Anoka-Hennepin Technical College Financial Audit

For the Period July 1, 1995, through June 30, 1997

September 1998

This document can be made available in alternative formats, such as large print, Braille, or audio tape, by calling 296-1727.

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

98-55

Centennial Office Building, Saint Paul, MN 55155 • 612/296-1727

STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Deanna Wiener, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Morrie Anderson, Chancellor
Minnesota State Colleges and Universities

Members of the Minnesota State Colleges and Universities Board of Trustees

Dr. Clifford Korkowski, Interim President
Anoka-Hennepin Technical College

We have audited Anoka-Hennepin Technical College for the period July 1, 1995, through June 30, 1997, as further explained in Chapter 1. Our audit scope included: tuition and fees, payroll, supplies and equipment, and bookstore activities. We also reviewed the university's internal controls over compliance with federal student financial aid for fiscal year 1998. The following summary highlights the audit objectives and conclusions. We discuss these issues more fully in the individual chapters of this report.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, as issued by the Comptroller General of the United States. These standards require that we obtain an understanding of management controls relevant to the audits. The standards also require that we design the audit to provide reasonable assurance that Anoka-Hennepin Technical College complied with the provisions of laws, regulations, contracts, and grants significant to the audit. The management of Anoka-Hennepin Technical College is responsible for establishing and maintaining the internal control structure and for compliance with applicable laws, regulations, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission and the management of Anoka-Hennepin Technical College. This restriction is not intended to limit the distribution of this report, which was released as a public document on September 25, 1998.

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: April 22, 1998

Report Signed On: September 18, 1998

1ST FLOOR SOUTH, CENTENNIAL BUILDING • 658 CEDAR STREET • ST. PAUL, MN 55155
TELEPHONE 612/296-4708 • TDD RELAY 612/297-5353 • FAX 612/296-4712 • WEB SITE http://www.auditor.leg.state.mn.us

SUMMARY

State of Minnesota
Office of the Legislative Auditor
1st Floor Centennial Building
658 Cedar Street • St. Paul, MN 55155
(651)296-1727 • FAX (651)296-4712
TDD Relay: 1-800-627-3529
email: auditor@state.mn.us
URL: http://www.auditor.leg.state.mn.us

Anoka-Hennepin Technical College

Financial Audit
For the Period July 1, 1995, through June 30, 1997

Public Release Date: September 25, 1998 No. 98-55

Background

Anoka-Hennepin Technical College operated as part of the Anoka-Hennepin Public School District No. 11 through June 30, 1995. The college merged with other state universities, community colleges, and technical colleges on July 1, 1995, to form the Minnesota State Colleges and Universities System (MnSCU). Dr. Clifford Korkowski is currently the interim president of the college.

Our audit scope included a review of college financial management, tuition and fees, payroll, supplies and equipment, and bookstore activities for the period July 1, 1995, through June 30, 1997. We also reviewed the college's controls over compliance with federal student financial aid for fiscal year 1998.

Conclusions

Our audit found that the college operated within its available resources and had an effective process to monitor budgets. The college properly recorded its financial activities on the MnSCU accounting system. However, key reconciliations of MnSCU accounting to the state treasury balances were not completed timely, and the college did not reconcile its local bank account. In addition, we noted weaknesses in security controls to access its accounting and payroll systems.

Overall, the college designed and implemented controls providing reasonable assurance over tuition, payroll, materials, supplies, equipment, and bookstore activities. However, two findings were developed regarding tuition reconciliations and transfer of funds to the state treasury. Two other tuition issues concerned the need to resolve old, disputed charges from another MnSCU college and the prompt deposit of three large receipts. Another finding addressed the need to take physical inventory of equipment. One bookstore issue identified that the college did not allocate all operating costs to the bookstore, and another identified the need to separate duties and independently reconcile revenues. For student financial aid, two internal control and two compliance findings were developed.

In its response to the report, Anoka-Hennepin Technical College agreed with the audit findings and suggested recommendations. They have completed key reconciliations and are pursuing corrective action to resolve all findings.

Table of Contents

Page

Audit Participation

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

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Brad White, CPA, CISA	Audit Manager
Charlie Gill	Senior Auditor
Laura Peterson, CPA	Senior Auditor
Jason Stauffenecker	Staff Auditor

Exit Conference

We discussed the findings and recommendations with the following representatives of the Anoka-Hennepin Technical College and the System Office at exit conference held on September 10, 1998:

MnSCU System Office:	
Laura King	Vice Chancellor - Chief Financial Officer
Rosalie Greeman	Associate Vice Chancellor for Financial Reporting
John Asmussen	Executive Director, Internal Audit
Janet Knox	Audit Coordinator, Internal Audit
Alan Finlayson	Director of System Accounting
Teri Welter	Director of Campus Accounting
Anoka-Hennepin Technical College:	
Clifford Korkowski	President
Tom Silvers	Vice President of Finance

Chapter 1. Introduction

Anoka-Hennepin Technical College operated as part of the Anoka-Hennepin Public School District No. 11 through June 30, 1995. On July 1, 1995, the college consolidated with other state universities, community colleges, and technical colleges to form the Minnesota State Colleges and Universities System (MnSCU). Minnesota Laws of 1994, Chapter 532, Section 9, Subdivision I, authorized the transfer of real property, personal property, improvements, and attachments related to technical colleges to the state.

Anoka-Hennepin Technical College provides education and training for a diverse student population, offering 55 majors for diploma and certificate programs and 13 Associate in Applied Science (AAS) degree programs. Anoka-Hennepin Technical College served enrollment of approximately 1,373 full-year equivalent (FYE) students for the 1996-97 school year. Dr. Clifford Korkowski is the interim college president.

