

Financial-Related Audit

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**Central Lakes College**  
**July 1, 1998, through June 30, 2001**



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## Financial Audit Division

The Office of the Legislative Auditor (OLA) is a professional, nonpartisan office in the legislative branch of Minnesota State government. Its principal responsibility is to audit and evaluate the agencies and programs of state government (the State Auditor audits local governments).

OLA's Financial Audit Division annually audits the state's financial statements and, on a rotating schedule, audits agencies in the executive and judicial branches of state government, three metropolitan agencies, and several "semi-state" organizations. The division also investigates allegations that state resources have been used inappropriately.

The division has a staff of approximately fifty auditors, most of whom are CPAs. The division conducts audits in accordance with standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

Consistent with OLA's mission, the Financial Audit Division works to:

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

Through its Program Evaluation Division, OLA conducts several evaluations each year and one best practices review.

OLA is under the direction of the Legislative Auditor, who is appointed for a six-year term by the Legislative Audit Commission (LAC). The LAC is a bipartisan commission of Representatives and Senators. It annually selects topics for the Program Evaluation Division, but is generally not involved in scheduling financial audits.

All findings, conclusions, and recommendations in reports issued by the Office of the Legislative Auditor are solely the responsibility of the office and may not reflect the views of the LAC, its individual members, or other members of the Minnesota Legislature.

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If you have comments about our work, or you want to suggest an audit, investigation, evaluation, or best practices review, please contact us at 651-296-4708 or by e-mail at [auditor@state.mn.us](mailto:auditor@state.mn.us)



**OFFICE OF THE LEGISLATIVE AUDITOR**  
State of Minnesota • James Nobles, Legislative Auditor

Senator Ann H. Rest, Chair  
Legislative Audit Commission

Members of the Legislative Audit Commission

Dr. James McCormick, Chancellor  
Minnesota State Colleges and Universities

Members of the Minnesota State Colleges and Universities Board of Trustees

Dr. Joseph Birmingham, President  
Central Lakes College

We have audited Central Lakes College for the period July 1, 1998, through June 30, 2001. Our audit scope included: financial management, tuition and fees, payroll, operating expenditures, and bookstore operations. Our scope did not include federal financial aid, which was audited as part of the Minnesota State Colleges and Universities' annual financial statement audit. We highlight the audit objectives and conclusions in the individual chapters of this report.

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

This report is intended for the information of the Legislative Audit Commission, the management of Central Lakes College, and members of the Minnesota State Colleges and Universities Board of Trustees. This restriction is not intended to limit the distribution of this report, which was released as a public document on June 27, 2002.

/s/ James R. Nobles

James R. Nobles  
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA  
Deputy Legislative Auditor

End of Fieldwork: April 26, 2002

Report Signed On: June 21, 2002

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## Table of Contents

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	Page
Report Summary	1
Chapter 1. Introduction	3
Chapter 2. Financial Management	5
Chapter 3. Tuition, Fees and Customized Training	7
Chapter 4. Payroll and Employee Travel Reimbursements	11
Chapter 5. Purchasing and Administrative Expenditures	13
Chapter 6. Bookstore Operations	15
Status of Prior Audit Issues	17
Central Lakes College Response	19

### Audit Participation

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

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Cecile Ferkul, CPA, CISA	Audit Manager
Michael Hassing, CPA	Audit Director
Doreen Bragstad	Auditor
Kathy Fisher	Auditor
Connie Stein	Auditor

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## Report Summary

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Central Lakes College has strong financial management practices. The college operated within its available resources and complied with material finance-related legal provisions. However, the following internal control weakness could affect the college's ability to safeguard assets and correctly record financial activity in its accounting systems.

Key Finding and Recommendation:

- The college did not independently verify payroll transactions entered into the payroll system. This review should verify the input accuracy of hours and special transactions and ensure that any errors are timely detected and corrected. We recommended that the college develop procedures to provide for an independent verification of payroll transactions processed in the state's payroll system. (Finding 1, page 12)

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## Chapter 1. Introduction

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Central Lakes College is a full-service comprehensive community and technical college with campuses in Brainerd and Staples. It is one of 34 colleges and universities included in the Minnesota State Colleges and Universities (MnSCU) system. The college offers technical and career programs, as well as a liberal arts transfer curriculum. The MnSCU Board of Trustees appointed Dr. Joseph Birmingham as president of Central Lakes College effective August 14, 2001. The former college president, Ms. Sally Ihne, retired in August 2001, after serving Central Lakes College since 1995.

