

STATE BOARD OF TECHNICAL COLLEGES

SELECTED SCOPE FINANCIAL AUDIT

FOR THE YEAR ENDED JUNE 30, 1994

NOVEMBER 1994

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

95-01

Centennial Office Building, Saint Paul, MN 55155 • 612/296-4708

SUMMARY

State of Minnesota

Office of the Legislative Auditor

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SELECTED SCOPE FINANCIAL AUDIT FOR THE YEAR ENDED JUNE 30, 1994

Public Release Date: November 4, 1994

No. 95-01

OBJECTIVES:

- **ASSESS INTERNAL CONTROL STRUCTURE:** Post secondary vocational education aids--state program, vocational education basic grants to states (CFDA #84.048), and capital projects--statewide capital improvements.
- **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.
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, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Carole Johnson, Chancellor
State Board of Technical Colleges

Ms. Joan Olson, Chair
State Board of Technical Colleges

Members of the State Board of Technical Colleges

Audit Scope

We have completed a financial related audit of selected programs of the State Board of Technical Colleges for the period July 1, 1993 to June 30, 1994. We emphasize that this has not been a complete audit of all programs with the State Board of Technical Colleges, and that our audit was limited to only that portion of the financial operations as outlined below and as further discussed in the Background. The work conducted in the department is part of our Statewide Audit of the State of Minnesota's fiscal year 1994 financial statements and Single Audit. The Single Audit coverage satisfies the federal government's financial and compliance audit requirements for all federal programs administered by the department during fiscal year 1994.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we consider the internal control structure in order to plan our audit of the selected programs, and that we perform tests of the department's compliance with certain material provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on the internal control structure or on overall compliance with finance-related legal provisions.

As part of our study of the internal control structure, we perform tests of the State Board of Technical Colleges' compliance with certain legal provisions. However, our objective was not to provide an opinion on overall compliance with such provisions. The State Board of Technical Colleges is working with the Legislature to remove the Minnesota Rules Chapter 8480, State Board of Technical Colleges System Policy. Because these rules no longer apply, we did not test for compliance with those provisions.

Internal Control Structure

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

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- Post Secondary Vocational Education Aids - State Program
- Vocational Education Basic Grants to States (CFDA # 84.048)
- Capital Projects - Statewide Capital Improvements

For 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.

Management Responsibilities

Management of the State Board of Technical Colleges is responsible for establishing and maintaining the 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 internal control 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.

Conclusions


The State Board of Technical Colleges properly processed and administered expenditures for the three audit areas: Post Secondary Vocational Education State Aids, Federal Vocational Education Basic Grants to States, and Statewide Capital Improvements. We found no weaknesses involving the internal control structure and its operation for these areas.

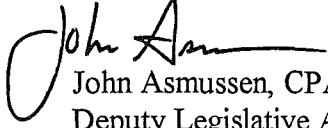
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The results of our tests of compliance indicate that, with respect to the items tested, the State Board of Technical Colleges complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to the items not tested, nothing came to our attention that caused us to believe that the State Board of Technical Colleges 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 Board of Technical Colleges. This restriction is not intended to limit the distribution of this report, which was released as a public document on November 4, 1994.

We thank the State Board of Technical Colleges staff for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: September 16, 1994

Report Signed On: October 26, 1994

State Board of Technical Colleges

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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
Rhonda Regnier, CPA	Auditor-in-Charge
Mark Johnson	Senior Auditor

Exit Conference

The report was discussed with Mr. Will Dague, Associate Vice Chancellor, of the State Board of Technical Colleges on October 21, 1994.

State Board of Technical Colleges

Background

The State Board of Technical Colleges was established by Laws of Minnesota, 1983, Chapter 258, to govern post-secondary and adult vocational education. The board operates under Minn. Stat. Chapter 136C. The state board consists of 11 members: one from each congressional district, two from the state at large, and one student representing the state. A chancellor, appointed by the board, serves as the administrative head of the agency. Carole Johnson was appointed chancellor effective September 1, 1990. Duties of the board include:

- reviewing and approving budget requests for post-secondary vocational education operations and facilities;
- developing a long-range plan for post-secondary vocational education;
- approving and coordinating programs and courses; and
- allocating state and federal money for post-secondary vocational education.

Almost half of the technical colleges have consolidated operations resulting in multiple campus locations for some colleges. Currently, there are 18 technical college districts located in the state. The State Board of Technical Colleges is part of the higher education merger scheduled to be completed in July 1995.

Board activities are financed by state appropriations and federal grants. Annual appropriations for Post Secondary Vocational Education State Aids fund 85 percent of the current year and the final 15 percent of the prior year's aid. Table 1-1 shows the Board's expenditures for the fiscal year ended June 30, 1994.

Table 1-1
State Board of Technical Colleges
Expenditures by Major Program
Fiscal Year 1994

State Programs: (1)	
Post Secondary Vocational Education Aids	\$158,187,212
Other General Fund programs	6,703,710
Capital Projects: (2)	
Capital Improvements	2,581,990
Other capital project expenditures	3,772,600
Federal Programs: (3)	
Vocational Education-Basic Grants to States(CFDA 84.048)	15,698,586
Other federal programs	<u>6,012,468</u>
Total Expenditures	<u>\$192,956,566</u>

Sources: (1) The state program amounts are budgetary basis expenditures recorded on the Statewide Accounting System as of September 2, 1994.
(2) The construction costs are Fiscal Year X expenditures recorded on the Statewide Accounting System from July 1, 1993 to June 30, 1994.
(3) The federal program amounts are budgetary basis expenditures recorded on the Statewide Accounting System as of September 2, 1994, adjusted for federal financial statement purposes.
