

Financial-Related Audit

Hennepin Technical College
July 1, 1998, through June 30, 2001



Financial Audit Division

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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.

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

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Dr. Sharon K. Grossbach, President
Hennepin Technical College

We have audited Hennepin Technical College for the period July 1, 1998, through June 30, 2001. Our audit scope included: financial management, tuition and fees, employee payroll, administrative expenditures, and bookstore and food service operations. 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 Hennepin Technical 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 Hennepin Technical 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 July 11, 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 12, 2002

Report Signed On: July 5, 2002

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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
David Polisenno, CPA, CISA	Audit Manager
Pat Ryan	Team Leader
Heather White	Auditor
Ellen Sibley, CPA	Auditor
Linda Pha	Auditor

Exit Conference

We discussed the findings and recommendations with the following representatives of the Office of the Chancellor and Hennepin Technical College at the exit conference held on June 25, 2002:

Office of the Chancellor:

Laura King	Vice Chancellor/Chief Financial Officer
John Asmussen	Executive Director, Internal Auditing
Margaret Jenniges	Director, Financial Reporting
Tracey Gran	Regional Audit Coordinator

Hennepin Technical College:

Sharon Grossbach	President
Diane Paulson	Vice President, Administrative Services
Janet Knox	Accounting Director

Report Summary

Overall Audit Conclusion

Hennepin Technical College has strong financial practices. Hennepin Technical College's budgetary controls provided reasonable assurance that it operated within available resources. Except as noted below, the college's internal controls provided reasonable assurance that assets were safeguarded, and financial activities were properly recorded in the accounting system and complied with applicable legal provisions.

Key Findings and Recommendations

- Hennepin Technical College did not adequately restrict certain computer security clearances. The college should limit access and improve its monitoring of security clearances to ensure an adequate separation of duties and to help prevent unauthorized transactions. (Finding 1, page 7)
- Hennepin Technical College calculated 22 severance payments in error, which resulted in overpayments totaling \$109,561. The college was able to recover \$82,268 of this amount. The college has not actively pursued the outstanding balance. The college should actively pursue the recovery of the remaining overpayments. (Finding 2, page 12)
- Hennepin Technical College did not have adequate controls over food service receipts at its Eden Prairie campus. The college should implement procedures that help ensure that all receipts are accurately posted to the accounting system and deposited into the bank. (Finding 3, page 17)

<p>Hennepin Technical College is part of the Minnesota State Colleges and Universities (MnSCU) system. This audit report focused on financial management, tuition and fees, employee payroll, administrative expenditures, and bookstore and food service revenue for the period July 1, 1998, through June 30, 2001. The college's response is included in the report.</p>

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Chapter 1. Introduction

Hennepin Technical College is a two-year college whose mission is to provide a quality education for employment and a lifetime of learning. The college's main campuses are located in Brooklyn Park and Eden Prairie. In addition, the college has customized training centers in Hopkins and Plymouth. On July 1, 1995, the college became part of the newly formed Minnesota State Colleges and Universities (MnSCU). Prior to the MnSCU merger, the college operated as part of Independent School District No. 287. As explained in Chapter 2, the college and Independent School District No. 287 continue to share various services under a joint powers agreement.

The college offers accredited programs in business, computers, construction, landscaping, health care, and other occupations. The full-time equivalent student population at the college was 3,557 for the 2000-01 school year. Dr. Sharon K. Grossbach serves as the president of the college.

Hennepin Technical College finances its operations primarily from state appropriations and student tuition and fees.

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Chapter 2. Financial Management

Chapter Conclusions

Hennepin Technical College operated within available resources and complied with applicable legal provisions and management's authorization. The college's internal controls provided reasonable assurance that its financial activities were adequately safeguarded, accurately recorded in the accounting records, and in compliance with applicable legal provisions and management's authorization. In addition, we found the college established an appropriate operating relationship with its foundation. However, we found that the college did not adequately restrict certain computer security clearances.

Hennepin Technical College uses the MnSCU accounting system to record its financial activity and to process transactions. MnSCU accounting interfaces with the statewide accounting system (MAPS) to generate warrants from the state treasury for certain activities. MnSCU requires all campuses to use the MnSCU accounting system to account for money maintained in the state treasury and in local bank accounts outside the state treasury. Hennepin Technical College administers certain funds, such as agency accounts and enterprise activities, in a local bank account. The local bank account also serves as the college's state depository for the transfer of funds into the state treasury. The college also has a sweep account that transfers excess funds from the checking account and invests in U.S. Treasury obligations.

