



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial Audit Division Report

Perpich Center for Arts Education

Fiscal Years 2001 through 2003



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.

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

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

Representative Tim Wilkin, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Dr. David Flannery, Interim Executive Director
Perpich Center for Arts Education

We have audited selected areas of the Perpich Center for Arts Education for the period July 1, 2000, through June 30, 2003. Our audit scope included grant receipts, student fees, and other selected receipts, employee payroll, per diem, travel, and grant expenditures. The Report Summary highlights our overall audit conclusions. The specific audit objectives and conclusions are contained in the individual chapters of this report.

We selected the Perpich Center for Arts Education for audit based on our annual assessment of state agencies and programs. We used various criteria to determine the entities to audit including the size of each agency's financial operations, length of time since the last audit, changes in organizational structure and key personnel, and available audit resources.

We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of the center's internal controls relevant to the audit objectives. We used the guidance contained in *Internal Control-Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission, as our criteria to evaluate the center's controls.

The standards also require that we plan the audit to provide reasonable assurance that the Perpich Center for Arts Education complied with financial-related legal provisions that are significant to the audit. In determining the center's compliance with legal provisions, we considered requirements of laws, regulations, contracts, and grant agreements.

In order to meet the audit objectives, we gained an understanding of the Perpich Center for Arts Education's financial policies and procedures. We considered the risk of misstatements in the accounting records and noncompliance with relevant legal provisions. We analyzed accounting data to identify unusual trends or significant changes in financial operations. We examined a sample of evidence supporting the agency's internal controls and compliance with laws, regulations, contracts, and grant provisions.

/s/ James R. Nobles

/s/ Claudia J. Gudvangen

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: March 19, 2004

Report Signed On: June 4, 2004

Perpich Center for Arts Education

Table of Contents

	Page
Report Summary	1
Chapter 1. Introduction	3
Chapter 2. Private and State Grants	5
Chapter 3. Student Fees	9
Chapter 4. Payroll, Per Diem, and Travel Expenditures	13
Status of Prior Audit Issues	15
Agency Response	17

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
Susan Kachelmeyer, CPA, CISA	Auditor-in-Charge
Alan Sasse, CPA	Auditor
Trinh Bui	Auditor

Exit Conference

We discussed the results of the audit with the following staff of the Perpich Center for Arts Education at an exit conference on May 27, 2004:

Dr. David Flannery	Executive Director
Dr. Pamela Paulson	Deputy Director
Rene Ellis	Operations Manager/Financial Director
Kou Vang	Executive Administrative Assistant

Report Summary

Key Findings:

- The center improperly recorded some grant activity in the state's Gift Fund. (Finding 1, page 6)
- The center did not return about \$10,000 of unspent grant funds to the Department of Education. (Finding 2, page 6)
- The center did not separate key duties to ensure that it adequately safeguarded its receipts. In addition, it did not perform key receipt reconciliations. (Findings 3 and 4, pages 9 and 10)
- The center did not adequately separate its payroll and personnel functions. (Finding 7, page 14)

The audit report contained eight findings relating to internal control and legal compliance. The center resolved or sufficiently resolved all findings included in our prior audit report.

Audit Scope:

Audit Period:

Fiscal Years 2001 – 2003

Selected Audit Areas:

- Grant Receipts
- Student Fees
- Other Selected Receipts
- Employee Payroll and Per Diem
- Travel
- Grant Expenditures

Agency Background:

The center consists of the Arts High School and the Professional Development and Research Group. The Arts High School serves approximately 300 11th and 12th grade students that are motivated and talented in the arts. The Professional Development and Research Group is a statewide network of teachers, teaching artists, and administrators in schools and art organizations throughout Minnesota. In fiscal year 2003, the center received a \$7.8 million General Fund appropriation to fund the majority of its operations.

