 35 colleges and universities included in the Minnesota State Colleges and Universities (MnSCU) system. The MnSCU Board of Trustees appointed Ms. Colleen Thompson as interim president of Ridgewater College effective August 1998 and appointed her as president in July 1999.

The college offers an Associate in Arts Degree constituting the first two years of a four-year degree that meets the general education component for the Minnesota transfer curriculum guidelines. The college also offers an Associate in Science Degree specializing in highly structured professional-level technical requirements for transfer to baccalaureate colleges in the same field. Finally, the college awards an Associate in Applied Science Degree for non-transfer students specializing in technical and general education. Ridgewater College also provides customized training and continuing education in various fields. In fiscal year 2000, the college provided customized training or continuing education to approximately 10,160 students.

Ridgewater College funds its operations from three main sources: state appropriation allocations, tuition and fees, and federal and state grants. Ridgewater College has 596 full and part-time staff. Full-time equivalent student attendance decreased from 3,002 students in fiscal year 1999 to 2,954 in fiscal year 2001. Table 1-1 provides a summary of the college’s financial activity for fiscal year 2000.

Table 1-1
Ridgewater College Revenues, Expenditures/Expenses, and Changes in Fund Balance [1]
Fiscal Year Ended June 30, 2000

	General Fund	Special Revenue Fund	Enterprise Fund [2]	
Revenues:				
State Appropriation	$15,317,215	$ 0	$ 0	
Tuition and Fees	7,256,987	311,766	109,873	
Sales and Services, Net	732,158	186,219	308,317	(3)
Federal Grants	2,259	3,546,633	0	
State Grants	844,599	1,801,687	0	
Private Grants	104,255	94,485	0	
Other Income	370,579	15,043	4,923	
Total Revenues	$24,628,052	$5,955,833	$ 423,113	
Expenditures/Expenses:				
Salaries	$18,303,509	$1,423,613	$ 134,032	
Purchased Services	1,636,347	239,552	64,640	
Utilities	703,278	4,826	0	
Contract/Consultants	408,586	45,582	0	
Supplies	2,194,218	168,853	14,139	
Financial Aid	20,473	3,604,864	20,034	
Capital Expenditures	1,081,408	91,619	69,372	
Debt Service-Interest	656,710	0	0	
Other	608,606	415,763	25,189	
Total Expenditures/Expenses	$25,613,135	$5,994,672	$ 327,406	
Transfers				
Transfers-In	$ 375,089	$ 134,791	$31,518	
Transfers-Out	305,039	203,013	444,024	
Total Transfers	$ 70,050	$ (68,222)	$ (412,506)	
Changes in Fund Balance	$ (915,033)	$(107,060)	$ (316,799)	
Beginning Fund Balance	2,322,559	286,464	1,425,943	
Ending Fund Balance	$ 1,407,526	$ 179,404	$1,109,144	(4) & (5)

Note 1: Table 1-1 uses MnSCU's budgetary basis of accounting, which differs from generally accepted accounting principles. We have included this statement in our report for informational purposes only. MnSCU uses the budgetary basis of accounting to prepare annual budgets and to allocate state appropriations. The budgetary basis of accounting includes all receipt and expenditure transactions up to the close of the books (in early September) for the budget fiscal year. MnSCU's budgetary basis of accounting does not accrue revenues received after the close of the books and recognizes expenditures when the college records the disbursement, not when it receives the goods or services. Table 1-1 does not include capital project revenues and expenditures. In addition, the table does not include long-term liabilities for the General or 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. MnSCU estimated that compensated absences as of June 30, 2000, totaled $1.8 million, $13,590, and $18,259 for the General, Enterprise, and Special Revenue Funds, respectively. These liabilities represent the amount due college employees for accrued vacation leave, sick leave, and compensatory leave at June 30, 2000.

Note 2: The Enterprise Fund may not include all allocable costs such as utilities and administrative costs.

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

Sales and Services, Gross	$1,417,542
Cost of Goods Sold	1,109,225
Sales and Services-Net	$ 308,858

Note 4: The Enterprise Fund balance at June 30, 2000, included outstanding Federal Perkins loans to students of $118,000.

Note 5: The General Fund ending balance included an unrestricted reserve of $672,099, as calculated by the college. The reserve was part of the college's operating budget; the college does not have a designated use for these funds. In addition, $735,426 of the ending fund balance is reserved for future obligations, such as Special Dedicated Appropriations, outstanding encumbrances, and faculty commitments such as compensated absences.

Source: MnSCU accounting records as adjusted by OLA.

Ridgewater College

In 1998, the Legislature appropriated $7.6 million for the construction and remodeling of the Hutchinson campus' building facilities. The construction projects included additions for the media resource library, non-destructive testing facilities, student support services, and child-care facilities. (We did not include these construction projects in the scope of our audit as they are under the control of the MnSCU system office.)

The Ridgewater Foundation is a separate, non-profit organization that supports the educational mission of the college. The foundation has its own directors, articles of incorporation, and bylaws. The foundation maintains its own financial records and accounts, and it obtains an annual external audit. The college maintains a formal agreement with the foundation to provide staffing and other administrative support in exchange for student scholarships and grants. During fiscal years 1998, 1999, and 2000, the foundation provided more than $445,000 in private funds for scholarships, equipment, and facility improvements.

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Chapter 2. Financial Management

Chapter Conclusion

Ridgewater College's internal controls did not provide reasonable assurance that it properly recorded financial activities in the MnSCU and the state's accounting system. The college did not perform certain duties necessary to ensure the integrity of its accounting data. The college did not maintain sufficient collateral over its local bank account. The college needs to develop contracts with certain vendors.

Ridgewater College used the MnSCU accounting system to record its financial activity and to initiate transactions. MnSCU accounting interfaced with the state's accounting system, the Minnesota Accounting and Procurement System, to generate warrants from the state treasury. MnSCU system office also requires that all campuses use the MnSCU accounting system to account for money maintained outside of the state treasury. In fiscal year 1999, Ridgewater College merged its existing bank accounts into one bank account.