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

Prior to the college's merger with MnSCU, Hennepin Technical College operated as part of Independent School District No. 287 (ISD No. 287). After merging with the MnSCU system on July 1, 1995, the college continued to share various services with the school district under a joint powers agreement. The agreement became effective on July 1, 1995, and continues until June 30, 2005. The agreement allows the parties to amend the terms of the contract no later than February 1 of the year in which changes are proposed. Under the terms of the original agreement, ISD No. 287 performed human resources, payroll, and accounting functions for the college. In July 1996, Hennepin Technical College began performing its own human resource activities, and in 1997, the college took over its payroll processing and accounting activities. Currently, ISD No. 287 performs purchasing functions for the college. In fiscal year 2001, Hennepin Technical College paid ISD No. 287 \$264,000 for these services. Conversely, ISD No. 287 paid the college \$1,058,000 for services such as administrative support, instructional assistance, and plant operations, including parking.

Hennepin Technical College

The Hennepin Technical College Foundation provides financial support to Hennepin Technical College through scholarships and by funding various activities that benefit the college's public education mission. The foundation is an autonomous, non-profit organization that has a board of directors, articles of incorporation, and by-laws. The college provided administrative support to the foundation.

Audit Objective and Methodology

The primary objective of our review of Hennepin Technical College's financial management was to answer the following questions:

- Did the college's internal controls provide reasonable assurance that it operated within available resources in compliance with applicable legal provisions and management's authorization?
- Did the college's internal controls provide reasonable assurance that state treasury and local bank account financial activities were adequately safeguarded, accurately recorded in the accounting records, and in compliance with applicable legal provisions and management's authorization?
- Did the college establish an appropriate operating relationship with its foundation?

To answer these questions, we interviewed college staff to gain an understanding of the MnSCU accounting system as it pertained to each of the individual program areas discussed in the following chapters. We gained an understanding of internal controls in place over the local bank accounts and the programs included in our audit scope. We reviewed MnSCU transactions posted to the accounting records to determine if the college properly recorded revenue and expenditure transactions in MnSCU accounting for both state treasury and local activities. In addition, we discussed the college's budgetary process with college administrators. We also reviewed the administration of security privileges to determine whether the college adequately restricted access to its computerized business systems. Finally, we reviewed the college's relationship with its foundation.

Conclusions

Hennepin Technical College operated within available resources and complied with applicable legal provisions and management's authorization. The college's internal controls provided reasonable assurance that its financial activities were adequately safeguarded, accurately recorded in the accounting records, and in compliance with applicable legal provisions and management's authorization. In addition, we found the college established an appropriate operating relationship with its foundation. However, we found that the college did not adequately restrict certain computer security clearances, as discussed further in Finding 1.

Hennepin Technical College

1. Hennepin Technical College did not sufficiently limit access to its computerized business systems.

Hennepin Technical College did not adequately monitor or restrict access to its computerized business systems. The college has primary authority and responsibility to ensure access is necessary based on each employee's job responsibilities. We identified the following security weaknesses:

- Six Hennepin Technical College employees had incompatible clearances to the MnSCU accounts receivable module. One employee had full access to perform a variety of cashiering, accounts receivable, receipt correction, and tuition waiver functions. Five other employees who performed cashiering functions also had the ability to process deferment transactions. Individuals who perform cashiering functions should not have access to adjust accounts receivable records or process waivers and deferments. The cashiers' ability to cancel or adjust accounts receivable records increases the risk of errors or irregularities occurring and going undetected.
- Three employees had access to the accounting module they did not need to perform their job functions. Two of the employees worked in the financial aid office and the other was the Brooklyn Park campus cashier. These employees had the ability to process payment transactions. Granting unneeded access to individuals makes the college vulnerable to unauthorized transactions.

The college should ensure that employee access is consistent with their job responsibilities. By not limiting access to its computer business system, inappropriate or unauthorized transactions could occur and go undetected by the college.