Central Lakes College had 2,485 full-time equivalent students enrolled in credit classes during the 2000-01 school year. The college maintained a steady enrollment for the past few years. The college provides unique opportunities in heavy equipment training, machine tool technology, and multi-media interactive training. The college also provided non-credit and customized training in a variety of programs. The college has a center for small business development and farm business management classes. The college partners with the University of Minnesota and the Minnesota Department of Agriculture to operate the Central Lakes Agriculture Center.

Central Lakes College finances its operations from three main sources: state appropriation allocations, tuition and fees, and federal grants. The college's overall financial activities are available in MnSCU's Annual Financial Report.

Central Lakes College is affiliated with the Central Lakes College Foundation, a separate, non-profit organization. The foundation has its own directors, articles of incorporation, and bylaws. The foundation maintained its own financial records and accounts, which were audited annually by a CPA firm. The college has a written agreement with the foundation to provide staffing and other administrative support in exchange for student scholarships and grants that benefit the educational mission of the college. According to the foundation's audited financial statements, it provided \$197,825 in student scholarships during fiscal year 2001.

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## Chapter 2. Financial Management

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### *Chapter Conclusions*

*Central Lakes College operated within available resources and complied with applicable legal provisions and management's authorization. In addition, the college's internal controls provided reasonable assurance that its financial activities were properly recorded on the MnSCU and the state accounting systems.*

*For the items tested, the college complied with applicable legal provisions regarding local bank accounts. The college also maintained an appropriate relationship with its foundation.*

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Central Lakes 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 to generate warrants from the state treasury. The Office of the Chancellor also requires that all campuses use the MnSCU accounting system to account for money maintained outside of the state treasury. During the audit period, Central Lakes College administered its funds in its main local bank account. The main bank account served as the state depository for transfer of funds into the state treasury. The college used two other accounts for imprest cash transactions and the federal Perkins Loan Program. The college used the MnSCU Integrated Statewide Record System for all of its student registration processes.

### **Budgetary Controls**

The Office of the Chancellor receives the majority of its funding for operations from General Fund appropriations. The Office of the Chancellor allocates appropriated funds to Central Lakes College, and all colleges and universities, based on 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 Central Lakes College determines its authorized spending level, it allocates spending budgets to the various administrative areas and academic departments. The college established individual cost centers for each department or office to monitor its budget status. College management also monitored projected versus actual student enrollment to ensure that it will receive sufficient tuition to support the spending budget. The college built a reserve balance into its budget formula. As of June 30, 2001, Central Lakes College had a budget reserve of approximately \$1.5 million, which represented about seven percent of its budget. MnSCU policy specifies that colleges and universities reach a five to seven percent reserve by the end of fiscal year 2001.

# Central Lakes College

## Audit Objectives and Methodology

Our review of Central Lakes College's financial management focused on the following objectives:

- 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 the state 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 had an appropriate operating relationship with related organizations?

To answer these questions, we interviewed college staff to gain an understanding of the college's use of MnSCU accounting for programs in our audit scope. We also gained an understanding of the management controls, including budget monitoring and local bank account reconciliations. We reviewed local bank activity to determine compliance with legal provisions governing collateral. We also reviewed the college's relationship with its foundation. Finally, we reviewed security privileges to determine whether the college had adequately restricted access to computerized business systems.

## Conclusion

Central Lakes College operated within available resources and complied with applicable legal provisions and management's authorization. In addition, the college's internal controls provided reasonable assurance that its financial activities were properly recorded on the MnSCU and the state accounting systems. For the items tested, the college complied with applicable legal provisions regarding local bank accounts. The college also maintained an appropriate relationship with its foundation.