The college funded the majority of its operations from General Fund appropriations and student tuition and fees. These funds are administered in the state treasury. The MnSCU system office allocates appropriated funds to Anoka-Hennepin Technical College based on an allocation formula. The college also administers Special Revenue and Enterprise Funds activities in local bank accounts outside the state treasury. These funds include financial aid, agency accounts, and bookstore activities.

Table 1-1 shows the financial activity of the college during fiscal year 1997.

Table 1-1
Anoka-Hennepin Technical College
Fiscal Year 1997 Financial Activity

Description	General Fund	Special Revenue Fund	Enterprise Fund
Beginning Balance - July 1, 1996	$ 826,646	($ 131,518)	$215,146
Resources:			
State Appropriation	8,148,508	46,443	0
Tuition and Fees	3,854,344	109,856	0
Bookstore Receipts	0	0	540,262
Student Financial Aid	0	794,271	0
Federal Grants	0	454,846	0
Other	1,185,012	190,773	163,714
Total Resources	$14,014,510	$ 1,464,671	$919,122
Expenditures:			
Payroll	$ 8,591,696	$ 468,491	$ 79,821
Supplies	849,545	42,069	0
Equipment	807,714	69,649	11,371
Bookstore Purchases	0	0	385,461
Student Financial Aid	0	771,982	0
Other	2,527,689	190,582	25,896
Total Expenditures	$12,776,644	$ 1,542,773	$502,549
Ending Balance - June 30, 1997	$ 1,237,866	($ 78,102)	$416,573

Note 1: The financial information is presented in the budgetary basis of accounting. This basis does not include long-term assets and liabilities. Examples of financial activities not included in the table are tuition receivables not collected as of the close of books and compensated absence liabilities. The college's June 30, 1997, compensated absence liability is estimated to be $315,000.

Note 2: The negative fund balance in the Special Revenue Fund is the result of a negative opening fund balance of ($181,101) in the federal financial aid account as of July 1, 1995. The college informed us that the federal government changed reported financial aid figures seven or eight years ago which were never adjusted to actual balances. The college indicated that they have contacted the federal government and are attempting to get this old issue resolved.

Source: MnSCU Accounting - MnSCU to MAPS Trial Balance as of February 18, 1998.

Anoka-Hennepin Technical College also received $620,000 of capital projects funding from MnSCU from July 1, 1995, to June 30, 1997. MnSCU Accounting shows that the college expended $598,000 during the two-year period from July 1, 1995 through June 30, 1997.

Chapter 2 discusses overall financial management of the college. Chapter 3 includes our review of tuition and fee collections. In Chapter 4 we discuss our review of personnel and payroll expenditures. Chapter 5 covers supplies and equipment.

The college retains certain funds in its local bank account outside the state treasury. These activities include student financial aid, as discussed in Chapter 6, and bookstore activities, which are covered in Chapter 7. The college records student financial aid and enterprise fund activities in the MnSCU accounting system.

Anoka-Hennepin Technical College was affiliated with the Anoka-Hennepin Technical College Foundation, which is a non-profit organization. The foundation has its own board of directors, articles of incorporation, and bylaws. The foundation maintained its own financial records and accounts, which were audited by a CPA firm. The foundation received staffing and other financial support from the Anoka-Hennepin Technical College totaling approximately $32,000 for fiscal year 1997. In return, the foundation provided student scholarships and grants that benefit the educational mission of the college. Foundation financial statements reflect that the college provided scholarships and grants of $450,000 in fiscal year 1997.

This page intentionally left blank.

Chapter 2. Financial Management

Chapter Conclusions

Anoka-Hennepin Technical College operated within its available financial resources and had an effective process to monitor its revenue and expenditure budgets. The college properly recorded its financial activities on the MnSCU accounting. However, we found that the college did not complete timely reconciliations of MnSCU accounting to state treasury cash, revenue, and expenditure balances. In addition, the college had not reconciled its local bank account to MnSCU accounting at the time of our audit. We also noted that security controls to access its accounting and payroll systems were weak.

The Anoka-Hennepin Independent School District No. 11 handled the accounting and financial operations for the college through June 30, 1995. When the college merged with MnSCU, accounting staff had to adapt to state rules and regulations, as well as new computerized systems. There are currently eleven employees in the Business Office, including tuition and payroll staff, and four employees in the Human Resources Office.

Financial Systems

Anoka-Hennepin Technical College utilized the MnSCU computerized accounting and payroll systems to account for and control its financial activities. MnSCU requires all campuses to use MnSCU accounting to account for money maintained in the state treasury, as well as in local bank accounts outside the state treasury. The college uses the State Colleges and Universities Personnel/Payroll System (SCUPPS) to manage personnel and payroll for its employees. These systems interface directly into the state of Minnesota accounting system called Minnesota Accounting and Procurement System (MAPS), and the state's personnel and payroll system referred to as State Employee Management System (SEMA4). MAPS and SEMA4 then generate warrants for payments from the state treasury accounts.

In addition to these information systems, Anoka-Hennepin Technical College used the Minnesota Student Information System (MSIS) for student registration and accounts receivable. The college also used the Student Aid Reporting and Analysis System (SARA) for financial aid awards.

Budgetary Controls

Anoka-Hennepin Technical College used the MnSCU accounting system to monitor revenue and expenditures against expected budget levels. Appropriation and tuition revenue estimates were used to develop spending budgets for each academic and administrative area of the college. The budgets provided control over individual cost center expenditure spending levels. Other activities such as enterprise funds were similarly controlled with revenue and expense budgets.

The college business office distributed MnSCU accounting reports with budget versus actual financial activity to cost center managers. Other transaction and open commitment reports were produced periodically to further assist cost center staff in managing operations.