Recommendations

- *Hennepin Technical College should limit employee access to its computer systems or develop effective detective controls to ensure an adequate separation of duties and prevent unauthorized access to data.*
- *Hennepin Technical College should improve its monitoring of security clearances to ensure that employees only have the level of access needed to perform their job responsibilities.*

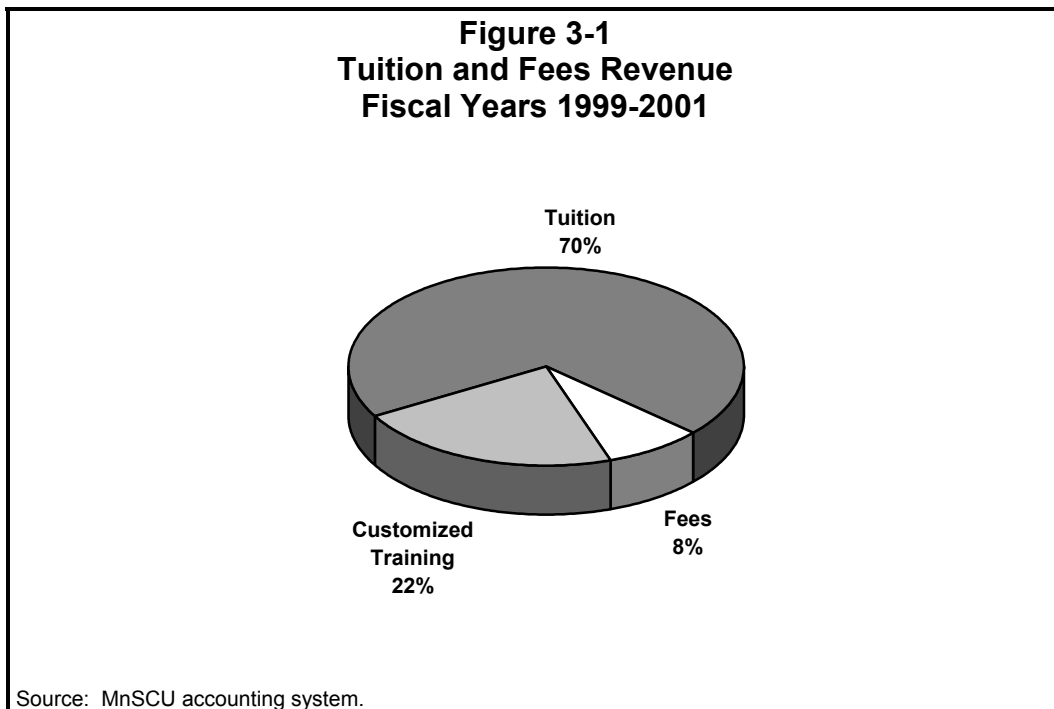
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Chapter 3. Tuition and Fees

Chapter Conclusions

Hennepin Technical College's internal controls provided reasonable assurance that tuition and fee collections were adequately safeguarded and accurately recorded in the accounting records, and that they complied with applicable legal provisions and management's authorization. However, as discussed in Chapter 2, Finding 1, the college did not sufficiently limit employees' access to the college's computerized business systems. For the items tested, the college complied, in all material respects, with the significant finance-related legal provisions concerning tuition.

Hennepin Technical College offers both undergraduate credit and customized training courses. The college collected approximately \$29 million in credit and non-credit tuition and fees during fiscal years 1999-2001. For fiscal year 2001, the college charged students resident and non-resident tuition rates of \$72.25 and \$144.50 per semester credit, respectively, along with student fees of \$5.70 per credit. The college determines tuition rates or establishes contracts for customized training classes on an individual basis. Figure 3-1 shows the breakdown of the revenue by type.



Hennepin Technical College

The Integrated Student Record System contains student data and registration modules that share data through various interfaces. Currently, the college uses the accounts receivable module to accumulate various student charges. When the students pay their bills, staff enter the receipts into the Integrated Student Record System, and the system automatically applies the money to the outstanding balances in specified priority. As part of the closeout process, the accounts receivable module prints out a report, which summarizes the day's collections and postings. The cashiering staff use this report to balance their cash registers.

Hennepin Technical College required students to pay tuition and fee charges by the drop/add date unless the students tuition was paid by financial aid, Post Secondary Education Option, or was third-party funded. The college dropped students who did not settle their accounts in full by the deadline and placed holds on their accounts. The college pursued past due accounts receivable by sending delinquent accounts to collection agencies and then to Minnesota Collection Enterprise, the state's centralized collection function.

The customized training program enrolled about 5,000 students in its open enrollment program, 3,500 students through various company contracts, 3,200 credit-based students, and 8,000 hour-based students on an annual basis. The college registers and collects tuition similar to regular tuition, except for the company contracts where the college invoices the companies for all of the affected students.

Audit Objectives and Methodology

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

- Did the institution's internal controls provide reasonable assurance that all tuition and fees were collected and safeguarded, properly recorded in the accounting records, and in compliance with applicable legal provisions and management's authorization?
- For the items tested, did the institution comply, in all material respects, with the significant finance-related legal provisions concerning tuition?