Perpich Center for Arts Education

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Perpich Center for Arts Education

Chapter 1. Introduction

The 1985 Legislature created the Perpich Center for Arts Education (the center) to meet the needs of Minnesota students interested in creative and interpretive arts. The center consists of the Arts High School and the Professional Development and Research Group.

The Arts High School is a statewide public high school serving approximately 300 11th and 12th grade students that are motivated and talented in the arts. The school accepts students from the state's eight congressional districts through a competitive review process governed by administrative rule.

The Professional Development and Research Group is a statewide network of teachers, teaching artists, and administrators in schools and art organizations throughout Minnesota. It provides curriculum and assessment tools, workshops, and technical support in the areas of dance, literature, music, theater, media, and visual arts. In addition, the center loans materials and provides reference assistance to more than 1,900 Minnesota teachers and artists who are members of the Perpich Center for Arts Education Library.

The Governor appoints a 15-member board that is responsible for the management, supervision, and control of the center and of all related property. At its periodic meetings, the board approves the center's budget and monitors its financial activity, approves grant awards, oversees facility management, and reviews various legislative proposals. The board's finance, personnel, development, and executive committees assist the full board in the discharge of its duties. Eligible board members are entitled to a per diem payment of \$55 for every official meeting.

The board appoints an executive director to oversee the center's daily operations. Dr. David Flannery has served as the interim executive director since March 2002. The executive director appoints various directors to assist in managing the center.

General Fund appropriations provide the majority of the center's funding. Employee payroll is the largest expenditure category. Table 1-1 summarizes the center's financial activity for budgetary fiscal years 2001 through 2003.

Perpich Center for Arts Education

**Table 1-1
Sources and Uses of Funds
Budgetary Fiscal Years 2001, 2002, and 2003**

	<u>2001</u>	<u>2002</u>	<u>2003</u>
<u>Sources:</u>			
General Fund Appropriations:	\$ 7,400,000	\$ 7,681,000	\$ 7,816,000
Grants: State, Federal, and Private	1,522,758	2,593,094	83,538
Student Fees	289,368	344,691	333,939
Other Receipts	185,218	229,043	206,574
Balance Forward In	1,128,445	417,486	3,515,218
Transfer In	16,928	0	0
Total Sources	<u>\$10,542,717</u>	<u>\$11,265,314</u>	<u>\$11,955,269</u>
<u>Uses:</u>			
Payroll	\$ 4,804,555	\$ 5,088,682	\$ 5,015,825
Grants	2,011,418	460,123	910,143
Other Operating Expenditures	<u>3,053,740</u>	<u>2,116,536</u>	<u>2,290,526</u>
Total Expenditures	\$ 9,869,713	\$ 7,665,341	\$ 8,216,494
Balance Forward Out	417,486	3,515,218	2,969,035
Transfers Out	187,364	84,755	584,218
Cancelled ⁽¹⁾	68,503	0	130,000
Total Uses	<u>\$10,543,066⁽²⁾</u>	<u>\$11,265,314</u>	<u>\$11,899,747⁽³⁾</u>

Note 1: The \$130,000 cancellation in FY 2003 is the Perpich Center reduction (unallotment) per Minn. Stat. Section 16A.152, Subd. 4.

Note 2: For FY 2001, the center used \$349 more than it received. The difference occurred in the Federal Fund Child Nutrition Grant Program.

Note 3: For FY 2003, the uses amount does not include \$55,522 for encumbered but not expended activity.

Source: Minnesota Accounting and Procurement System (MAPS) based on budgetary fiscal year basis as of January 31, 2004.

Chapter 2. Private and State Grants

Chapter Conclusions

The Perpich Center for Arts Education’s internal controls provided reasonable assurance that it safeguarded grant receipts. Except for recording the grant activity in the incorrect fund, as discussed in Finding 1, the center properly recorded grant transactions correctly in the accounting records. The center’s internal controls provided reasonable assurance that its grant expenditures complied with applicable legal provisions and management’s authorization.