Audit Objectives and Methodology

Our review of the overall financial management of Anoka-Hennepin Technical College focused on the following questions:

- Did Anoka-Hennepin Technical College properly record its financial activities on the MnSCU and MAPS accounting systems?

- Did the college properly account for and control its local bank accounts?

- Did the college design and implement budgetary controls to provide reasonable assurance that it operated within available financial resources in compliance with applicable legal provisions and management's authorization?

To answer these questions, we interviewed college personnel to gain an understanding of the use of MnSCU accounting for each of the program areas discussed in the following chapters. We inquired about management controls in place over state treasury and local bank accounts, and the programs included in our audit scope. We reviewed MnSCU accounting transactions to determine if the college properly recorded revenue and expenditures for its state treasury and local financial activities. MnSCU accounting reports on budgeted versus actual financial activities were reviewed and discussed with staff. We also inquired about local bank collateral and reconciliations to the accounting system. Finally, we reviewed system security reports to determine whether the college limited access to its computerized business systems.

Conclusions

Anoka-Hennepin Technical College designed and implemented budgetary controls to provide reasonable assurance that it operated within available resources and management authorization, and it properly monitored revenue and expenses against expected levels. The college properly recorded its financial activities on the MnSCU accounting system. However, we found that the college did not complete timely reconciliations of MnSCU accounting to the state treasury and local bank financial activities as discussed in Finding 1. We also noted in Finding 2 that security controls to access the college accounting and payroll business systems require improvement.

1. Anoka-Hennepin Technical College did not verify, on a timely basis, that MnSCU accounting agreed with financial activity recorded in the state treasury and local bank account.

The college did not complete timely reconciliations of its financial activities recorded on its business systems to ensure that its transactions were posted correctly. No reconciliations were performed for fiscal year 1996, and the college only reconciled fiscal year 1997 financial activities once as of June 30, 1997. The college prepared the fiscal year 1997 reconciliation to compare the MnSCU accounting system to the state treasury (MAPS) and local bank account activity. However, performing these key reconciliations once at the end of the fiscal year does not provide important assurances regarding financial information used by college management while the fiscal year is in progress. At the time of our audit, the college had not attempted any fiscal year 1998 state treasury or local bank account reconciliations.

The reconciliations provide a critical process for detecting transactions that are not recorded consistently on the two systems. It provides the ability to detect monetary errors in state treasury or local bank transactions. Without timely reconciliation, the college increases its risk of incomplete or inaccurate financial information.

Recommendation

- *Anoka-Hennepin Technical College should reconcile MnSCU accounting to MAPS cash, revenue, and expenditure activity and the local bank account on a periodic basis to ensure the accuracy of its accounting records. The college should identify, resolve, and adjust differences to avoid incomplete or inaccurate information.*

2. Anoka-Hennepin Technical College security controls to access MnSCU accounting and SCUPPS personnel/payroll systems were weak.

Anoka-Hennepin Technical College did not adequately administer and control access to its computerized MnSCU accounting and SCUPPS personnel/payroll systems. The college business office supervisor served as the college security administrator and worked with regional data center staff to administer access privileges for college employees. The college has primary authority and responsibility to ensure employee access is necessary based on job responsibilities. Several weaknesses were noted in the security administration of the college business systems.

- The college security administrator did not periodically review system security reports identifying MnSCU Accounting and SCUPPS user profiles for each employee.

- The security report revealed that one former business office employee's user ID remained active for several months after termination. Although we found no instances of abuse, the lack of prompt removal of security rights increases the risk of unauthorized access.

- One business office supervisor had access to MnSCU business systems even though he had no maintenance or backup responsibility requiring access.

- Two human resources staff had incompatible access in SCUPPS and SEMA4 that allowed them to update both payroll and human resource data.

- Approximately 24 MnSCU system office staff had the ability to update the Anoka-Hennepin Technical College database. It was unclear whether these system office staff have job responsibilities requiring them to update system transactions for the college.

Anoka-Hennepin Technical College

It is critical for the college to monitor access to its computerized business systems, especially during periods of changing system requirements and staff responsibilities. However, unfamiliar system privileges and numerous system office staff complicate this review.

Recommendation

- *Anoka-Hennepin Technical College should improve security access controls by:*
  - -- *periodically reviewing system security reports;*
  - -- *promptly canceling user IDs for terminated employees; and*
  - -- *restricting access to its business systems based on job responsibilities.*

Chapter 3. Tuition and Fees

Chapter Conclusions

Generally, Anoka-Hennepin Technical College designed and implemented controls to provide reasonable assurance that it properly collected and safeguarded tuition. However, the college did not promptly record and transfer tuition and fee receipts from student financial aid into the state treasury. The college did not verify the reasonableness of tuition and customized training revenues collected. In addition, customized training has old, unpaid receivables totaling $21,225 from another MnSCU technical college.

For items tested, the college properly assessed tuition in compliance with applicable legal provisions and management's authorization. However, we noted three instances where the college did not promptly deposit receipts in compliance with Minn. Stat. 16A.275.

Anoka-Hennepin Technical College collected tuition and fees from students enrolled in the various degree or certification programs. The MnSCU Board of Trustees established the tuition and fee rates for its colleges and universities. For fiscal year 1996, the college charged a Minnesota resident tuition of $40 per credit plus miscellaneous fees. The tuition rate increased to $41.60 per credit during fiscal year 1997. The college collected tuition of $2,548,416 and $2,589,089 for fiscal years 1996 and 1997, respectively.

The college records its student registration, billings, and tuition collections on the Minnesota Multi-Campus Student Information System (MSIS). Tuition deposits are prepared from MSIS and summarized for posting into the MnSCU accounting system.
In addition, the college collected fees for several other purposes such as student activities, computer lab, and health services.