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

Conclusions

Hennepin Technical College's internal controls provided reasonable assurance that tuition and fees collections were adequately safeguarded and accurately recorded in the accounting records, and that they complied with applicable legal provisions and management's authorization. However, as discussed in Chapter 2, Finding 1, the college did not sufficiently limit employee access to the college's computerized business systems. For the items tested, the college complied, in all material respects, with the significant finance-related legal provisions concerning tuition

Chapter 4. Employee Payroll

Chapter Conclusions

Hennepin Technical College's internal controls provided reasonable assurance that it properly authorized and accurately reported employee payroll expenditures in the accounting records, and that payments complied with applicable legal provisions and management's authorization. For the items tested, the college complied, in all material respects, with material legal provisions and bargaining unit agreements. However, the college has not actively pursued collecting erroneous severance payments it made to some retirees.

Employee payroll represents the college's largest expense. Hennepin Technical College expended approximately \$63.9 million in payroll-related costs during the audit period. The college employs about 815 full and part time faculty and classified and unclassified staff positions. College employees belonged to the following compensation plans:

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

Hennepin Technical College maintains its human resource and payroll functions primarily at the Brooklyn Park campus. The payroll section processes biweekly payroll transactions on the state's payroll system (SEMA4). The payroll system interfaces with the State College and Universities Payroll and Personnel System (SCUPPS), that provides employment history, pay rates, and bargaining contract details for all college employees. The human resources section enters all personnel changes and new employee records onto SCUPPS.

Audit Objectives and Methodology

Our review of Hennepin Technical College's payroll expenditures focused on the following objectives:

- Did the college's internal controls provide reasonable assurance that it accurately recorded payroll expenditures in the accounting records and that it complied with applicable legal provisions and management's authorization?

Hennepin Technical College

- For items tested, did the college comply with material finance-related legal provisions and bargaining unit agreements?

To answer these questions, we made inquiries of the college's staff to gain an understanding of the payroll and personnel processes. We analyzed payroll expenditures to determine proper recording of payroll transactions, reviewed source documentation to determine proper authorization, and tested salaries to ensure proper payment pursuant to contract provisions. We also reviewed severance payments to determine if the payments appeared reasonable and were accurately calculated.

Conclusions

Hennepin Technical College's internal controls provided reasonable assurance that it properly authorized and accurately reported employee 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 material legal provisions and bargaining unit agreements. However, the college has not actively pursued collecting erroneous severance payments it made to some retirees, as discussed in Finding 2.

2. Hennepin Technical College has not actively pursued collecting erroneous severance payments it made to some retirees.

During fiscal years 1997 through 2000, the college miscalculated severance payments for 22 retirees that resulted in overpayments totaling \$109,561. The MnSCU Office of the Chancellor detected the errors in late fiscal year 2000 during a review of some severance calculations. The college was able to recover \$82,268 from retirees that elected to receive their severance payments in installments.

To date, the college has not attempted to collect the remaining \$27,293 owed by four retirees who elected to receive their severance in a lump sum payment. The college staff indicated that there was some confusion between them and the Office of the Chancellor concerning responsibility for collecting these overpayments. The college should contact the four retirees and make arrangements with them to repay the overpayments.

Recommendation

- *Hennepin Technical College should pursue collecting the \$27,293 worth of outstanding severance overpayments from the four retirees.*

Chapter 5. Administrative Expenditures

Chapter Conclusions

Hennepin Technical College's internal controls provided reasonable assurance that it adequately safeguarded its assets, accurately recorded administrative expenditures in the accounting records, and complied with applicable legal provisions and management's authorization. For the items tested, Hennepin Technical College complied, in all material respects, with material finance-related legal provisions.

During the audit period, Hennepin Technical College's administrative expenditures included payments for non-payroll items, such as purchased services, supplies, equipment, professional and technical contracts, utilities, supplies for resale, and land and building improvements. The college spent about \$13,365,000 during fiscal year 2001 for these types of administrative expenditures.

Various departments within the college initiate a purchase through an on-line requisition form using the MnSCU accounting system. An employee of Independent School District 287 processes the requisitions. The school district performs this function under the terms of a joint powers agreement with the college. The school district employee ensures that the purchase request contains the required documentation, such as bids, and that the request follows the college's purchasing guidelines. Vendors deliver the goods to the college's loading dock where a college employee verifies that the goods agree with the packing slip. The employee sends the packing slip to the business office where an employee files it with the requisition and purchase order. The business office receives the invoice and sends it to the originating department for payment authorization. The originating department approves the invoice and sends it back to the business office. The accounts payable section at the Brooklyn Park campus matches the invoice against the approved requisition form, purchase order, and the packing slip and makes the payment.