For the items tested, the Perpich Center for Arts Education complied with the significant finance-related legal provisions governing private grants. However, we found that the center did not comply with the state’s carry forward authority in regard to state grants, as discussed in Finding 2.

Audit Objective

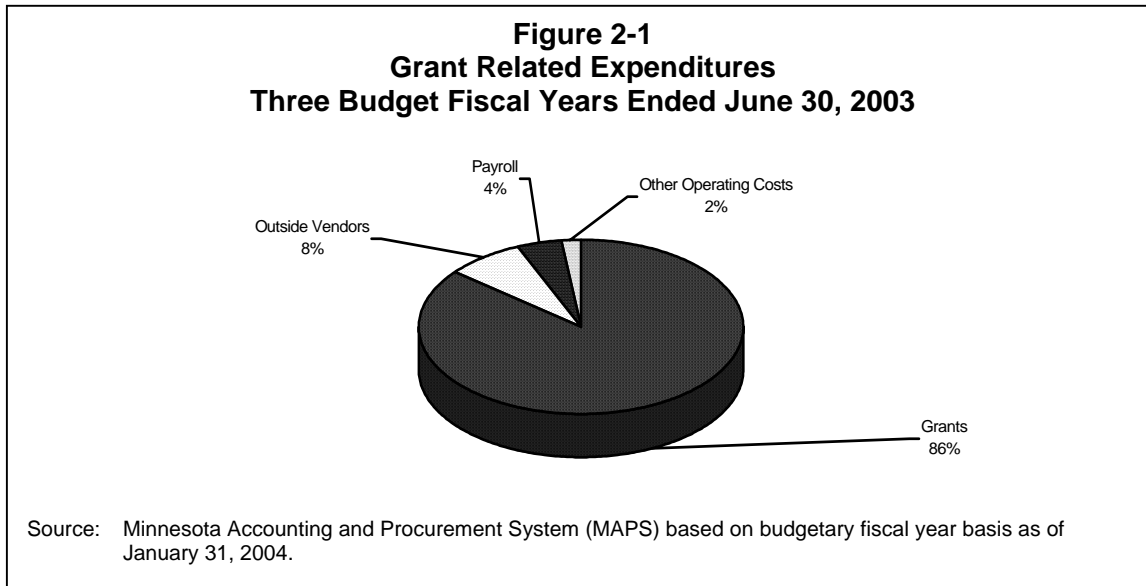
The primary objective of our audit was to answer the following questions:

- Did the Perpich Center for Arts Education adequately safeguard and accurately record grant receipts and expenditures in the accounting records and in compliance with applicable legal provisions and management’s authorization?
- For the items tested, did the Perpich Center for Arts Education comply with the significant finance-related legal provisions concerning grants?

The center received over \$2 million from the Annenberg Foundation during fiscal years 2001 through 2003. The Annenberg funds supported a partnership between the center and the Minneapolis school district called the “Annenberg Challenge.” In 2002, the center received a McKnight Foundation grant for \$2 million. The McKnight funds supported the “Arts for Academic Achievement” initiative, which involved forming an arts education network throughout the state. In addition, the center received a total of \$105,000 from the state during the three fiscal years. The center used the state grants for various arts related activities including the Arts Best Practice Network.

During the audit period, the Perpich Center for Arts Education’s granted a total of \$3.4 million to other organizations, primarily to school districts. In addition, the center retained approximately \$600,000 of the private grant funds for administrative costs. Figure 2-1 shows grant and related administrative expenditures for the three budgetary years ended June 30, 2003.

Perpich Center for Arts Education



1. The center improperly recorded certain receipt activity in the state's Gift Fund.

The center deposited about \$4 million in grant receipts from the Annenberg, McKnight, and other foundations into the Gift Fund. Minnesota Departments of Finance and Administration Policy Number 0602-13 states that grant revenues should not be recorded in either the Gift or the Endowment Fund. The center should have recorded this activity in a Special Revenue Fund account.

