

**STATE COUNCIL ON VOCATIONAL TECHNICAL EDUCATION**  
**FINANCIAL AUDIT**  
**FOR THE THREE YEARS ENDED JUNE 30, 1992**

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**OCTOBER 1993**

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Financial Audit Division  
Office of the Legislative Auditor  
State of Minnesota

**93-53**



# SUMMARY

State of Minnesota  
Office of the Legislative Auditor  
Centennial Office Building • St. Paul, MN 55155  
612/296-4708

## STATE COUNCIL ON VOCATIONAL TECHNICAL EDUCATION

### FINANCIAL AUDIT FOR THE THREE YEARS ENDED JUNE 30, 1992

Public Release Date: October 8, 1993

No. 93-53

#### OBJECTIVES:

- **EVALUATE INTERNAL CONTROL STRUCTURE:** Federal grants, workshop fees, personnel services, travel, professional and technical services, rent, reports and maintenance, supplies and materials, and purchased services.
- **TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.**

#### CONCLUSIONS:

We found one area where the internal control structure needed improvement:

- The Council's controls over graduate assistant agreements with the University of Minnesota need improvement.

We found that the Council complied with finance-related legal provisions.

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

FINANCIAL AUDIT DIVISION





STATE OF MINNESOTA

**OFFICE OF THE LEGISLATIVE AUDITOR**

CENTENNIAL BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Phil Riveness, Chairman  
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Robert L. Wilderski, Chair  
State Council on Vocational Technical Education

Members of the State Council on Vocational Technical Education

Mr. John Mercer, Executive Director  
State Council on Vocational Technical Education

## **Audit Scope**

We have conducted a financial related audit of the State Council on Vocational Technical Education as of and for the three years ended June 30, 1992. Our audit was limited to only that portion of the council's financial activities attributable to the programs discussed in the Introduction section of this report. We have also made a study and evaluation of the internal control structure of the council in effect during May 1993.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transactions of the council are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the council'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.

## **Management Responsibilities**

The management of the State Council on Vocational Technical Education 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 the 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:

- Federal grants
- Workshop fees
- Personnel services
- Travel expenses
- Professional and technical services
- Rent
- Repairs and maintenance
- Supplies and materials
- Purchased services

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**

Our study and evaluation disclosed the condition discussed in finding 1 involving the internal control structure of the State Council on Vocational Technical Education. We consider the condition to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data.

Senator Phil Riveness, Chairman  
Members of the Legislative Audit Commission  
Mr. Robert L. Wilderski, Chair  
Members of the State Council on Vocational Technical Education  
Mr. John Mercer, Executive Director  
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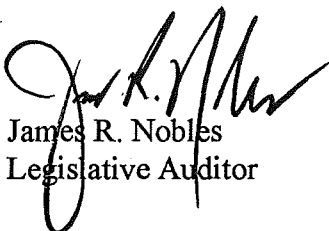
A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial activities being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe the reportable condition described above is not a material weaknesses.

We also noted other matters involving the internal control structure and its operation that we reported to the management of the State Council on Vocational Technical Education at the exit conference held on August 25, 1993.

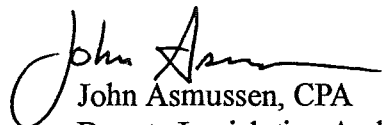
The results of our tests indicate that, except for the issue discussed in finding 1, with respect to the items tested, the State Council on Vocational Technical Education complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the State Council on Vocational Technical Education 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 State Council on Vocational Technical Education. This restriction is not intended to limit the distribution of this report, which was released as a public document on October 8, 1993.

We thank the Vocational Technical Education Council staff for their cooperation during this audit.



James R. Nobles  
Legislative Auditor



John Asmussen, CPA  
Deputy Legislative Auditor

End of Fieldwork: July 2, 1993

Report Signed On: October 1, 1993





# State Council on Vocational Technical Education

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### Audit Participation

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

John Asmussen, CPA	Deputy Legislative Auditor
Renee Redmer, LPA	Audit Manager
Mark Johnson	Auditor-in-Charge

### Exit Conference

The finding and recommendation in this report was discussed with Mr. John Mercer, Executive Director of the Vocational Technical Education Council at the exit conference held on August 25, 1993.



# State Council on Vocational Technical Education

## Introduction

The State Council on Vocational Technical Education was established in 1969 and designated as a state agency in the executive branch in 1985. The council is comprised of thirteen members appointed by the governor to four year terms, seven whom represent the private sector interests. Six of the members represent education institutions. The Council elects its president from the private sector representatives. The Council has a three member staff, headed by the Executive Director, John W. Mercer.