Audit Objective and Methodology

The primary objective of our review of Hennepin Technical College's administrative expenditures was to answer the following questions:

- Did the college's internal controls provide reasonable assurance that it accurately recorded administrative expenditures in the accounting records, adequately safeguarded its assets, and complied with applicable legal provisions and management's authorization?

Hennepin Technical College

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

To answer these questions, we interviewed college employees to gain an understanding of the internal control structure over the procurement and disbursement processes for administrative expenditures. We examined computer system access to determine who can initiate payments in MnSCU accounting. We also performed analytical reviews and tested transactions to determine if the college appropriately procured goods and services and properly authorized, disbursed, and recorded expenditures in the accounting system. Finally, we reviewed the college's process to record and track its fixed assets.

Conclusions

Hennepin Technical College's internal controls provided reasonable assurance that it adequately safeguarded its assets, accurately recorded administrative expenditures in the accounting records, and complied with applicable legal provisions and management's authorization. For the items tested, Hennepin Technical College complied, in all material respects, with material finance-related legal provisions.

Chapter 6. Enterprise Fund Activities

Chapter Conclusions

Hennepin Technical College's internal controls provided reasonable assurance that bookstore and food service revenues were properly collected, adequately safeguarded, and accurately recorded in the accounting records, and that they complied with applicable legal provisions and management's authorization. However, the college did not adequately separate the duties over food service receipts collected at the Eden Prairie campus.

Hennepin Technical College's internal controls provided reasonable assurance that it accurately recorded bookstore and food service expenditures in the accounting records and complied with applicable legal provisions and management's authorization. The college allocated indirect costs to the bookstore and food service operations.

For the items tested, the college complied, in all material respects, with the significant finance-related legal provisions concerning bookstore and food service operations.

Hennepin Technical College operates bookstore and food service facilities at its Brooklyn Park and Eden Prairie campuses. The bookstores sell books, supplies, and apparel. The food services offer breakfast, lunch, and dinner. College employees and students enrolled in the college's culinary arts program operate the food service facilities.

Each bookstore accounts for sales through a point-of-sale computer program. The system is directly linked to the bookstore's cash registers. The system allows the bookstore to track sales and monitor inventory levels. The food service operations use cash registers to record the sales. The college allocates indirect costs to both operations based on the square footage of their facilities. Table 6-1 summarizes the bookstore and food service's financial activities for fiscal year 2001.

Hennepin Technical College

Table 6-1
Summary of Selected Enterprise Fund Activities
Fiscal Year 2001

	<u>Bookstore</u>	<u>Food Service</u>
Revenues:		
Sales and Services	\$1,366,004	\$565,363
Other Revenues	<u>9,346</u>	<u>22,017</u>
Total Revenue	\$1,375,350	\$587,380
Expenses:		
Cost of Goods Sold	\$ 877,224	\$198,441
Salaries	179,390	410,458
Indirect Cost Allocation	76,081	71,443
Purchased Services	46,279	5,459
Depreciation	25,208	3,469
Supplies	4,821	11,855
Other Expenses	<u>420</u>	<u>479</u>
Total Expenses	\$1,209,423	\$ 701,604
Net Income (Loss)	<u>\$ 165,927</u>	<u>\$(114,224)</u>

Source: Prepared by Hennepin Technical College accounting staff.

Audit Objectives and Methodology

Our review of Hennepin Technical College's bookstore and food service operations focused on the following questions:

- Did the college design and implement internal controls to provide reasonable assurance that bookstore and food service revenues were complete, safeguarded, promptly deposited, and accurately reported in the accounting records?
- Did the college's internal controls provide reasonable assurance that it accurately recorded bookstore and food service expenditures in the accounting records, allocated indirect costs, and complied with applicable legal provisions and management's authorization?
- For those items tested, did the college comply, in all material respects, with the significant finance-related legal provisions concerning bookstore and food service expenditures?

To answer these questions, we interviewed college staff to gain an understanding of the bookstore and food service operations. We sampled bookstore and food service receipts to determine if the college properly accounted for the receipts and properly deposited them in its local bank. We tested bookstore and food service transactions to determine if the college appropriately procured goods and services and properly authorized, disbursed, and recorded expenditures in the accounting system. We reviewed the bookstore and food service financial reports to ensure that the college allocated all costs, including indirect costs, to those operations.