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## Chapter 3. Tuition, Fees, and Customized Training

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### *Chapter Conclusions*

*Central Lake College's internal controls provided reasonable assurance that it adequately safeguarded and accurately reported receipt 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 significant finance-related legal provisions.*

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Central Lakes College offered a mix of credit based and non-credit based technical and career programs, as well as an undergraduate liberal arts curriculum. The college collected approximately \$19.6 million in credit and non-credit tuition and fees during fiscal years 1999 through 2001.

Table 3-1 shows the breakdown of tuition, fees, and non-credit revenue collected for fiscal years 1999 through 2001.

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**Table 3-1**  
**Tuition, Fees, and Non-Credit Revenue**  
**Fiscal Years 1998 to 2000**

	Fiscal Years		
	<u>1999</u>	<u>2000</u>	<u>2001</u>
Tuition	\$5,045,147	\$5,301,266	\$5,655,516
Fees	648,607	701,304	1,032,621
Customized Training & Non-Credit Revenue	<u>350,355</u>	<u>443,785</u>	<u>442,274</u>
Totals	<u>\$6,044,109</u>	<u>\$6,446,355</u>	<u>\$7,130,411</u>

Source: MnSCU accounting system.

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### **Credit-Based Tuition and Fee Revenue**

The college collected tuition for undergraduate credit courses at resident and non-resident rates as shown in Table 3-2.

# Central Lakes College

**Table 3-2**  
**Tuition and Fees per Semester Credit**

	Fiscal Years		
	1999	2000	2001
Resident Rate	\$ 67.50	\$ 69.60	\$ 71.70
Non-resident Rate	\$135.00	\$139.20	\$143.40

Source: MnSCU management reports.

The college also collected various mandatory fees, including technology fees, student association fees, student life and activity fees, and facility access fees. For fiscal year 2001, the college assessed \$10.75 per credit.

The college also offered courses to high school students who met specific admission criteria. Upon successful completion of the course, the student could apply for post-secondary credit upon entering college. The Department of Children, Families & Learning reimbursed the college for the students' tuition and fees.

Prior to July 1999, the college maintained registration, billing, and accounts receivable information for each student on the College Information System, which interfaced with the MnSCU accounting system. In July 1999, the college converted to MnSCU's Integrated Statewide Record System. The system contains various student data and registration modules to directly register, bill, and record tuition collections from students and interfaces directly with MnSCU accounting.

The college monitors individual student accounts receivable and submits past due balances to Revenue Recapture or the Minnesota Collection Enterprise. The college completes a monthly review of individual student accounts with reports received from Revenue Recapture and the Minnesota Collection Enterprise. In addition, the college reviews and writes-off uncollectable amounts during each semester. However, since the conversion to MnSCU's Integrated Statewide Record System in fiscal year 2000, the college has not had an overall accounts receivable report that it can use to effectively reconcile outstanding tuition and fees. The college is working with the Office of the Chancellor to improve the content and format of the accounts receivable report.

## **Customized Training and Other Non-Credit Courses**

Central Lakes College also collected revenue for non-credit courses, including customized training courses and continuing education courses. These classes were occupationally based and offered to the public or were developed to meet the education and training needs of a specific business or industry. The college used the Customized Training Management Information System to design and establish the cost of a customized training course. The customized training program registration integrates with the Integrated Statewide Records System.

# Central Lakes College

## Audit Objectives and Methodology

Our review of Central Lake College's tuition and fee revenues focused on answering the following questions:

- Did the college's internal controls provide reasonable assurance that it adequately safeguarded and accurately reported receipt transactions 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 the significant finance-related legal provisions concerning tuition?

To address these objectives, we interviewed college employees to gain an understanding of the controls over billing, collecting, depositing, and recording tuition, fees, and non-credit tuition revenue. We reviewed student tuition statements, accounts receivable records, and MnSCU accounting records and board policies to determine if the college charged students appropriate tuition and fee rates, collected the appropriate amounts due, and properly recorded revenue transactions on the MnSCU accounting system. In addition, we analyzed the college's procedures for processing sensitive transactions such as waivers, backdated transactions, corrections, and refunds. The documentation for bank deposits was reviewed to determine if the college complied with applicable legal provisions regarding prompt deposits.