Audit Objectives and Methodology

Our review of Ridgewater College's financial management focused on the following questions:

- Did the college's internal controls provide reasonable assurance that it properly recorded financial activity in the MnSCU and the state's accounting systems?
- Did the college comply with applicable legal provisions regarding local bank accounts?
- Did the college's internal controls provide reasonable assurance that it operated within available resources in compliance with applicable legal provisions and management's authorization?

To answer these questions, we interviewed college staff to gain an understanding of the college's use of MnSCU accounting for programs in our audit scope. We also gained an understanding of the management controls, including budgeting, budget monitoring, and reconciliations of local bank activities. We reviewed local bank activity to determine compliance with material finance-related legal provisions, such as the adequacy of collateral. Finally, we reviewed the college's recording of financial activities.

Ridgewater College

Budgetary Controls

MnSCU received the majority of its funding for operations from General Fund appropriations. The MnSCU system office allocated appropriated funds to Ridgewater College and all colleges and universities based on an allocation formula. In addition, Ridgewater College, like other campuses, retained the tuition and other receipts it collected to arrive at its total authorized spending level.

Once Ridgewater determined its authorized spending level, it allocated spending budgets to the various administrative areas and academic departments. The college established individual cost centers for each department or office to monitor its budget status. College management also monitored projected versus actual student enrollment to ensure that tuition would be sufficient to support the spending budget and maintain a reserve balance. MnSCU system office required that colleges achieve a five to seven percent reserve by the end of fiscal year 2001. In fiscal year 2000, the college used part of its reserve to maintain a certain level of operation even though its attendance was decreasing. The college had not restored its reserve balance to the five percent minimum by the end of fiscal year 2001. The college plans to restore the required reserve amount by fiscal year 2003.

General Financial Management

The college made improvements in its financial management, as demonstrated by its implementation of 10 of the 18 recommendations from our audit of the college for fiscal years 1996 and 1997. The college resolved weaknesses in its administration of financial aid, the safeguarding of assets in its business office, and the verification of payroll transactions. It also determined that it could not resolve the child care facility funding problems, closed the college operated child care facility, and contracted for child care services with an outside vendor.

The college also made substantial progress toward the implementation of the prior recommendation to limit and monitor employee access to its computerized business systems. The college revised employee security clearances and implemented oversight procedures to better ensure that only authorized employees execute transactions and separate incompatible functions. However, the college allowed a student worker position in the business office to use log-in accounts assigned to two other employees. Sharing of log-in accounts precludes accountability, as the college cannot identify which employee actually entered a transaction.

The college experienced some major changes in its financial management structure since fiscal year 1997. The most significant were personnel changes in two supervisory positions. In addition, the college had a major change in its computerized business systems. Finally, the business office made changes in the way it processed some of its financial activities.

The college hired a new accounting director and a new financial aid director in fiscal year 2001. The new directors had related experience at other MnSCU colleges. However, the college did not provide sufficient oversight or training for the new accounting director. Consequently, some essential duties were not performed, including the reconciliation of the college's bank account. (Finding 1 provides further information about this weakness.) Further delays in performing important financial management functions put the college at unnecessary risk. The college could address some of the problems by better prioritizing duties, delegating tasks where possible, and seeking additional training.

In 1999, Ridgewater College replaced the Collegiate Information System with MnSCU's Integrated Statewide Record System to record tuition receipts and maintain student accounts. The new system contains various student data and registration modules that share common data through various interfaces.

The business office also assumed more of the college's financial responsibilities, such as the processing of student payroll and employees' business expenses and consolidating its bank accounts into one account.

Conclusion

Ridgewater College's internal controls did not provide reasonable assurance that it properly recorded financial activities in the MnSCU and the state's accounting systems. As explained in Finding 1, the college did not perform certain duties necessary to ensure the integrity of its accounting data. Finding 2 explains that the college did not maintain sufficient collateral over its local bank account. Finding 3 discusses the need for the college to develop contracts with certain vendors.

1. Ridgewater College did not perform certain duties necessary to ensure the integrity of its accounting data.

Since June 2000, the college had not reconciled the cash in the bank to the cash recorded on MnSCU accounting. Although the college had successfully reconciled the balances until that time, a change in key personnel interrupted the monthly reconciliation process. College staff attempted to reconcile the July 2000 balances and identified an unexplained difference of approximately $1,100. The college was also unsuccessful in its attempts to reconcile the cash balances for other months in fiscal year 2001 and had not identified a stable difference. Monthly bank reconciliations ensure that the college promptly detects and corrects any errors or discrepancies. Without this reconciliation, the accounting records may not accurately reflect the financial activity of the college. For example, the college had not recorded over $425,000 of receipts electronically transferred to its bank account. The college also did not detect an error made in November 2000 that resulted in a reduction in the recorded cash balance of $163,300 rather than an increase of the cash balance by the same amount.

The college also had not adjusted the MnSCU accounting system to correct discrepancies with the state's accounting system. The college contracted with the MnSCU system office to completed periodic reconciliations between the MnSCU accounting system and the state's accounting system. The system office identified differences between the two accounting systems, some dating back to fiscal year 1998. For example, the system office identified differences of $295,000 in revenue and $162,000 in expenditures for fiscal year 1998 and $138,891 in beginning balances. The MnSCU system office suggested adjusting entries to correct the discrepancies. The college did not make adjustments to correct the differences. Until these adjustments are made, MnSCU accounting does not accurately reflect the financial activity of the college.

Finally, the college did not investigate or resolve unusual balances in certain accounts. For example, MnSCU's June 2001 trial balance report for Ridgewater College showed the following unusual balances:

- The Local Agency Fund had a negative fund balance of $7,761,042. In July 2001, the college determined that it had been coding federal financial aid receipts and subsidized and unsubsidized loans with a code that correctly posted these receipts as revenue in its former accounting system but that posted them as "Payable to Other Funds" in the MnSCU accounting system. The miscoding began in July 1999, accumulated to nearly $4 million by the end of fiscal year 2000, and resulted in a $7,810,273 correction in July 2001.