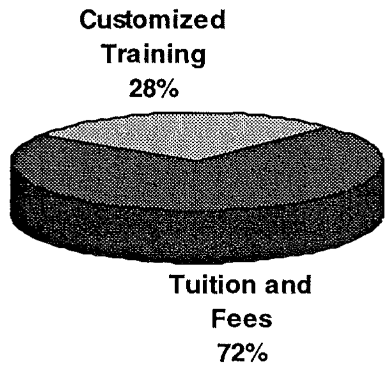
The college also collected tuition for continuing education and customized training classes. It worked with local businesses to design customized training programs that meet the educational needs of the work force. The college maintained customized training billings and accounts receivable on a computerized application called Data Pro. The college collected customized training fees of $935,378 during fiscal year 1996 and $1,092,643 during fiscal year 1997.

In addition, the college collected tuition for students enrolled in the Post Secondary Education Options (PSEO) program. The program allows high school students to enroll in classes at the college in lieu of classes normally taken at their high school. The students receive college credit while fulfilling requirements necessary to graduate from high school. The college collected PSEO tuition totaling $171,586 during the two fiscal year periods.

Anoka-Hennepin Technical College

Tuition, fees, and customized training revenue totaled over $7 million during fiscal years 1996 and 1997. Figure 3-1 shows the percentage of each revenue type:

Figure 3-1
Anoka-Hennepin Technical College
Tuition Revenue
Fiscal Years 1996 and 1997



Source: MnSCU Accounting System for Fiscal Years 1996 and 1997, as of February 18, 1998.

Audit Objectives and Methodology

Our review of Anoka-Hennepin Technical College's tuition and fee revenues focused on the following questions:

- Did the college design and implement internal controls to provide reasonable assurance that revenue collections were safeguarded and accurately reported in the accounting records?
- Did the college comply with applicable finance-related legal provisions and management's authorization?

To answer these questions, we interviewed college employees to gain an understanding of the controls over tuition and fees. We reviewed MSIS student registration and billing records and MnSCU accounting records to determine if the college assessed appropriate tuition and fee rates, collected earned revenue, and properly recorded revenue transactions in MnSCU accounting. We also reviewed bank deposit documentation to determine if the college complied with material finance-related legal provisions.

Conclusions

Generally, Anoka-Hennepin Technical College designed and implemented internal controls to provide reasonable assurance that tuition revenue collections were properly collected and safeguarded. However, as discussed below, we found that the college did not verify the accuracy of tuition collections. The college also failed to record tuition from financial aid resources timely. In addition, the college needs to resolve unpaid receivables totaling $21,225 from another MnSCU technical college. For the items tested, the college assessed tuition and fees in compliance with applicable legal provisions and management's authorization. However, we noted three instances where the college did not promptly deposit receipts in compliance with Minnesota Statutes.

3. Anoka-Hennepin Technical College did not verify the accuracy and reasonableness of tuition collections.

The college did not reconcile billable credits on MSIS to tuition receipts recorded on the MnSCU accounting system. In addition, the college did not reconcile customized training tuition collected, as reported on the Data Pro system, to MnSCU accounting. Without such comparisons, performed by independent staff, the college increased the risk that errors or irregularities occurred and went undetected.

The college did not compare MSIS billable credits to MnSCU accounting tuition collections. Although the college performs a daily reconciliation of tuition collected to student tuition payments recorded on MSIS, it did not reconcile MSIS billable credits to total tuition revenue recorded on the MnSCU accounting system. This periodic reconciliation would increase the reliability of the tuition revenue recorded on the accounting system by assuring that all collections were deposited and correctly posted.

We also noted concerns with the customized training revenues. The college used the Data Pro system for billing and accounts receivable. It also functions as the customized training program's cash register. The customized training program created invoices in Data Pro and processed payments received in the accounts receivable ledger. Each day, the college produced Data Pro revenue reports that were used as the source for entry into MnSCU accounting. However, the college did not reconcile the overall customized training payments recorded on Data Pro to the total revenue recorded in the MnSCU accounting system. Risk is heightened by the fact that some receipts are not recorded in Data Pro and are separately deposited and recorded. A periodic reconciliation between Data Pro and MnSCU accounting is critical to isolate any transactions not recorded in either system.

Recommendations

- *Anoka-Hennepin Technical College should reconcile billable credits on the MSIS system to the tuition and fee revenue.*

- *The college should reconcile customized training payments recorded on Data Pro to the revenue recorded on MnSCU accounting.*

4. The college did not promptly record and transfer student financial aid revenue for tuition and fees into the state treasury.

Anoka-Hennepin Technical College did not promptly record tuition paid from financial aid sources in MnSCU Accounting. The recording delays caused the untimely transfer of over $885,000 of fiscal year 1997 tuition revenue into the state treasury. Typically, the college recorded tuition revenue from financial aid sources once a month, even though the college applies financial aid to student accounts between two and six times a month. The recording of tuition revenue in MnSCU accounting prompts the sweep of funds by the state treasurer. Since funds were not transferred to the state treasury timely, the state did not earn investment income while funds were in the local bank.

The college should record and transfer financial aid funds into the state treasury at the time that it applies students' financial aid awards against their tuition and fee charges.

Recommendation

- *Anoka-Hennepin Technical College should promptly record tuition revenue paid from financial aid resources to initiate timely transfer of funds to the state treasury.*

5. The college did not promptly deposit certain receipts in compliance with Minnesota Statutes.

Minn. Stat. Section 16A.275 requires that receipts be deposited daily or when they exceed $250. We noted three of twelve customized training program receipts that were not deposited promptly. The three customized training receipts totaling $113,658 were not deposited for two days. We also noted a PSEO check for $55,989 from the local school district was also not deposited for over one month. Undeposited receipts retained in the college are susceptible to theft. In addition, the state lost the opportunity to earn interest on these funds.