The center also deposited consulting/professional services fees into the Gift Fund. The center entered into two service contracts with the Minneapolis school district. The center deposited a total of \$98,750 in revenue from these contracts in the Gift Fund.

Recommendations

- *The center should record receipt activity in the proper funds.*
- *The center should transfer existing balances to the appropriate fund.*

2. The center did not return unspent funds to the Department of Education after two grants expired.

At the end of two grants, the center did not return any unspent funds to the Department of Education, as required by the grant agreements. Rather, the center has improperly carried forward approximately \$10,000 into FY 2004. The grant agreements required the center to return any unspent or unobligated funds to the Department of Education as of June 30, 2002, or June 30, 2003, respectively.

Perpich Center for Arts Education

Also, the center had about \$1,000 in state grant funds recorded in the Special Revenue Fund where the balance did not automatically cancel. Our prior audit report directed the center to record this grant in the General Fund instead of the Special Revenue Fund. The center refunded the majority of its expired state grants to the General Fund, but did not transfer all of the Department of Education grant balances. The center would not have been allowed to carry forward these grant balances if they had properly recorded them in the accounting system. Further, because the center recorded the grants in the Special Revenue Fund, it inappropriately earned interest on them.

Recommendation

- *The center should repay the Department of Education for any monies it spent outside the period of availability of funds as stipulated in the grant agreement.*

Perpich Center for Arts Education

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Chapter 3. Student Fees

Chapter Conclusions

The Perpich Center for Arts Education did not adequately separate duties to ensure the safeguarding of its receipts, as discussed in Finding 3. We found that the center did not perform key reconciliations, as discussed in Finding 4. Also, the center did not have a written contract with its foundation, as discussed in Finding 5.

For the items tested, the Perpich Center for Arts Education complied with the significant finance-related legal provisions regarding student fees. However, the center did not have a record retention policy, as discussed in Finding 6.

Audit Objective

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

- Did the Perpich Center for Arts Education adequately safeguard and accurately record student fees in the accounting records?
- For the items tested, did the Perpich Center for Arts Education comply with the significant finance-related legal provisions regarding student fees?

The center charges various fees to the Arts High School students. The Perpich Center for Arts Education's board of directors set the fees. The fee for students residing at the center was \$1,800 in fiscal year 2001, \$2,100 in fiscal year 2002, and \$2,150 in fiscal year 2003. The center also assessed a yearly activity fee ranging from \$50 to \$100 during the three years ending June 30, 2003. The center reduces or waives fees for families who earn less than established income limits. The center received about \$300,000 in student fees each fiscal year. The center uses an in-house accounting system called "4D" to record financial transactions for each student. The center uses this system to bill the students' parents or guardians each semester. The center deposits the receipts into the state treasury.

3. The center did not adequately safeguard receipts by separating incompatible functions.

The center did not separate certain key duties to ensure an adequate safeguarding of receipts. In several areas, staff who were involved in billing fees or maintaining accounts receivable records also collected the related receipts. These incompatible duties provided an opportunity for

Perpich Center for Arts Education

manipulation of records and loss of funds. For example, staff in the admission's office sent letters to prospective students and received the admissions form and the \$50 fee. Also, two individuals who have access to the related student account records also collect receipts on past due accounts. Third, the director of school programs accepts monies instead of having the donations sent to the center's cashier. Finally, the center's Professional Development and Research group registers individuals for seminars and collects the related receipts. In all these examples, the receipt collections should be done by someone who does not have access to the related accounting records.

In addition, the center did not appropriately limit access to its accounting subsystem – 4D. The center's receptionist and the residence director have "edit accounting" access in the "4D" subsystem. The access allows these individuals to adjust students' billing accounts. The access is unnecessary for these positions because the center's accounting personnel are responsible for adjusting student accounts.