- The Federal Grant account's fund balance exceeded $200,000 that appeared to have carried forward from prior fiscal years. Typically, the college received federal grants as reimbursements for expenditures. This account's expenditures for fiscal years 2000 and 2001 averaged about $8,500. In response to our questions, the college determined that the majority of this balance resulted from state funds co-mingled with federal funds before the merger of the technical colleges into the MnSCU system in 1995. The college believes that it should transfer much of this fund balance to its General Fund.

- The Payroll Clearing Account had a balance of $141,331. According to the MnSCU central office, the balance for this account should have been about $6,000. The college is working with the MnSCU system office to correct this discrepancy.

If the college had adequately reviewed its recorded financial data, it should have detected and corrected these errors in a more timely manner.

Recommendations

- *The college should complete monthly bank reconciliations. If necessary, the college should work with the system office to understand how MnSCU accounting records transactions and to identify bank account reconciling items.*

- *The college should work with the system office to complete adjustments identified as part of the reconciliation between the MnSCU accounting system and the state's accounting system to ensure that the accounting records are accurate.*

- *The college should regularly review its recorded financial data, investigate any unusual balances, and correct transaction errors identified.*

Ridgewater College

2. PRIOR AUDIT RECOMMENDATION PARTIALLY RESOLVED: Ridgewater College did not maintain sufficient collateral for its bank account.

Ridgewater College did not maintain the legally required amount of collateral for its local checking account. Minnesota Statutes require state agencies to establish collateral equal to 110 percent of the amount on deposit, less any insured portion. The FDIC insures the college's deposits up to $100,000. However, the college's bank balance may exceed $100,000. For instance, in August 2000 the bank balance ranged from $171,000 to $377,000, with an average balance of $215,000. At the end of the business day, in accordance with its contract with the college, the bank sweeps any balance exceeding $160,000 (plus uncleared deposits) into an investment account. The contact did not require the bank to provide collateral for the amount exceeding the $100,000 FDIC insurance. The college needs to ensure that the bank provides collateral for any balance exceeding $100,000.

Recommendation

- *Ridgewater College should revise its contract with the bank to ensure that the bank provides sufficient collateral to secure its local checking account balance.*

3. Ridgewater College did not have contracts with certain vendors.

The college did not have a contract with its bookstore vendor to document the book buy-back terms. The college's arrangement with the vendor was that the college would purchase books back from students at the end of each semester, keep the books that could be resold to students the next semester, and sell to the book vendor any outdated or unusable books. The college sold outdated books to the vendor for $3 per book and the unusable books at various amounts depending on a book's condition. In addition, the college received a ten to fifteen percent commission from the bookstore vendor. Without a contract, misunderstandings between the college and the vendor on prices or terms could occur. In addition, the Hutchinson campus did not verify the accuracy of its commissions. Each campus should verify that the commission it receives from the bookstore vendor corresponds to the volume of sold back books and the agreed upon commission rate.

The college's contract with its food service vendor at Hutchinson expired on June 30, 2000. The vendor continued to provide food services, vending machines, and catering services after the expiration of the contract. The contract provided for renewal by written agreement. The college did not intend to cancel the vendor's services, but also did not renew the contract.

The college did not verify the accuracy of food service commissions. The vendor based the college's commissions on its sales volume. Although the contracts required that the vendors have external audits, the college did not obtain or review the audit reports. The college also did not perform any other type of verification or analysis of the vendor's reported sales or the calculation of the college's commission. As a result, the college had no assurance that the vendor had accurately calculated the college's commissions. Our prior audit report recommended that the college routinely review support for the sales that are the basis for the college's commission.

Recommendations

- *Ridgewater College should develop a contract with the book vendor that identifies the terms and rates of book buy back provisions. The college should verify the accuracy of its commissions.*

- *The college should establish a contract with a vendor for the operation of food services at the Hutchinson Campus. The college should also ensure the accuracy of commissions paid by the food service vendors by reviewing external audit reports or performing other verification of vendor reported receipts.*

Chapter 3. Tuition and Fees

Chapter Conclusion

Ridgewater College's internal controls generally provided reasonable assurance that it safeguarded and accurately recorded tuition and fee collections in the accounting records and that it complied with applicable legal provisions and management's authorization. For the items tested, the college complied with the significant finance-related legal provisions concerning tuition and fees. However, Ridgewater College did not monitor tuition-related administrative adjustments.

Ridgewater College offered credit classes, customized training, and continuing education credit and non-credit classes. The college collected approximately $22 million in credit and non-credit tuition and fees during fiscal years 1998 through 2000, at the rates shown in Table 3-1.

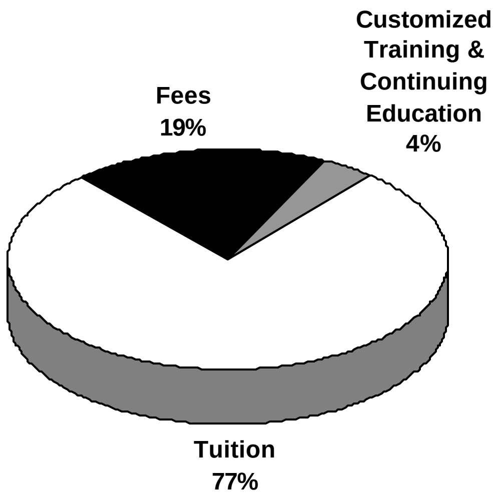
Table 3-1
Tuition and Fees per Credit

	Fiscal Year 1998 (per quarter credit)	Fiscal Year 1999 (per semester credit)	Fiscal Year 2000 (per semester credit)
Resident Rate	$42.65	$65.55	$68.00
Nonresident Rate	$85.30	$131.10	$136.00
Fees	$5.42	$8.85	$10.50

Source: Auditor prepared

The college determined tuition rates for customized training and continuing education classes on an individual class basis. Figure 3-2 shows the breakdown of revenue by type.

Figure 3-2
Tuition and Fee Revenue
Fiscal Years 1998 through 2000



Source: MnSCU accounting.

