

**HIGHER EDUCATION COORDINATING BOARD
FINANCIAL AUDIT
FOR THE TWO YEARS ENDED JUNE 30, 1989**

JANUARY 1990

**Financial Audit Division
Office of the Legislative Auditor
State of Minnesota**

HIGHER EDUCATION COORDINATING BOARD

FINANCIAL AUDIT FOR THE TWO YEARS ENDED JUNE 30, 1989

Public Release Date: January 10, 1990

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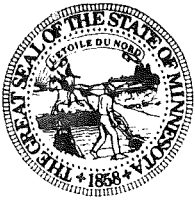
OBJECTIVES:

- EVALUATE INTERNAL CONTROL STRUCTURE: Scholarships and grants, refunds, tuition reciprocity, work study, payroll, and administrative disbursements.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

CONCLUSIONS:

- We found the internal control structure to be effective.
- We found no departures from finance-related legal provisions.

Contact the Financial Audit Division for additional information.
(612) 296-1730



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator John E. Brandl, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

Mona Hintzman, President
Minnesota Higher Education Coordinating Board

Members of the Minnesota Higher Education Coordinating Board

Dr. David R. Powers, Executive Director
Minnesota Higher Education Coordinating Board

Audit Scope

We have conducted a financial related audit of the Higher Education Coordinating Board as of and for the two years ended June 30, 1989. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Higher Education Coordinating Board, as discussed in the following paragraph. We have also made a study and evaluation of the internal control structure of the Higher Education Coordinating Board in effect at June 30, 1989.

The Higher Education Coordinating Board is the state agency responsible for planning post high-school education and coordinating the state's post high-school education systems in accordance with Minn. Stat. Chapter 136A. HECB also administers various state and federal higher education programs and processes loan payments for various programs.

A financial audit of the various student loan funds is conducted by a CPA firm. We have evaluated and accepted their work as part of our audit of the State of Minnesota's fiscal years 1988 and 1989 financial statements. The Guaranteed Student Loan Program loans are serviced by the HEMAR Service Corporation. A CPA firm conducted a review of the loan servicing procedures for the Guaranteed Student Loan Program. We will evaluate their work as part of our single audit of federal programs.

We conducted our audit in accordance with generally accepted government auditing standards, including Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transaction of the Higher Education Coordinating Board are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Higher Education Coordinating Board's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

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Management Responsibilities

The management of the Higher Education Coordinating Board is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition;
- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- scholarships and grants,
- refunds,
- tuition reciprocity,
- work study,
- payroll, and
- administrative disbursements.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Conclusions

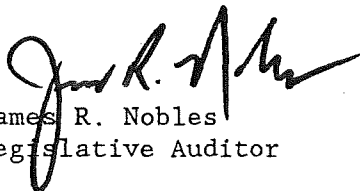
In our opinion, the internal control structure of the Higher Education Coordinating Board in effect at June 30, 1989, taken as a whole, was

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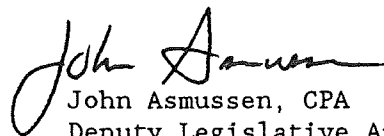
sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection or errors or irregularities in amounts that would be material in relation to the financial activities attributable to transactions of the Higher Education Coordinating Board.

The results of our tests indicate that, with respect to the items tested, the Higher Education Coordinating Board complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Higher Education Coordinating Board had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of the Higher Education Coordinating Board. This restriction is not intended to limit the distribution of this report, which was released as a public document on January 10, 1990.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

END OF FIELDWORK: September 19, 1989

REPORT SIGNED ON: January 5, 1990