Hennepin Technical College

Conclusions

Hennepin Technical College's internal controls provided reasonable assurance that bookstore and food service revenues were properly collected, adequately safeguarded, and accurately recorded in the accounting records, and that they complied with applicable legal provisions and management's authorization. However, the college did not adequately separate the duties over food service receipts collected at the Eden Prairie campus, as discussed in Finding 3.

Hennepin Technical College's internal controls provided reasonable assurance that it accurately recorded bookstore and food service expenditures in the accounting records and complied with applicable legal provisions and management's authorization. The college allocated indirect costs to the bookstore and food service operations on a reasonable basis.

For the items tested, the college complied, in all material respects, with the significant finance-related legal provisions concerning bookstore and food service operations.

3. The Eden Prairie campus did not reconcile its food service receipts to subsequent deposits.

The Eden Prairie campus did not verify its daily food service receipts to cashier records and subsequent deposits. The food service staff collected receipts from customers and rang them through the cash register. The employee closed out the cash register and brought the receipts to the business office where the cashier deposited them with other receipts. However, the food service staff did not count the receipts before bringing them to the cashier. The cashier counted the cash, compared it to the cash register tape, entered the amount into the accounting system, and deposited the receipts into the bank. However, no one independent of the cashier verified the receipts to the amount deposited. As a result, the food service operations could not verify that the amount it collected equaled the amount deposited and credited to its account.

Recommendations

- *The Eden Prairie food service staff should count the cash and complete a cash count sheet supporting the daily receipts.*
- *Someone independent of the Eden Prairie cashier should reconcile the food service receipts to the amount deposited by the cashier.*

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**Status of Prior Audit Issues
As of April 2002**

Most Recent Audits

College Audit

Legislative Audit Report 99-37, issued in July 1999, covered the college's material activities and programs, including tuition, fees, customized training receipts, employee payroll, administrative expenditures, student financial aid, and bookstore and food service revenue. The report contained six findings. The college implemented recommendations for five of the findings. We have repeated portions of one prior finding in the current report as Finding 1.

Statewide Audits

Legislative Audit Report 01-15, issued in March 2001 and **Legislative Audit Report 00-11**, issued in March 2000, examined MnSCU's activities and programs material to the State of Minnesota's general purpose financial statements, or the Single Audit, for the years ended June 30, 1998, 1999, and 2000. We audit the federal financial aid programs on an annual basis as part of the Single Audit of the state's federal programs. These reports did not include any findings related specifically to Hennepin Technical College.

Other Audit Coverage

The MnSCU Office of the Chancellor contracted with Deloitte and Touche, LLP, an independent CPA firm, to audit the MnSCU's general purpose financial statements and to report on its internal controls and compliance for its major federal programs. MnSCU received an unqualified opinion 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. While the comments did not specifically mention Hennepin Technical College, several of the matters, including segregation of duties and processing of payments to vendors, are concerns at Hennepin Technical College and are included in our report as Findings 1 and 3.

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. However, Finance has delegated this responsibility for audits of the Minnesota State Colleges and Universities (MnSCU) 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. The process covers all colleges and universities within the MnSCU system.

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HennepinTechnical

College

July 1, 2002

James R. Nobles
Legislative Auditor
Room 140 centennial Building
658 Cedar Street
St. Paul, MN 55155-1603

Dear Mr. Nobles:

Thank you for the opportunity to respond to the findings of our recent audit. We appreciate the thoroughness and professionalism of your staff including Dave Polisen, Pat Ryan, Linda Pha, Ellen Sibley, and Heather White. We especially want to commend Pat Ryan for his process of communication.

Finding 1: HTC did not sufficiently limit access to its computerized business systems.

We understand this finding and agree there were employees with incompatible security access. However, with the exception of one employee, accounting office staff did independent reviews of deferments and daily disbursements. Since the audit, security access for the identified employees has been reviewed and adjusted. We will continue to improve our review of security.

Finding 2: HTC has not actively pursued collecting erroneous severance payments it made to some retirees.

We concur with this finding and are working with MnSCU Labor relations on resolution.

Finding 3: The Eden Prairie food service did not reconcile its receipts to subsequent deposits.

We concur with this finding. We have reviewed this issue with the Food Service Manager and the business office staff and have revised their daily procedures.

If you have any questions, please contact me.

Sincerely,

/s/ Sharon Grossbach

Dr. Sharon Grossbach
President

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