The college used the Collegiate Information System in fiscal year 1998 and part of fiscal year 1999 to record and maintain student data, assess tuition, and monitor accounts receivable. This system supported various activities such as admissions, registration, financial aid, and accounts receivable. During fiscal year 1999, the college implemented MnSCU's Integrated Statewide Record System. This new system had various modules designed to share common data.

The Integrated Statewide Record System's accounts receivable module accumulated various student charges. Generally, the college required students to pay tuition and fees, unless funded by financial aid or third parties, by established due dates. The business office staff recorded the receipts on the Integrated Statewide Record System. The system automatically applied collections to the students' outstanding balances in specified priority. If the student did not pay the remaining amount due within 20 days past the due date, the college referred it to a private collection agent. The agent sent a series of five letters reminding students of their past due balance. The last of these letters notified the students that if they did not pay the amount due within 20 days, the agent would refer the receivable to the Minnesota Collection Enterprise, the state's centralized collection function. The Minnesota Collection Enterprise pursued collection of the outstanding balance until the student paid off the balance or the collection agent determined it to be uncollectible.

Audit Objectives and Methodology

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

- Did the college's internal controls provide reasonable assurance that it safeguarded and accurately recorded revenue collections in the accounting records, and that it complied 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 controls over tuition and fees. We assessed risks and performed analytical tests to identify unusual trends. We reviewed student registration and billing records and MnSCU accounting records to determine if the college charged students appropriate tuition and fees, and whether the college properly recorded receipt transactions in MnSCU accounting. We also reviewed bank deposit documentation and reconciliations to determine if the college properly safeguarded and deposited all revenue collections in compliance with material finance-related legal provisions.

Conclusions

Ridgewater College's internal controls generally provided reasonable assurance that it safeguarded and accurately recorded tuition and fee collections in the accounting records and that it complied with applicable legal provisions and management's authorization. For the items tested, the college complied with the significant finance-related legal provisions concerning tuition and fees. However, as explained in Finding 4, Ridgewater College did not monitor tuition-related administrative adjustments.

4. The college did not monitor tuition-related administrative adjustments.

Ridgewater College did not verify the propriety of administrative adjustments to tuition receivable records. Administrative adjustments allow employees to make changes to student accounts for waivers, negative receipt corrections, or registration backdates. Since these employees also have access to cash there is a risk that inappropriate transactions could occur. An employee could collect a student's tuition payment, record the transaction as a waiver to reduce the student's account, and keep the cash. The college did not reduce this risk by monitoring these transactions. The college did not obtain an administrative adjustment report from the Integrated Statewide Record System to identify the individual transactions. The lack of monitoring increased the risk that errors or irregularities could occur without detection.

Recommendation

- *The college should review administrative adjustments to ensure propriety.*

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Chapter 4. Human Resources and Payroll

Chapter Conclusion

Ridgewater College's internal controls provided reasonable assurance that it accurately recorded payroll expenditures in the accounting records and that it complied with applicable legal provisions and management's authorization. For the items tested, the college complied, in all material respects, with the significant finance-related legal provisions concerning payroll. However, the college did not evaluate all employees on a regular basis.

As of June 2000, Ridgewater College employed 596 staff, consisting of 229 full-time faculty, 191 part-time faculty, 13 administrators, 10 middle management, and 153 professional and support staff. Payroll expenditures totaled approximately $19.8 million during fiscal year 2000, approximately 53 percent of total college expenditures. Employees at Ridgewater College participated in following compensation plans:

- American Federation of State, County, and Municipal Employees
- Minnesota State College Faculty (a merger of the Minnesota Community College Faculty Association and United Technical College Educators)
- Middle Management Association
- Minnesota Association of Professional Employees
- Excluded Administrator's Plan
- Commissioner's Plan

The college used the State Colleges and Universities Personnel/Payroll System along with the state's personnel and payroll system to record personnel information and process payroll transactions. The State Colleges and Universities Personnel/Payroll System stored pay rate information and bargaining agreement history. Ridgewater College's human resource staff updated the system for appointments and salaries. The state's personnel and payroll system contained pay rate information and calculated employee biweekly payments. The college's payroll staff input employees' timesheet data into the state's system. The state's personnel and payroll system interfaced with MnSCU accounting.

The MnSCU system office hired a contractor to administer faculty individual retirement plans for all MnSCU institutions, including Ridgewater College. The contractor needed access to certain retirement data on the State Colleges and Universities Personnel/Payroll System. 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. 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, although it did not allow the contractors to initiate or schedule payroll disbursements. MnSCU accepts the level of risk caused by the contractor's broad access. The MnSCU system office relies on each college to detect any unauthorized transactions if they should occur.

Audit Objectives and Methodology

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

- Did the college's internal controls provide reasonable assurance that it accurately recorded payroll expenditures in the accounting records, and 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 payroll?

To answer these questions, we interviewed college employees to gain an understanding of the controls over the payroll and personnel process. We assessed risks and performed analytical tests to identify possible unusual trends. We analyzed payroll expenditures to determine proper recording of payroll transactions, reviewed source documents to determine proper authorization, and tested salaries to ensure proper payment pursuant to contract provisions. We also reviewed employee leave balances maintained by the college and tested for current employee evaluations.

Conclusions

Ridgewater College's internal controls provided reasonable assurance that it accurately recorded payroll expenditures in the accounting records and that it complied with applicable legal provisions and management's authorization. For the items tested, the college complied, in all material respects, with the significant finance-related legal provisions concerning payroll. However, as explained in Finding 5, the college did not regularly evaluate employees.

5. The college did not evaluate employees in a timely manner.

Five of twelve employees tested did not have current evaluations. Some employees' evaluations dated back to 1991. Minn. Stat. Chap.43A, Subd.20 requires that supervisors evaluate employees and counsel them on work performance at least once a year. In addition, some compensation plans require an annual evaluation while others may require that the state base employee salary increases on satisfactory progress as shown on their evaluations. Ridgewater College should conduct annual evaluations to advise employees of the quality of their work and to provide the college with a basis for employee raises and promotions.