Recommendation

- *The center should improve its processes and develop adequate separation of duties over its receipt processes.*

4. The center did not perform certain receipt reconciliations.

The center did not always reconcile its receipts to supporting documentation. Our review of the center's receipt process disclosed the following reconciliation problems:

- The center did not perform independent reconciliations between its receipt log and receipt deposit. The center's receptionist receives the receipts and logs them. The receptionist forwards the receipts and logs to the accounting personnel who posts the transactions in the "4D" student computer system and MAPS and takes the deposit to the bank. No one independent of the receipt processing verified the receipt log to the bank deposit, increasing the risk that receipts could be stolen or misplaced and not be detected.
- The center did not perform reconciliations between MAPS and its "4D" accounting subsystem. One person in the accounting office posts payment to the "4D" subsystem, enters the receipt in MAPS, and makes the deposit. The center did not assign anyone independent of the process to reconcile the "4D" subsystem to MAPS. By not reconciling the two systems, the center cannot ensure that the "4D" subsystem receipt transactions were properly recorded in MAPS.

Recommendations

- *The center should have someone independent of the receipt process verify the receipt log to the deposits.*
- *The center should reconcile the "4D" subsystem financial activity to MAPS.*

Perpich Center for Arts Education

5. The center did not have a written contract with its foundation.

The Perpich Center for Arts Education did not have a written contract with its foundation. The foundation was created in August 2003 with its mission to support the center through fundraising, advocacy, and volunteer action. As of January 2004, the foundation had collected over \$50,000 in gifts and donations. As of March 2004, the center's board of directors had drafted a contract between the center and the foundation, but had not formally executed it.

Recommendation

- *The center should have a written contract with its foundation to establish each party's rights and responsibilities.*

6. The center did not have a record retention policy, as required by the departments of Finance and Administration's policies and procedures.

The Minnesota Departments of Finance and Administration Policy Number 0102-01, regarding internal control over accounting processes, states that agencies need to develop their own procedures to ensure the necessary source documents and records are maintained. By not having a record retention policy, the center is not complying with state guidelines and risks not having the necessary documentation to support its accounting system transactions.

Recommendation

- *The center should comply with the departments of Finance and Administration's policies and procedures and develop a record retention policy.*

Perpich Center for Arts Education

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Chapter 4. Payroll, Per Diem, and Travel Expenditures

Chapter Conclusions

The Perpich Center for Arts Education’s internal controls provided reasonable assurance that employees were accurately compensated and reimbursed in compliance with applicable bargaining agreements and management’s authorization, and that payroll and employee reimbursement expenditures were properly recorded in the accounting and payroll systems. However, we found that the center did not have adequate separation of duties between its payroll and personnel functions, as discussed in Finding 7.

For the items tested, the center complied with the significant finance-related legal provisions and related employee bargaining agreements and compensation plans. However, the center did not review the payroll register to ensure that the payroll transactions were properly recorded on the state’s accounting system, as discussed in Finding 8. The center properly paid per diems to its board members.

The Perpich Center for Arts Education’s main operating cost is payroll, which averaged about \$5 million each year. Currently, the center has approximately 100 employees and pays them bi-weekly through the State Employees Management System (SEMA4). The center also used SEMA4 to reimburse its employees for travel expenses. SEMA4 interfaced payroll and travel expenditures into the Minnesota Accounting and Procurement System (MAPS). Table 4-1 summarizes the payroll and per diem expenditures for the three fiscal years ended June 30, 2003.

Table 4-1
Payroll and Per Diem Expenditures
By Budget Fiscal Year

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Full Time Salary and Fringe Benefits	\$3,647,225	\$3,840,487	\$3,749,510
Part Time Salary and Fringe Benefits	952,091	1,006,030	1,106,695
Separation Expense	89,748	135,994	82,673
Overtime and Premium Pay	77,651	80,250	54,305
Per Diem	2,860	8,635	9,515
Other Payroll Expenditures	<u>34,980</u>	<u>17,286</u>	<u>13,127</u>
Total	<u>\$4,804,555</u>	<u>\$5,088,682</u>	<u>\$5,015,825</u>

Source: Minnesota Accounting and Procurement System (MAPS) based on budgetary fiscal year basis as of January 31, 2004.