Recommendation

- *Anoka-Hennepin Technical College should deposit receipts, totaling $250 or more, on a daily basis as required by Minn. Stat. Section 16A.275.*

Chapter 4. Payroll

Chapter Conclusions

Anoka-Hennepin Technical College designed and implemented controls to provide reasonable assurance that employees received the correct pay and that payroll expenditures were accurately recorded in MnSCU accounting. For the items tested, the college properly compensated its employees in compliance with applicable bargaining unit contracts and management's authorization.

Anoka-Hennepin Technical College employed over 200 staff, consisting of full-time and part-time faculty, and other operating and administrative personnel. Payroll expenditures comprised 55 percent of college expenditures, totaling approximately $17.5 million during fiscal years 1996 and 1997. Employees at Anoka-Hennepin Technical College belong to the following compensation plans: United Technical College Educators Plan (UTCE), AFSCME (American Federation of State County Municipal Employees), Middle Management Association (MMA), Minnesota Association of Professional Employees (MAPE), Commissioner's Plan, and the Personnel Plan for Excluded Administrators.

During fiscal year 1996, the college used the State Colleges and Universities Personnel/Payroll System (SCUPPS) to process salary and personnel information while the state's personnel/payroll system (PPS) was used to process deductions and generate payroll warrants. Early in fiscal year 1997, the college began using the State Employee Management (SEMA4) system. Faculty and administrators leave is maintained locally by the college while classified employee leave is maintained in SEMA4.

Anoka-Hennepin Technical College maintained separate human resource and payroll sections. The Human Resources Office updated SCUPPS appointments and salaries. The Payroll Office collected employee timesheets for update of SEMA4 mass time entry and was responsible for ensuring proper recording of payroll expenditures in MnSCU accounting.

Audit Objectives and Methodology

Our review of Anoka-Hennepin Technical College's payroll expenditures focused on the following questions:

- Did Anoka-Hennepin Technical College design and implement internal controls to provide reasonable assurance that employees received the correct compensation and that payroll expenditures were accurately reported in the accounting records?

- Did college payroll expenditures comply with applicable bargaining unit agreements and management's authorization?

To address these questions, we interviewed college staff to gain an understanding of the internal control structure over the payroll and personnel processes. We analyzed payroll expenditure levels to determine proper recording of payroll transactions, reviewed source documents to determine proper authorization, and tested salaries paid to ensure proper payment pursuant to bargaining unit contract provisions.

Conclusions

Anoka-Hennepin Technical College designed and implemented controls to provide reasonable assurance that employees received the correct pay and that payroll expenditures were accurately recorded in MnSCU accounting. The college properly compensated its employees in compliance with applicable bargaining unit contracts and management's authorization, with respect to items tested.

Chapter 5. Supplies and Equipment

Chapter Conclusions

Anoka-Hennepin Technical College designed and implemented controls to provide reasonable assurance that expenditures for supplies and equipment were properly documented and processed, and accurately recorded in the accounting records. However, the college did not complete a physical inventory count to verify the accuracy of fixed asset records. For the items tested, the college complied with MnSCU's purchasing policies and management's authorization.

Anoka-Hennepin Technical College faculty and staff initiate purchases of supplies and equipment to train and education its students. The college expended $2.4 million for materials, supplies, and other purchases during fiscal years 1996 and 1997. Equipment purchases and leases totaled $2 million during the two-year period. Table 5-1 summarizes fiscal year 1996 and 1997 supplies and equipment expenditures.

Table 5-1
Anoka-Hennepin Technical College
Supplies and Equipment Expenditures
Fiscal Year 1996 and 1997

Description	FY 1996	FY 1997
Supplies and Materials (not for resale)	$ 618,914	$ 819,593
Supplies and Materials (for resale)	487,110	457,481
Equipment	911,835	632,426
Equipment Leases-Principal and Interest	183,806	256,308
Total	$2,201,665	$2,165,808

Source: MnSCU Accounting System for Fiscal Years 1996 and 1997, as of February 18, 1998.

The college has a central purchasing department that ordered supplies, materials, and equipment. The purchasing department required an approved purchase requisition from the cost center ordering supplies and equipment. The purchasing department was responsible to ensure that sufficient funds were available in the cost center to finance the purchase. The purchasing department was also responsible for following MnSCU guidelines to bid and select vendors, and complete purchase orders. The college's receiving department compared packing slips to the purchase order for accuracy of the delivery. The college bookstore ordered and received its own book and supply purchases. Accounts payable staff matched the invoice to the purchase order and packing slip before processing the payment.

Anoka-Hennepin Technical College

Audit Objectives, Scope, and Methodology

The primary objectives for our review of supplies and equipment expenditures were to address the following questions:

- Did the college design internal controls to provide reasonable assurance that expenditures for supplies and equipment were properly documented and processed, and accurately reported in the accounting records?
- Did the college's purchasing and expenditure process comply with applicable legal requirements and management's authorization?

To answer these questions, we made inquiries of college staff to gain an understanding of internal controls over the purchasing and disbursement process for supplies and equipment. We performed analytical reviews and tested the accuracy of a sample of expenditure transactions by comparison to the supporting documentation. Transactions were tested to ensure that MnSCU purchasing policies were followed and management's authorization was provided.

Conclusions

The college designed and implemented internal controls to provide reasonable assurance that expenditures for supplies and equipment were properly documented and accurately recorded in the accounting records. However, as discussed in Finding 6, we found that the college did not complete a physical inventory to ensure equipment exists and fixed assets records are complete. For the items tested, the college complied with MnSCU's purchasing policies and management's authorization.