Recommendation

- *The college should conduct annual employee performance evaluations.*

Chapter 5. Bookstore Operations

Chapter Conclusion

Ridgewater College's internal controls generally provided reasonable assurance that it accurately recorded bookstore revenue and disbursement transactions in the accounting records, and that it complied with applicable legal provisions and management's authorizations. However, the bookstores did not close out the cash registers daily. The college did not adequately separate duties for the billing of customized training books and did not record the sales of books for some customized training classes at the time of the sale.

In addition, the college did not have approval for all purchases (see Chapter 6, Finding 9). The bookstores also did not have a contract with its book vendor. (See Chapter 2, Finding 3)

The largest activity in Ridgewater College's Enterprise Fund is its bookstore operations. Each campus has a bookstore that sells textbooks, school supplies, clothing, gifts, candy, and other items. The college accounted for each bookstore separately. The bookstores recorded sales in cash registers, and students had the option to pay by cash, check, credit card, or with financial aid. Bookstore employees submitted the receipts to the business office for deposit.

Table 5-1 summarizes the bookstores' financial activities for fiscal year 2000.

Table 5-1
Bookstores' Financial Activity
Fiscal Year 2000

	Willmar Bookstore	Hutchinson Bookstore	Total
Sales and Services	$994,615	$386,112	$1,380,727
Costs of Goods Sold	779,206	326,991	1,106,197
Gross Margin	$215,409	$ 59,121	$ 274,530
Operating Expenses [(1)]			
Salaries	$ 82,100	$ 49,709	$ 131,809
Purchased Services	6,653	4,264	10,917
Supplies	1,621	9,371	10,992
Other	3,132	1,158	4,290
Total Operating Expenses	$ 93,506	$ 64,502	$ 158,008
Income (Loss) from Operations	$121,903	$ (5,381)	$ 116,522

Note (1): The bookstores' expenses did not include all allocable costs, such as utilities and administrative costs.

Source: MnSCU accounting system.

Audit Objectives and Methodology

Our objective for the bookstore operations was to answer the following questions:

- Did the college's internal controls provide reasonable assurance that it accurately recorded bookstore financial activity 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 bookstore expenditures?

To answer these questions, we met with bookstore and college staff to gain an understanding of the bookstore's operations. We reviewed controls over bookstore revenues and expenses. We also performed an analytical review of financial activities and tested samples of transactions to determine if the college had accurately recorded the transactions on the MnSCU accounting system.

Conclusions

Ridgewater College's internal controls generally provided reasonable assurance that it accurately recorded bookstore revenue and disbursement transactions in the accounting records, and that it complied with applicable legal provisions and management's authorizations. However, as explained in Finding 6, the bookstores did not close out the cash registers daily. Also, Finding 7 explains that the college did not adequately separate duties for the billing of customized training books and did not record the sales of books for some customized training classes at the time of the sale.

6. PRIOR FINDING NOT RESOLVED. The bookstores did not close out the cash registers daily and may not have promptly deposited receipts.

The Hutchinson bookstore clerk did not close out the bookstore cash register daily and was not aware of the statute requiring that receipts over $250 be deposited daily. During each of the first six months of 2000, there were at least six and as many as fourteen working days when the Hutchinson bookstore did not close out its register.

The Willmar bookstore clerk also did not always close out the bookstore cash register daily, although the time period was not as great as at the Hutchinson bookstore. Cash register and deposit documents indicated periods as long as four days when the clerk did not balance receipts to the cash register totals or bring them to the business office for deposit in the bank.

Closing out the cash register daily allows the bookstore staff to determine and document the daily receipt total and demonstrate compliance with statutory prompt deposit requirements. It also allows the staff to correct errors and identify any cash shortage or overage. In addition, since various staff and student workers perform cashier functions, closing out daily would help to identify individuals responsible for processing receipts.

Recommendation

- *The college should close out the bookstores' cash registers daily and promptly deposit receipts exceeding $250.*

7. The college did not adequately separate some incompatible sales, billing, and receipt functions.

The bookstores' billing process for some customized training book sales lacked adequate separation of duties. The bookstore gave these books to students who received college credit for the courses, but their employers paid for the course fees and the books. The bookstore staff did not want to create an account receivable on the MnSCU accounting system for which the student was not responsible. Instead, they kept manual ledgers of the distributed books and billed the businesses for the books. When they received payment from the businesses, they recorded the sale on MnSCU accounting and included the payment with other bookstore receipts. Since the bookstores had not recorded a receivable on the accounting system, the risk of misappropriation of receipts increased. A better separation of duties would exist if the bookstore recorded the sale on MnSCU accounting at the time they distributed the books, and if the business office billed the businesses and collected the payments.

Recommendation

- *The college should record the sale of customized training books on MnSCU accounting at the time of sale. The business office should bill the businesses for the customized training books and collect payments.*

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Chapter 6. Purchased Services, Supplies, and Equipment

Chapter Conclusion

Ridgewater College designed controls to provide reasonable assurance that it accurately reported expenditures for purchased services, supplies, and equipment in the accounting records and in compliance with applicable legal provisions and management's authorization. For the items tested, the college complied in all material respects, with the significant finance-related legal provisions concerning purchased services, supplies, and equipment. However, the college did not complete a physical inventory of its fixed assets and did not always document approval for purchases.

Ridgewater College expended approximately $17,000,000 for purchased services, supplies, and equipment during the three fiscal years ending June 30, 2000. Purchased services included consultant services and utilities. The college's centralized purchasing department was responsible for ordering and purchasing supplies, equipment, and services for the college. Employees submitted a purchase requisition form to the purchasing department before ordering supplies and equipment. Purchasing staff ensured that sufficient funds were available in the applicable cost center and used MnSCU guidelines to solicit bids and select vendors to complete purchases. The receiving department reviewed the packing slips and compared them to the purchase orders for accuracy. Accounts payable staff matched invoices to the purchase orders and packing slips before processing the payment. Table 6-1 provides a summary of expenditures for purchased services, supplies, and equipment for the three years ended June 30, 2000.