## Conclusion

Central Lakes College's internal controls provided reasonable assurance that it adequately safeguarded and accurately reported receipt 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 significant finance-related legal provisions.

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## Chapter 4. Payroll and Employee Travel Reimbursements

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### *Chapter Conclusions*

*Central Lakes College's internal controls provided reasonable assurance that it accurately reported payroll and travel expenditure reimbursements in the accounting records, and that it complied with applicable legal provisions and management's authorization. However, the college did not independently verify payroll transactions entered into the payroll system.*

*For the items tested, the institution complied with material finance-related legal provisions governing payroll and travel reimbursements.*

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Central Lakes College employed 326 employees during fiscal year 2001, including 119 full-time faculty, 72 part-time faculty, and 135 non-faculty personnel. Payroll expenditures totaled approximately \$17 million and travel expenditures approximated \$305,000 for fiscal year 2001. Employees at Central Lakes College are members of the following compensation plans:

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

During fiscal year 2001, the college used the state's payroll system to process payroll and MnSCU's State Colleges and Universities Personnel/Payroll System to process personnel information. The MnSCU payroll system stored pay rate information and bargaining agreement history. The state's payroll system processed employee biweekly payments based on timesheet entries.

Central Lakes College has a human resources and payroll department located in Brainerd. Human resources staff updated appointments and salaries in the MnSCU payroll system. Payroll staff collected employee timesheets for updating the state's payroll system through mass time entry and ensured proper recording of payroll expenditures along with travel expenditure reimbursements in the MnSCU accounting system.

### **Audit Objectives and Methodology**

Our review focused on the following objectives:

## Central Lakes College

- Did Central Lakes College’s internal controls provide reasonable assurance that it accurately reported payroll and travel 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 the material finance-related legal provisions governing payroll and travel expenditure reimbursements?

To answer these questions, we made inquiries of college staff to gain an understanding of the internal control structure over the payroll and personnel process. We analyzed payroll expenditures to determine proper recording of payroll transactions, including student payroll, reviewed source documents to determine proper authorization, and tested salaries to ensure proper payment pursuant to contract provisions. We also tested travel expenditure reimbursements to determine reasonableness, proper authorization, and compliance with bargaining unit agreements.

### Conclusions

Central Lakes College’s internal controls provide reasonable assurance that it accurately reported payroll and travel expenditure reimbursements in the accounting records, and that it complied with applicable legal provisions and management’s authorization. For the items tested, the institution complied with the material finance-related legal provisions concerning payroll and travel expenditure reimbursements. However, as explained in Finding 1, the college did not independently verify payroll transactions entered into the payroll system.

#### **1. The college did not independently verify payroll transactions entered into the payroll system.**

The college did not perform an independent verification of transactions entered into the state’s payroll system. One staff person and one backup person entered hours worked and leave taken from employee timesheets into the state’s payroll system. The system produced a payroll register report to document the entries. No one independent of the payroll process reviewed the payroll system’s payroll register report for errors. The state’s payroll procedures require that agencies perform an independent review of the payroll register. This review should verify the input accuracy of hours and special transactions to help ensure that any errors are timely detected and corrected.

#### *Recommendation*

- *The college should develop procedures to provide for an independent verification of payroll transactions processed in the state’s payroll system.*



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## Chapter 5. Purchasing and Administrative Expenditures

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### *Chapter Conclusions*

*Central Lakes College’s internal controls provided reasonable assurance that it accurately recorded administrative disbursement 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 the significant finance-related legal provisions concerning purchasing and administrative expenditures.*

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Central Lakes College spent approximately \$16 million during the audit period on non-payroll operating expenditures, including purchased services, consultant contracts, supplies, and equipment. The college’s administrative and academic departments initiated purchase requests and submitted them to the business office for processing. The college used the MnSCU Purchase Control System, which encumbered available funds. The business office ordered the goods and services, following the Office of the Chancellor’s guidelines to solicit bids and select vendors. After the college received the goods or services, the business office matched the invoice and the requisition before processing payment. Table 5-1 summarizes the college’s material non-payroll administrative expenditures during the audit period.