6. The college did not complete a physical inventory of fixed assets to verify the accuracy of its fixed asset records.

Anoka-Hennepin Technical College had not completed a physical inventory of its fixed assets. Staff record all new equipment purchases over $2,000 on a fixed asset system. However, the college had not physically counted the equipment to verify its existence. In addition, the college had not ensured that it recorded all fixed assets held when it merged into MnSCU. Previous systems used to monitor fixed assets could not be used to update their current record-keeping system. Physical inventory counts and complete fixed assets records are essential to safeguard and control college assets. The college acquires several sensitive assets, such as computer equipment, that are susceptible to theft.

Recommendation

- *Anoka-Hennepin Technical College should complete a physical inventory count and ensure proper recording of all equipment on the fixed assets system.*

Chapter 6. Student Financial Aid

Chapter Conclusions

Generally, Anoka-Hennepin Technical College designed and implemented internal controls to ensure that eligible students received the correct financial aid and that financial aid activities were properly recorded in MnSCU accounting. However, the college did not ensure the accuracy of its records by performing key reconciliations. Also, the college did not promptly transfer the FSEOG state match and resolve work study clearing accounts in MnSCU accounting timely.

For the items tested, except for the following issues, the college complied with material finance-related provisions governing financial aid. However, we noted one instance where federal funds were not drawn based on immediate costs. In addition, the college did not consistently comply with certain federal regulations and a MnSCU policy related to financial aid satisfactory academic progress.

The Anoka-Hennepin Technical College participated in several federal student financial aid programs administered by the U.S. Department of Education. Table 6-1 summarizes program expenditures for fiscal year 1997.

Table 6-1
Anoka-Hennepin Technical College
Federal Financial Aid Expenditures
Fiscal Year 1997

CFDA Number	Program	Total Expenditures
84.032	Federal Family Loan (FFEL)	$1,035,651
84.063	Federal Pell Grant	721,788
84.007	Federal Supplemental Educational Opportunity Grant (FSEOG)	47,287
84.033	Federal Work Study (FWS)	57,447

Source: Auditor prepared based on information provided by Anoka Hennepin Technical College.

Anoka Hennepin Technical College used an automated financial aid system called SARA to package financial aid. The system packaged Pell grants, FSEOG, and Minnesota State grants based upon parameters set in the system. The college separately packaged college work study and FFEL loans. The college interfaced award detail into the Minnesota Multi-Campus Student Information System (MSIS). The college adjusted awards based upon a student's actual enrollment status after the school's drop/add period. The Financial Aid Office applied student financial aid against tuition, and the Business Office generated checks to the students for any excess balances.

The following discussion provides information about the federal and state financial aid programs included in our review.

- The Federal Pell Grant is generally the first source of financial assistance to an eligible student. The college determines the Federal Pell Grant awards using the cost of attendance and the expected family contribution. The U.S. Department of Education provides Federal Pell Grant funds to each campus based on eligible students enrolled.

- Under the Federal Family Education Loan (FFEL) Program, private lenders provide the loan principal, and the federal government guarantees the loan in the event of default or cancellation. For subsidized Stafford loans, the federal government pays interest to the lender while the student is in school and during certain deferment periods. For unsubsidized Stafford loans, the student pays all interest that accrues on the loan.

- Federal Supplemental Educational Opportunity Grants (FSEOG) are awarded to exceptionally needy undergraduate students. The college determines a student's need based on the cost of attendance budget and the expected family contribution. The U.S. Department of Education funds 75 percent of the FSEOG and the college funds the remainder.

- The Federal Work-Study program provides part-time employment for students who continue to have financial need after receiving all available grants. Like FSEOG, the U.S. Department of Education funds 75 percent of the Federal Work-Study program and the college funds 25 percent.

- The college also participated in the Minnesota State Grant program, which is funded by the Minnesota Higher Education Services Office. Eligible students must register and attend fifteen credits to receive a full grant award. In fiscal year 1997, the college disbursed $286,946 for Minnesota State Grants.

Audit Objectives and Methodology

The primary objectives of our audit were to answer the following questions:

- Did the college design and implement internal controls to provide reasonable assurance that financial aid was properly paid to eligible students and accurately reported in the accounting records?

- Did the college design and implement internal controls to provide reasonable assurance that federal program funds were requested timely and based on immediate costs?

Anoka-Hennepin Technical College

- Did the college comply with applicable legal requirements over the management of federal cash and accurate reporting of financial aid activity?

To address these objectives, we reviewed and tested controls over compliance for determining student eligibility, packaging and awarding, and disbursing state and federal financial aid funds. We also reviewed and tested controls over compliance for managing federal cash and reporting federal expenditures.

Conclusions

Generally, the college designed and implemented internal controls to ensure eligible students received the correct financial aid and that the college properly recorded student financial aid activities in the MnSCU accounting system. However, the college did not ensure the accuracy of its records by performing key reconciliations. Also, the college did not promptly transfer the state match for FSEOG and resolve work study clearing accounts in MnSCU accounting timely

For the items tested, except as noted below, the college complied with material finance-related provisions governing financial aid. We noted one instance where federal funds were not drawn based on immediate needs. In addition, the college did not consistently comply with certain federal regulations and a MnSCU policy related to financial aid satisfactory academic progress. Findings 7 to 11 discuss these issues in more detail.

7. The college did not ensure the accuracy of its records by performing key reconciliations related to student financial aid.