Table 6-1
Summary of Expenditures
Purchased Services, Supplies, and Equipment

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
Purchased Services	$2,564,897	$2,869,859	$2,859,988
Supplies	1,474,114	1,845,666	1,791,313
Equipment	906,632	1,450,935	1,242,399
Total	$4,945,643	$6,166,460	$5,893,700

Source: MnSCU accounting system.

Ridgewater College

Audit Objectives, Scope, and Methodology

Our primary objective for purchased services, supplies, and equipment was to answer the following questions:

- Did the college design internal controls to provide reasonable assurance that it accurately recorded expenditures for purchased services, supplies, and equipment in the accounting records 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 purchased services, supplies, and equipment?

To address these questions, we made inquiries of college staff to gain an understanding of the internal controls over purchasing and the disbursement process for purchased services, supplies, and equipment. We also traced a sample of expenditure transactions to supporting documentation to ensure that college staff followed MnSCU purchasing policies and management's authorization.

Conclusions

Ridgewater College designed controls to provide reasonable assurance that it accurately recorded expenditures for purchased services, supplies, and equipment in the accounting records, and that it complied with applicable legal provisions and management's authorization. For the items tested, the college complied in all material respects, with the significant finance-related legal provisions concerning purchased services, supplies, and equipment. However, as explained in Finding 8, the college did not complete a physical inventory of its fixed assets and, as discussed in Finding 9, did not always document approval of purchases.

8. PRIOR FINDING PARTIALLY RESOLVED. The college did not complete a physical inventory count of its fixed assets.

Ridgewater College did not successfully complete its most recent physical inventory count. In December 1999, the college notified staff that they needed to conduct a physical inventory of the fixed assets in their areas. Support areas, such as the business office needed to complete the inventory by December 1999, and instructional areas needed to perform the inventory counts by February 2000. The college provided inventory forms for the departments to record their fixed assets. The college intended to use these forms to create a complete list of its fixed assets. The physical inventory was not successfully completed. Two large departments, the photography department on the Willmar campus and the machine tool department on the Hutchinson campus, did not return the inventory documents. The college was unable to accurately determine its fixed asset inventory without these two departments' records. Since the college had not conducted a physical verification of fixed assets since 1995, it may not have accurate fixed asset records.

Ridgewater College

The college could improve its physical inventory procedures by using the MnSCU Integrated Statewide Record System to create a master inventory list and by not having staff responsible for the fixed assets perform the inventory verification. (The college used the MnSCU Integrated Statewide Record System only for fixed assets purchased since fiscal year 1995.) Complete and accurate physical inventory verification is essential for the college to safeguard and control its fixed assets.

Recommendation

- *Ridgewater College should complete a physical inventory count and update the Integrated Statewide Record System to create an accurate fixed asset list.*

9. College personnel did not always approve purchases of services and supplies.

College personnel did not always provide approval for purchases. Of the 55 requisitions or purchase orders tested, seven did not have any signatures approving the purchases, which totaled $70,179. The college did not provide support for any alternative approval procedures. Ridgewater College's purchasing procedures required the approval of a department staff member to initiate a requisition or purchase order. Without proper approval, the college risks paying for unauthorized purchases.

Recommendation

- *The business office should only process payments for goods and services when the supporting documentation is authorized by appropriate staff.*

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Chapter 7. State Grants

Chapter Conclusion

Ridgewater College's internal controls provided reasonable assurance that it properly deposited and recorded state grant revenue in the accounting system. For the items tested, the college complied in all material respects, with the significant finance-related legal provisions concerning state grant revenue. However, the college did not submit timely reimbursement requests. Incomplete or inaccurate reimbursement requests further delayed the college's receipt of grant funds.

Ridgewater College received state grants totaling $1,677,923 during the three-year period ending June 30, 2000. The grants to the college included:

- Department of Economic Security-Private Industry Council-Job Training Partnership. These grants provided job-training opportunities for eligible students.

- Department of Trade and Economic Development-Minnesota Job Skills Partnership. This grant matched other state funds to promote cooperation with employers for new training approaches to increase the skill of their workforce. The grants were for a variety of projects including those addressing the critical shortage of skilled machinists, industry specific training at work sites, and workforce training and credit courses in critical areas needed by large dairy farms.

Audit Objectives, Scope, and Methodology

Our review of state grant revenue addressed the following questions:

- Did the college's internal controls provide reasonable assurance that it properly deposited and recorded state grant revenue in the accounting records in compliance with management's authorization?

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

To answer these questions, we interviewed agency personnel to gain an understanding of the controls over state grant revenue. We reviewed the grant agreements and financial reports and performed analytical reviews and tests of specific transactions.

Ridgewater College

Conclusions

Ridgewater college's internal controls provided reasonable assurance that it properly deposited and recorded state grant revenue in the accounting system. For the items tested, the college complied in all material respects, with the significant finance-related legal provisions concerning state grant revenue. However, as explained in Finding 10, the college did not submit timely reimbursement requests. Incomplete or inaccurate reimbursement requests further delayed the college's receipt of grant funds.

10. The college did not submit timely reimbursement requests. Incomplete or inaccurate reimbursement requests further delayed the college's receipt of grant funds.

The college did not always submit Minnesota Job Skills Partnership grant reimbursements in accordance with the dates specified in its agreements with the Department of Trade and Economic Development. For four grants totaling over $1 million, the college submitted some grant reimbursement requests from 25 to 82 days after the grantor's submission due date. In addition, the college's submission of incomplete or inaccurate data often led to further reimbursement delays until the Department of Trade and Economic Development was satisfied with the validity of the claim. The college received reimbursements as late as 214 days after the reimbursement due date. The college's delayed reimbursement requests required it to use other revenue sources to temporarily fund the grant programs.