Perpich Center for Arts Education

Audit Objective

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

- Did the Perpich Center for Arts Education’s internal controls provide reasonable assurance that payroll, per diem, and travel expenditures were accurately reported in the accounting records and in compliance with applicable legal provisions and management’s authorization?
- For the items tested, did the Perpich Center for Arts Education comply with the significant finance-related legal provisions concerning payroll, per diem, and travel expenditures?

Our audit of payroll, per diem, and travel expenditures disclosed the following findings.

7. The center did not adequately separate its payroll and personnel functions.

The center did not adequately separate its human services and payroll functions. The center granted the human resources administrator SEMA4 security access to serve as backup for the center’s payroll input clerk. These are incompatible functions because human services is responsible for establishing new employee records on the payroll system, inputting pay rates, and setting edits such as the maximum hours allowed for part time employees. By not separating the human resources and payroll functions, the center increases the risk that errors or irregularities could occur and not be detected.

Recommendation

- *The center should separate incompatible payroll and personnel responsibilities or develop mitigating controls to detect possible errors or irregularities.*

8. The center did not review the payroll register report to ensure that payroll transactions were entered accurately on SEMA4.

The center entered payroll transactions into SEMA4, which generated payments to its employees. However, the center did not review the payroll register report to verify that staff accurately entered those transactions. SEMA4 Operating Policy and Procedure PAY0028 requires agencies to, “...review the payroll register to verify that time and amounts were paid at the correct rate, and any necessary adjustments were processed.” Without this verification, erroneous payroll transactions could be entered into SEMA4 without detection.

Recommendation

- *The center should review the payroll register to verify that staff entered the correct payroll transactions into SEMA4.*

**Status of Prior Audit Issues
As of March 19, 2004**

Most Recent Audits

Legislative Audit Report 01-40, issued in August 2001, covered the three fiscal years ending June 30, 2000. The audit scope included state and private grant receipts, student fees, payroll, and other operating expenditures. The report contained eight findings. The Perpich Center for Arts Education fully implemented seven of the recommendations. Prior Finding 1, regarding properly accounting for state grant funds, was significantly resolved. However, we included a portion of the issue in Chapter 2, Finding 2.

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. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

Perpich Center for Arts Education

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STATE OF MINNESOTA
PERPICH CENTER FOR ARTS EDUCATION

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June 3, 2004

James R. Nobles, Legislative Auditor
Office of the Legislative Auditor
140 Centennial Office Building
658 Cedar Street
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Re: Perpich Center for Arts Education Legislative Audit Report 5-04

Mr. Nobles,

This letter constitutes the response of the Perpich Center for Arts Education to the Office of the Legislative Auditor's Audit Report issued, May, 2004.

Improper recording grant activity in Gift Fund:

Finding 1. About \$4 million in grant receipts from the Annenberg, McKnight, and other foundations, were deposited into the Gift Fund. In addition, \$98,750 of revenue from consulting/professional services fees from Minneapolis School District were deposited into the Gift Fund.

Recommendation 1.

- **The center should record receipt activity in the proper funds.**
- **The center should transfer existing balances to the appropriate fund.**

Response 1.

- A. As part of our efforts to ensure that funds are properly set up, all current and future grants will be reviewed for placement in the correct fund, appropriation type code, that grant end dates are recorded, use restrictions are observed, and reporting requirements are met. A "Grant Traveler" containing the above information will be developed, and will be attached to the grant documents and distributed to associated personnel. The Operations Manager will review all incoming grants to ensure proper establishment of fund coding.
- B. The Annenberg grant is finished, and will not be carried forward into 2005.
- C. Remaining McKnight funds will be transferred to the Special Revenue Fund.
- D. \$98,750 in revenue from Minneapolis School District for consulting/professional has already been moved to the Special Revenue fund.