Some of the council activities include:

- Implement section 112 of the Carl D. Perkins Vocational Education Act of 1984.
- Advise the State Board of Education and the State Board of Technical Colleges on policies to improve the quality of vocational technical education.
- Other activities to improve vocational technical education in Minnesota.

The State Council on Vocational Technical Education is funded mainly by state appropriations and federal grants. The State Board of Vocational Technical Education acts as the council's fiscal agent pursuant to Minn. Stat. Section 136C.50.

The following summary shows the council's revenues and expenditures for fiscal years 1990, 1991, and 1992.

	Fiscal Years		
	1990	1991	1992
Revenue:			
Federal grants	\$124,384	\$123,553	\$144,446
Workshop fees	5,343	18,899	18,653
Other revenue	<u>231</u>	<u>231</u>	<u>247</u>
Total Revenue	<u>\$129,958</u>	<u>\$142,683</u>	<u>\$163,346</u>
Expenditures:			
Personnel services	\$128,296	\$139,144	\$147,963
Travel expenses	15,553	14,438	14,508
Professional and technical services	4,557	6,461	19,046
Rent	20,465	21,384	21,806
Repairs and maintenance	2,789	5,667	9,733
Supplies and materials	4,744	5,315	7,571
Purchased services	14,823	16,167	15,338
Other administrative expenditures	<u>26,036</u>	<u>33,835</u>	<u>48,074</u>
Total Expenditures	<u>\$217,263</u>	<u>\$242,411</u>	<u>\$284,039</u>

Source: Managers Financial Report and Estimated/Actual Receipts Report as of September 1, 1990, August 31, 1991, and September 5, 1992, respectively.

## Current Finding and Recommendations

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### 1. The council's controls over graduate assistant agreements need improvement.

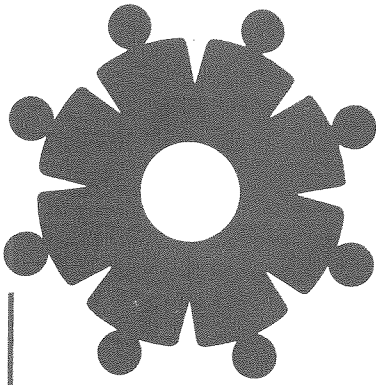
The council did not specify the pay rates in the agreements with the University of Minnesota for graduate assistants. In addition, the council did not obtain supporting documentation from the university to confirm the accuracy of the hours worked and pay rates charged for the assistants.

The council entered into agreements with the University of Minnesota to hire graduate assistants. The council paid \$25,228 or 18 percent of the total personal services for the assistants in fiscal year 1992. Agreements with the university specify the percentage of time that a graduate assistant can work; however, it does not indicate the graduate assistant's pay rates. Therefore, the council is unable to verify the accuracy of the invoices submitted by the university.

The council pays the university invoices without verifying the accuracy of the graduate assistant's hours worked at the council. The university bills the council quarterly for the total amount charged for graduate assistants. The council will authorize the payment if the cumulative amount paid does not exceed the total agreement amount. The invoice submitted to the council does not show supporting information such as the assistants names, hours worked and hourly pay rates. Therefore, without specific information supporting the charges, the council cannot verify the propriety of the amounts paid for graduate assistants. The council needs to work with the university to establish agreements and invoices that provide sufficient information to verify the appropriateness of the payments.

#### *Recommendations*

- *The council should negotiate a pay rate for graduate assistants and formalize it in the agreements with the university.*
- *The council should request and review sufficient documentation to support the quarterly payments to the university.*



# State Council on Vocational Technical Education

STATE OF MINNESOTA

September 21, 1993

Renee Redmer  
Audit Manager  
Office of the Legislative Auditor  
Centennial Building  
St. Paul, MN 55155

Dear Ms. Redmer:

I have reviewed the audit report for the State Council on Vocational Technical Education for the three years ending June 30, 1992. I understand the reportable condition regarding the Council's contracts with the University of Minnesota to employ graduate assistants. I will work with the Department of Vocational and Technical Education at the University of Minnesota to implement the recommendations to negotiate a pay rate for graduate assistants and formalize the agreements with the university, and obtain and review sufficient documentation to support the quarterly payments to the University.

If you have any questions regarding the reply to the audit or the work of the State Council on Vocational Technical Education, Please call me at 612/296-4202. Thank you!

Sincerely,

Leo G. Christenson  
Executive Director

cc: John W. Mercer, Deputy Commissioner  
Minnesota Department of Education  
Robert L. Widderski, President  
State Council on Vocational Technical Education

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