Recommendation

- *The college should ensure that its grant reimbursement requests are complete, accurate, and submitted in accordance with the grant agreement.*

Chapter 8. Student Financial Aid

Chapter Conclusion

Ridgewater college's internal controls provided reasonable assurance that it properly recorded student financial aid transactions in the accounting system and administered financial aid in accordance with applicable federal and state regulations. The college's internal controls over packaging and awarding federal and state financial aid provided reasonable assurance that only eligible students received aid in the appropriate amounts. Finally, for the items tested, the college complied with applicable federal requirements over receiving federal funds. However, the college did not timely draw down federal financial aid funds. The college did not cancel or safeguard undistributed financial aid checks.

Ridgewater College used the MnSCU Integrated Statewide Record System's financial aid module to package and award student financial aid for the 2000-01 academic year. The financial aid module is highly computerized, shares data, and interfaces with other modules within the Integrated Statewide Record System, such as the accounts receivable and student records modules. The system uses computerized controls to assess eligibility, package and award grants and loans to students, verify enrollment, and interface balances into the Integrated Statewide Record System financial aid module. It electronically receives and stores the Student Aid Report from the federal processor and accepts and stores the student's financial aid application and income tax data. The system enforces compliance with the legal requirements of the financial aid programs. The system uses a set of edits to define these legal requirements; the college can activate the edits at their discretion. Through an interface into the accounts receivable module, the system automatically synchronizes awards and disbursement of aid to the students. The system adjusts awards if the student falls below a certain credit level at the time of disbursement. The system interfaces these adjusted expenditures into the MnSCU accounting system.

During the 2000-01 academic year, Ridgewater College participated in the following student financial aid programs administered by the U.S. Department of Education and the State of Minnesota.

- Federal Pell Grant Program (CFDA #84.032)
- Federal Family Education Loan Program (CFDA # 84.032)
- Federal Work Study Program (CFDA # 84.033)
- Federal Supplemental Education Opportunity Grant Program (CFDA # 84.007)
- Federal Perkins Loan Program (CFDA # 84.038)
- Minnesota State Grant Program

Ridgewater College

A federal Pell Grant was the first source of assistance to students. All students who met the eligibility requirements received aid. The student's enrollment level, cost of education, and the family's ability to pay determined eligibility for the grant. The maximum Pell Grant for the 2000-01 academic year was $3,300.

The Federal Family Education Loan program included Stafford subsidized and unsubsidized loans. The student applied for the loan from a private lender. The school certified student eligibility. The federal government guaranteed the loan in case of default or cancellation. The federal government paid the interest to the private lender on subsidized Stafford loans while the student was in school and during certain deferment periods. For unsubsidized Stafford loans and the Federal PLUS Loans, interest accrued from the date of origination and was the responsibility of the student. The grade level and the amount previously borrowed determined the maximum Federal Family Education Loan amount for a given student. In October 2000, the college improperly awarded a Stafford subsidized loan totaling $1,750 to one student. A report from the Integrated Statewide Record System's financial aid module identified this payment as a potential error. Upon further investigation, the college found that the student's marital status had changed, making her ineligible for a subsidized loan. The college did not act timely to correct this error, but in July 2001 it changed the loan from a subsidized loan to an unsubsidized loan, for which the student was eligible.

The federal work study program and federal Supplemental Opportunity Grant were additional sources of federal financial assistance. The federal government funded 75 percent of the total expenditures of the federal work study program and federal Supplemental Opportunity Grant. The state contributed 25 percent of the funding for the two programs.

Ridgewater College also participated in the federal Perkins Loan program, which provided low-interest loans to needy students. Schools must give priority to students with exceptional financial need. Ridgewater College used the Loan Management System to contact students entering repayment status, receiving loan payments, and pursuing delinquent loans.

The college also processed student financial aid grants funded through the Minnesota state grant program and administered by the Minnesota Higher Education Services Office. The college packaged Minnesota state grants along with federal financial aid. The Minnesota Higher Education Services Office determined eligibility for the state grant program and reimbursed the college for qualified disbursements. As of June 2001, the college had disbursed Minnesota state grants totaling $ 1,441,266 to 1,453 students for the 2000-2001 academic year.

The Ridgewater College Foundation provided scholarships totaling $148,000 to students attending the college in fiscal year 2000.

Audit Objectives and Methodology

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

- Did the college's internal controls over packaging and awarding of federal 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 it properly recorded student financial aid transactions in the accounting system and administered financial aid programs in accordance with applicable federal and state regulations?

- For the items tested, did the college comply with applicable federal requirements over receiving federal funds?

To answer these questions, we interviewed employees from the college's financial aid and business offices, discussed processing logic and controls, and tested controls over compliance for key finance-related compliance requirements. In addition, we reviewed college records and tested controls to ensure compliance with regulations governing federal cash management and reporting expenditures.

Conclusions

Ridgewater College's internal controls provided reasonable assurance that it properly recorded student financial aid transactions in the accounting system and administered financial aid programs in accordance with applicable federal and state regulations. The college's internal controls over packaging and awarding federal and state financial aid provided reasonable assurance that only eligible students received aid in the appropriate amounts. Finally, for the items tested, the college complied with applicable federal requirements over receiving federal funds. However, as discussed in Finding 11, the college did not draw down federal financial aid funds in a timely manner. Finding 12 explains that the college did not cancel or safeguard undistributed financial aid checks.

11. The college did not draw down federal financial aid money in a timely manner.

The college had significant delays in drawing down federal financial aid reimbursements. Although the college properly calculated and disbursed financial aid to students in fiscal year 2001, the college often did not seek timely reimbursement from the federal government. For example, while financial aid disbursements exceeded federal drawdowns by $325,000 on November 27, 2000, the college did not seek a federal reimbursement until January 5, 2001, a period of 39 days. By not requesting federal funds promptly, the college used state funds to cover financial aid payments.

Recommendation

- *The college should drawdown federal financial aid in a timely manner.*

12. The college did not cancel or adequately safeguard undistributed student financial aid checks.

On June 14, 2001, the college had 83 financial aid checks totaling over $38,000 in a file in the business office's safe. The checks were to 71 students for financial aid that exceeded the college's tuition, books, and fees. Students could use these funds to cover living expenses such as rent, food, and childcare. The majority of the checks were from spring 2001 semester, though some dated back to July 2000. The college had not been successful in its attempts to notify the students and was not sure of their responsibility to the students or the aid providers. The college should have cancelled these checks back to the related sources of student financial aid.