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**Table 5-1**  
**Selected Administrative Expenditures**  
**Fiscal Years 1999 to 2001**

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Supplies	\$2,471,353	\$2,070,934	\$1,908,468
Purchased Services	1,290,262	1,375,983	1,457,230
Contracts	1,315,520	1,062,262	1,133,681
Equipment	<u>743,882</u>	<u>678,283</u>	<u>851,399</u>
Total	<u>\$5,821,017</u>	<u>\$5,187,462</u>	<u>\$5,350,778</u>

Source: MnSCU accounting system.

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### **Audit Objectives and Methodology**

Our review of Central Lakes College’s purchased services, contracts, supplies, and equipment expenditures focused on the following questions:

## **Central Lakes College**

- Did the college's internal controls provide reasonable assurance that it accurately recorded administrative expenditures in the accounting records, and that it complied 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 the business office personnel to gain an understanding of the internal control structure over the expenditure process. We reviewed a sample of expenditure transactions in each area to determine if they were properly authorized, processed, and recorded. We also reviewed expenditures to determine if the college complied with MnSCU policies and other material finance-related legal provisions.

### **Conclusion**

Central Lakes College's internal controls provided reasonable assurance that it accurately recorded administrative expenditures in the accounting records, and that it complied with applicable legal provisions and management's authorization. For the items tested, the college complied with the significant finance-related legal provisions concerning purchases and administrative expenditures.

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**Chapter 6. Bookstore Operations**

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*Chapter Conclusions*

*Central Lakes College’s internal controls provided reasonable assurance that it accurately recorded bookstore revenue collections and disbursement transactions in the accounting records, and that it complied with applicable legal requirements and management’s authorization.*

*For the items tested, Central Lakes College complied with the significant finance-related legal provisions concerning bookstore operations.*

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Central Lakes College operated a bookstore on both the Brainerd and Staples campuses. The college employed four staff at the Brainerd campus bookstore and one person at the Staples bookstore. These bookstore employees reported to the bookstore manager. Both bookstores sold a variety of products, including textbooks, supplies, gifts, apparel, greeting cards, and stamps. Table 6-1 illustrates bookstore revenues and expenses for fiscal year 2001.

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**Table 6–1  
Summary of Bookstore Revenues and Expenses  
Fiscal Year 2001**

	<u>Brainerd</u>	<u>Staples</u>	<u>Total</u>
Revenue:			
Sale of books	\$ 952,445	\$ 75,335	\$1,027,780
Sale of school supplies	167,135	47,797	214,932
Sale of apparel	27,318	9,526	36,844
Other revenue	34,808	24,072	58,880
Total Revenue	<u>\$1,181,706</u>	<u>\$156,730</u>	<u>\$1,338,436</u>
Cost of Goods Sold	<u>\$ 890,112</u>	<u>\$118,187</u>	<u>\$1,008,299</u>
Gross Profit	<u>\$ 291,593</u>	<u>\$ 38,543</u>	<u>\$ 330,136</u>
Expenses:			
Bookstore salaries	\$ 180,116	\$ 33,726	\$ 213,842
Other operating expenses	64,179	14,099	78,277
Transfers out – indirect costs	48,997	0	48,997
Transfers out – capital purchases	56,963	0	56,963
Transfers out – other	1,928	0	1,928
Total Expenses	<u>\$ 352,183</u>	<u>\$ 47,825</u>	<u>\$ 400,007</u>
Net Profit or (Loss)	<u>(\$ 60,590)</u>	<u>(\$ 9,281)</u>	<u>(\$ 69,871)</u>

Source: Bookstore financial reports.

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## **Central Lakes College**

The bookstore accounted for sales through a point-of-sale computer program directly linked to the cash registers. The college used the system to prepare purchase orders, account for bookstore sales, maintain accounts receivable, and manage inventory.

### **Audit Objectives and Methodology**

The primary objectives of our audit of the bookstore focused on the following questions:

- Did the college's internal controls provide reasonable assurance that it accurately recorded bookstore revenue collections and disbursement transactions 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 bookstore operations?