Anoka Hennepin Technical College did not reconcile bank activity to MnSCU accounting cash and expenditure balances during fiscal year 1998. Also, the college did not reconcile the financial aid disbursements, as recorded on SARA, to the financial aid expenditures recorded in MnSCU accounting. Periodic reconciliations between the various accounting systems and the bank ensure the accuracy of the transactions posted to these systems and reduces the risk of errors and irregularities going undetected.

Recommendation

- *The college should ensure the accuracy of student financial aid activity by reconciling MnSCU accounting to the bank activity and financial aid disbursements recorded on SARA.*

8. Anoka Hennepin Technical College did not resolve negative balances for the federal financial aid account.

When MnSCU merged, technical colleges transferred in asset and liability balances and posted them on the accounting system. On July 1, 1995, Anoka-Hennepin Technical College posted a negative beginning fund balance of $181,101 in the federal financial aid account. College staff told us that this negative balance related to reporting problems from 1991 for Federal Pell grants and Federal College Work Study. The college worked with the federal grantor agency in an effort to resolve these prior year differences. However, a final resolution and a determination whether additional federal revenue is due to the college has not been made.

Recommendation

- *Anoka-Hennepin Technical College should work with the federal government to resolve prior year financial aid negative balances.*

9. The college did not promptly record certain student financial aid activity in MnSCU accounting.

As of March 1998, the college had not transferred fiscal year 1998 funds for the college's 25 percent FSEOG match from the General Fund to the federal financial aid account. The state match for fiscal year 1998 FSEOG disbursements through March 1998 was over $5,000. General fund cash is held in the state treasury, while cash related to the federal financial aid account is held in the college's local bank account. Since it did not transfer the college's state matching share of FSEOG funds timely, the college used other funds, commingled in the same account, to finance students FSEOG grants.

Also, the college did not clear out fiscal year 1998 activity totaling $22,685 from the student payroll clearing accounts until February 1998. MnSCU procedures for Payroll Clearing - Student Payroll require colleges to clear the student payroll clearing accounts bi-weekly.

Recommendations

- *The college should transfer the state FSEOG match from the general fund to the federal financial aid fund as it disburses the aid to students.*

- *The college should clear the balances in the payroll clearing accounts bi-weekly.*

10. The college did not consistently comply with certain federal regulations.

Anoka Hennepin Technical College did not have written selection procedures for awarding federal work-study and the Federal Supplemental Educational Opportunity Grants to students. The 34 CFR Section 675.10 (b) requires schools to establish written selection procedures for awarding federal work-study. The 1997-1998 Federal Student Financial Aid Handbook states:

> *A school must develop written selection procedures to ensure that FSEOG recipients are selected on the basis of the lowest EFC and Pell Grant priority requirements over the entire award year in accordance with the selection provisions found in 34 CFR 676.10.*

The financial aid office electronically transmitted changes in the college's Pell Grant program from 15 to 40 days late. The 1997-1998 Federal Student Financial Aid Handbook states "*Schools must report any Pell change within 30 days of the date the school becomes aware of the change (or more frequently), or may set up their own system to ensure that changes are reported in a timely* *manner."* The college disbursed Pell grants two to six times each month. The days between transmissions were from 45 to 70 days.

The college did not completely separate the awarding and disbursing functions related to student financial aid. The financial aid office awarded financial aid to students and applied the financial aid to students' accounts. The financial aid office also received FFEL checks before forwarding them to the business office for disbursement to the student. Finally, financial aid staff had unrestricted access to withheld or voided checks retained in the business office. Federal regulation 34 CFR 668.16(c) requires schools to divide functions for authorizing awards and disbursing funds to students.

The college did not have written agreements with off-campus work-study employers. For fiscal year 1998, the college had three work study students employed off campus. Federal regulation 34 CFR 675.20 requires schools to have written agreements with off-campus employers who hire work-study students.

The college did not disburse $12,153 of federal financial aid draws within the required three business days. Federal regulation 34 CFR 668.116(a)(1) considers excess cash as any program funds the school does not disburse by the end of the third business day following the date the school received the funds.

Recommendations

- *The college should comply with federal financial aid requirements by:*
  - *developing written selection procedures for awarding federal work study and FSEOG to students;*
  - *submitting Pell changes within the required 30 days;*
  - *separating student financial aid awarding and disbursing;*
  - *obtaining written agreements with employers who hire work study students; and*
  - *disbursing federal financial aid draws within three business days.*

11. The college's financial aid satisfactory academic progress policy does not comply with MnSCU guidelines.

The Anoka-Hennepin Technical College's student financial aid satisfactory academic progress policy does not contain a maximum time frame or credit limitation clause. MnSCU policy 2.9 states:

> *The policy of a college or university must specify a maximum time frame or number of attempted credits in which a student is expected to complete the program. In no case shall the maximum time frame or credits attempted exceed 150 percent of the published credit length of the program.*

Recommendation

- *The college should update its financial aid satisfactory academic progress policy to comply with MnSCU policy.*

This page intentionally left blank.

Chapter 7. Bookstore

Chapter Conclusions

Anoka-Hennepin Technical College designed and implemented internal controls to provide reasonable assurance that bookstore revenues and inventory purchases were safeguarded and accurately recorded in the accounting records. The college did prepare annual financial statements, however, the college did not allocate total costs such as rent, utilities, and depreciation to bookstore operations. Also, controls over bookstore receipts could be improved by separating duties and providing a periodic, independent comparison of the Data Pro system to MnSCU accounting.

The Anoka Hennepin Technical College bookstore offered textbooks and a limited quantity of personal and school supplies for sale. Students purchased items and paid by cash, check, or credit card. The college used MSIS to charge students receiving funding though an external third party organization or financial aid. The college applied bookstore purchases directly against the student's financial aid. The tuition office received funds and deposited bookstore receipts into the bank. Bookstore sales revenue recorded on the MnSCU accounting system totaled $518,145 and $540,262 in fiscal years 1996 and 1997, respectively. The bookstore had outstanding accounts receivables of $26,160 as of June 30, 1997.