Recommendation

- *Ridgewater College should revise its financial aid distribution process to minimize the amount of undistributed checks.*

Status of Prior Audit Issues
As of June 15, 2001

Most Recent Audits

College Audit

Legislative Audit Report 98-60, issued in October 1998, covered Ridgewater College during the period July 1, 1995, through June 30, 1997. The audit report included 18 findings. The college implemented ten of these findings and substantially implemented one other finding. We addressed the remaining issues, related to correctly recording financial activity, monitoring collateral, timely closing out the bookstore cash registers, and not completing a physical inventory in our current audit report in Findings 1, 2, 6, and 8, respectively. We incorporated another prior finding, concerning the college's need to verify the accuracy of food service receipts, in current Finding 3 which focuses on the need for the college to have a contract with these vendors.

Statewide Audits

Legislative Audit Report 01-15, issued in March 2001, **Legislative Audit Report 00-11**, issued in March 2000, and **Legislative Audit Report 99-19**, issued in March 1999 each examined MnSCU's activities and programs material to the State of Minnesota's general purpose financial statements or the federal Single Audit, for the years ended June 30, 2000, 1999, and 1998, respectively. These reports did not include any findings specifically related to Ridgewater 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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RIDGEWATER COLLEGE
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A COMMUNITY AND TECHNICAL COLLEGE

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October 10, 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 Ridgewater College for the period from July 1, 1997, through June 30, 2000. Ridgewater College's formal written response to the audit findings is enclosed.

I want to thank Cecile Ferkul, Audit Manager; Jack Hirschfield, Audit Director; Patrick Phillips, Senior Auditor; Ellen Sibley, Senior Auditor; and Heather White, Auditor, for their professionalism, thoroughness, advice, and willingness to work with campus staff to improve those areas cited in the audit findings.

We are pleased with the audit process and report, and have made significant progress in resolving the findings. Thank you for the opportunity to share the improvements we have made since the audit and our plans to implement the recommendations.

Please contact me if you have questions regarding the enclosed response.

Sincerely yours,

/s/ Colleen D. Thompson

Colleen D. Thompson
President

Enclosure

Response to Audit Findings
Ridgewater College
10/10/01

Finding 1. Ridgewater College did not perform certain duties necessary to ensure the integrity of its accounting data.

The college is seeking assistance from the System Office (Office of the Chancellor) to complete the bank reconciliation and balance the Payroll Clearing Account. The MAPS to MnSCU reconciliation items have been recorded and entries made to correct the Local Agency and Federal Grant fund balances.

Persons Responsible: Gary Barber
Projected Completion Date: 4/30/02

Finding 2. PRIOR AUDIT RECOMMENDATION PARTIALLY RESOLVED: Ridgewater College did not maintain sufficient collateral for its bank account.

The contract with Bremer Bank has been revised to ensure that the bank provides sufficient collateral to the local checking account.

Person Responsible: Gary Myhre
Projected Completion Date: Implementation Completed

Finding 3. Ridgewater College did not have contracts with certain vendors.

A state-approved contract with the used book vendor will be developed prior to the next scheduled book buy-back event. The food service contract on the Hutchinson Campus is being renewed and copies of audit reports are being requested.

Person Responsible: Gary Myhre
Projected Completion Date: 12/31/01

Finding 4. The college did not monitor tuition-related administrative adjustments.

Procedure will be developed to regularly review administrative adjustments to the student A/R system.

Person Responsible: Gary Barber
Projected Completion Date: 10/31/01

Finding 5. The college did not evaluate employees in a timely manner.

The college does have a process in place for conducting evaluations, but enforcement of the policy has been lax. Necessary improvements in the process have been made to ensure completion.

Person Responsible: Mary Ann Canon
Projected Completion Date: Implementation Completed

Finding 6. PRIOR FINDING NOT RESOLVED. The bookstores did not close out the cash registers daily and may not have promptly deposited receipted.

Cash registers are being closed out on a daily basis, and receipts are deposited promptly.

Persons Responsible: Gary Myhre
Projected Completion Date: Implementation Completed

Finding 7. The college did not adequately separate some incompatible sales, billing, and receipt functions.

The sale of books for customized training classes is being recorded at the time of sale and the billing for such sales will be processed through the business office via the third party receivable process.

Person Responsible: Gary Myhre
Projected Completion Date: Implementation Completed

Finding 8. PRIOR FINDING PARTIALLY RESOLVED. The college did not complete a physical inventory count of its fixed assets.

The physical inventory of fixed assets in Machine Tool and Photography have been completed. MnSCU records will be updated to reflect these records.

Person Responsible: Teren Novotny
Projected Completion Date: 12/31/01

Finding 9. College personnel did not always approve purchases of services and supplies.

Ridgewater College will strengthen its current procedure to ensure that payment of all bills occurs only with the authorization of the appropriate staff.

Person Responsible: Gary Barber/Deb Wiprud
Projected Completion Date: Implementation Completed

Finding 10. The college did not submit timely reimbursement requests. Incomplete or inaccurate reimbursement requests further delayed the college's receipt of grant funds.

Ridgewater College will take steps to ensure timely and accurate processing of grant reimbursement requests.

Person Responsible: Julie Joplin
Projected Completion Date: 12/31/01

Finding 11. The college did not draw down federal financial aid money in a timely manner.

With the person responsible having become more familiar with the draw-down procedure and understanding of the importance of timely draw-downs, draw-downs are being conducted in a timely manner.

Person Responsible: Gary Barber
Projected Completion Date: Implementation Completed

Finding 12. The college did not cancel or adequately safeguard undistributed student financial aid checks.

Ridgewater College will continue to distribute financial aid checks on campus via the business office. But, any checks not picked up by students within 20 days of issuance will be mailed to the student. Any checks not cashed within 45 days will be canceled.

Person Responsible: Gary Barber
Projected Completion Date: Implementation Completed