To answer these questions, we interviewed the bookstore and business office personnel to gain an understanding of the controls in place over bookstore revenues and expenses. We tested samples of transactions to determine if the college had adequate supporting documentation and had accurately recorded the transactions on MnSCU accounting. We also conducted analytical procedures to determine whether the revenue and expenses recorded on MnSCU accounting were reasonable.

### **Conclusion**

Central Lakes College's internal controls provided reasonable assurance that it accurately recorded bookstore revenue collections and disbursement transactions in the accounting records and, that it complied with applicable legal requirements and management's authorization. For the items tested, the college complied, in all material respects, with the significant finance-related legal provisions concerning bookstore operations.

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## Status of Prior Audit Issues As of April 26, 2002

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### Most Recent Audits

#### College Audit

Legislative Audit Report 99-27, issued in May 1999, covered the period July 1, 1995, through June 30, 1998. The report reviewed material activities and programs, including tuition, fees and customized training receipts, employee payroll, administrative expenditures, student financial aid, and bookstore operations. The audit report cited 15 audit findings related specifically to Central Lakes College. The college implemented all 15 of the findings.

#### Statewide Audits

Legislative Audit Reports 01-15 and 00-11, issued in March 2001 and March 2000, respectively, examined MnSCU's activities and programs material to the State of Minnesota's general purpose financial statements and the Single Audit for the years ended June 30, 2000 and 1999, respectively. These reports did not include any findings related specifically to Central Lakes College.

### Other Audit Coverage

The Office of the Chancellor contracted with Deloitte and Touche, LLP, an independent CPA firm, to audit the MnSCU general purpose financial statements and to report on its internal controls and compliance for its major federal programs. The Office of the Chancellor received an unqualified audit opinion on its financial statements for fiscal year 2001. As a part of the audit, the firm issued a management letter to MnSCU's Board of Trustees. The letter contained 13 comments on accounting, administrative, and operating matters. The comments did not specifically mention Central Lakes College.

State of Minnesota Audit Follow-Up Process
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<p>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. However, Finance has delegated this responsibility for audits of the Minnesota State Colleges and Universities (MnSCU) system to the MnSCU Office of Internal Auditing. MnSCU's Office of Internal Auditing process consists of quarterly activity reports documenting the status of audit findings. The follow-up process continues until the Office of Internal Auditing is satisfied that the issues have been resolved.</p>
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*Central  
Lakes  
College*  
A COMMUNITY & TECHNICAL COLLEGE

June 14, 2002

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

Dear Mr. Nobles:

Thank you for the opportunity to respond to the audit report of Central Lakes College (CLC) for the period from July 1, 1998 through June 30, 2001. Central Lakes College's formal written response to the audit findings is enclosed.

We agree with the issues presented in the audit report, and have resolved the audit issue as you will see in our attached audit response. We are committed to continuous quality improvement and we see this process as a way of helping us get better at what we do.

We want to thank the OLA audit staff that was part of the CLC audit. We enjoyed working with them, and appreciate their efforts on our behalf.

Please contact me if you have questions regarding the attached responses.

Sincerely,

*/s/ Joe C. Birmingham*

Joe C. Birmingham  
President

Enclosure

**Brainerd**  
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Brainerd, MN 56401  
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Response to Audit Findings  
Central Lakes College  
June 14, 2002

**Finding 1: The college did not independently verify payroll transactions entered into the payroll system.**

Central Lakes College (CLC) will continue its practice of having the payroll clerk verify the accuracy of hours and payroll transactions entered into the system prior to the finalization of the State's payroll processing to ensure that errors are detected timely and corrected. The payroll clerk will continue to perform a cursory review of the payroll register once payroll has been processed. A step will be added in that the Assistant Director of Human Resources will perform a random sampling of the payroll register that will include verification of the payroll clerk's transactions on a biweekly basis beginning with the May 22, 2002 pay period.

Person Responsible: Cindy Foote, Assistant Director of Human Resource and  
Nancy Paulson, Director of Human Resources  
Projected Completion Date: Completed May 22, 2002