Finding 2. About \$10,000 in unspent Department of Education funds were not returned after grants expired. Also, about \$1,000 in state grant funds were set up in appropriations that did not automatically cancel.

Recommendation 2.

- **The center should repay the Department of Education for any monies it spent outside the period of availability of funds as stipulated by the grant agreement.**

Response 2.

- A. On the recommendation of the Department of Finance EBO, the remaining balance of FY 2003 money from Department of Education was retained and rolled forward to FY 2004. (\$9,631 Fund 100/Appr CFL) This money will be returned to DOE per the legislative auditor's request. DOF will be contacted to determine the proper procedure in returning these funds.
- B. \$990.59 of canceled grant money in Fund 200/Aprop CFL will also be returned to DOE.
- C. To prevent this from happening again in the future, grants will be reviewed and established per Response 1-A.

Finding 3. Duties for receipt of receipts are not adequately separated.

Recommendation 3.

- **The center should improve its processes and develop adequate separation of duties over its receipt processes.**

Response 3.

- A. A plan for improving receipt processes will be developed. After review, this plan may include having the receptionist receive all monies and enter receipts into a check log; HR will make deposits and record student fees into the student accounts; and the agency buyer will reconcile the check log with the student accounts records (4D) and MAPS. A separate accounting person will be responsible for billing student fees, sending out monthly student fee statements, and maintaining and reporting on Student Fees Accounts Receivable
- B. 4D will be developed to allow for monthly billing of student fee statements and the creation of a Student fees Accounts Receivable report.
- C. Access to 4D accounting databases has been reviewed and editing security has been established.

Finding 4. The center did not perform receipt reconciliations.

Recommendation 4.

- **The center should have an independent reconciliation of receipts to logs.**
- **Receipts should be reconciled to 4D.**

Response 4.

- A. Reconciliation will be performed in the plan developed as discussed in Response 3-A.

Finding 5. The center did not have a written contract with its foundation.

Recommendation 5. The center should have a written contract with its foundation to establish each party's rights and responsibilities.

Response 5.

A. The center now has a written contract with its foundation, prepared by the Attorney General's Office, that establishes each party's rights and responsibilities. A copy of the contract can be forwarded to the state Auditor.

Finding 6. The center did not have a records retention policy.

Recommendation 6.

- **The center should comply with the Department of Finance and Administration's policies and procedures and develop a record retention policy.**

Response 6.

- A. A written Record Retention Policy and Procedure will be developed and implemented in accordance with DOF Policy Number 0102-01. Once this policy is finalized, it will be distributed to all associated personnel.

Finding 7. The center did not adequately separate personnel and payroll functions.

Recommendation 7.

- **The center should separate incompatible payroll and personnel responsibilities or develop mitigating controls to detect possible errors or irregularities.**

Response 7.

A. A plan for separating payroll and personnel responsibilities will be developed. After reviewing job classification issues, etc., this plan may include having the receptionist enter the payroll and employee expenses, and the agency buyer review the payroll register and Bi-Weekly Leave Report for accuracy.

Finding 8. The center did not review the payroll register report to verify that staff entered the correct payroll transactions into SEMA4.

Recommendation 8.

- **The center should review the payroll register to verify that staff entered the correct payroll transactions into SEMA4.**

Response 8.

- A. As with Response 7-A, the plan for separating duties will include a plan for certifying accuracy of payroll entries. Since our Agency will be adopting Self-Service Payroll by August, we will also develop a plan that will include changes to this process.

This audit has been both informative and beneficial. On behalf of our agency, I am grateful for the knowledge and expertise that your auditors provide our agency.

If you have any other questions, please feel free to call me at 612-341-7643.

Thank you,

/s/ David Flannery

David Flannery, Interim Executive Director
Perpich Center for Arts Education