During the audit period, a full time manager and part time employee were responsible for bookstore operations. Sales were accounted for using a point-of-sale computer program called Data Pro. The Data Pro system was used to account for bookstore sales, receivables, and inventory. At the end of each day, Data Pro sales transactions were summarized and compared to the cash register tape and cash collected. The bookstore manager prepared the deposit and recorded the sales in MnSCU accounting. Also, the bookstore manager conducted a count of the physical inventory at the end of fiscal years 1996 and 1997.

Table 7-1 shows the fiscal year 1997 bookstore operations condensed from the statement of income prepared by the college using the MnSCU accounting system. The statement does not include allocations for rent, utilities, and depreciation costs as explained in Finding 10.

Table 7-1
Anoka-Hennepin Technical College
Bookstore Income Statement
Fiscal Year 1997

Revenue:	
Net Sales	$566,422
Interest Revenue	6,468
Total Revenue	$572,890
Cost of Goods Sold	421,642
Gross Margin	$151,248
Expenses:	
Salary and Fringe	$ 58,909
Other Expenses	19,285
Total Expenses	78,194
Net Income	$ 73,054

Note 1: The financial information excludes allocations for rent, utilities, and depreciation costs as noted in Finding 10.
Source: Financial statements prepared by Anoka Hennepin Technical College for bookstore operations.

Audit Objectives and Methodology

We focused our review of bookstore activities on the following objectives:

- Did the college design and implement internal controls to provide reasonable assurance that bookstore revenues and inventory purchases were complete, adequately safeguarded, and properly recorded in the accounting system?
- Did the college have an appropriate process to measure the financial results of bookstore activity?

To meet these objectives, we interviewed bookstore staff to gain an understanding of the internal controls in place over bookstore revenues and inventory. We performed analytical reviews and tested transactions to determine if the college properly documented and accurately recorded the transactions on the MnSCU accounting system. We also reviewed bookstore financial statements prepared by the college.

Conclusions

Generally, the college designed and implemented internal controls to provide reasonable assurance that bookstore revenues and inventory purchases were complete, adequately safeguarded, and properly recorded in the accounting system. The college did prepare annual financial statements; however, we found that it did not allocate all operating costs to the bookstore. We noted the bookstore manager has incompatible responsibilities and no one independently reconciles the Data Pro receipts to revenues recorded in MnSCU accounting.

Anoka-Hennepin Technical College

12. The college did not effectively measure operating results for the bookstore.

Anoka Hennepin Technical College prepared annual financial statements for the bookstore; however, all operating costs were not reflected. The college did not charge the bookstore for rental of space, indirect costs, or utility costs, such as phone, heat and electricity. Generally, enterprise funds are recorded in an accrual basis of accounting similar to a private business. Since all operating costs are not reflected in its financial statements, management cannot determine if the bookstore operated at a profit or loss.

Recommendation

- *Anoka Hennepin Technical College should allocate operating costs to the bookstore for inclusion in the annual financial statements.*

13. The college did not separate key control responsibilities for the bookstore revenues.

Anoka-Hennepin Technical College did not separate key duties over bookstore receipts. The bookstore manager closed out the cash drawers, counted daily cash sales, compared the Data Pro sales summary to the cash collected, prepared the bank deposit, and recorded financial activity on the MnSCU accounting system. Risk is increased when one individual is given responsibility for cash access, deposit preparation, reconciling, and recording.

The college did not provide for an independent, periodic comparison of Data Pro receipts to bookstore revenues recorded in MnSCU accounting. The bookstore recorded all sales in Data Pro from which a daily sales summary was generated for posting into the MnSCU accounting system. Ideally, someone independent of bookstore operations should reconcile revenues between the two systems. Reconciliations help ensure that the accounting records accurately reflect all financial activity and reduces the risk of errors and irregularities.

Recommendation

- *The college should improve internal controls over bookstore receipts by:*
  - *separating incompatible responsibilities; and*
  - *providing a periodic, independent reconciliation of Data Pro sales receipts to MnSCU accounting revenues.*

This page intentionally left blank.

Status of Prior Audit Issues
As of April 22, 1998

Most Recent Audit

Legislative Audit Report 98-16, issued in March 1998, covered federal financial aid programs administered by the State of Minnesota in fiscal year 1997. We audit the federal financial aid programs on an annual basis as part of the Single Audit of the state's federal expenditures. This report did not include any findings related specifically to Anoka-Hennepin Technical College.

Other Audit History

Legislative Audit Report 97-29, issued in June 1997, and Legislative Audit Report 96-24, issued in June 1996, covered federal financial aid programs administered by the State of Minnesota in fiscal year 1997, and 1996, respectively. These reports did not include any findings related specifically to Anoka-Hennepin Technical College.

An audit of the Anoka Hennepin Independent School District No. 11, issued by a public CPA firm in October 1995, reported on federal grants and federal financial aid programs administered by the Anoka-Hennepin Technical College for fiscal year 1995. It contained eight findings pertaining to the college. One issue related to control and tracking of fixed assets. This issue remains unresolved and is repeated in Finding 5. The remaining findings dealt with financial aid eligibility verification, minimum enrollment, overawards, exit counseling and federal reporting. While the college appeared to address these issues, we noted other financial aid findings in Chapter 6.

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.

This page intentionally left blank.

Anoka-Hennepin Technical College
1355 West Highway 10, Anoka, MN 55303-1590
612-576-4709

September 17, 1998

Mr. James R. Nobles
Legislative Auditor
100 Centennial Building
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles:

Thank you for the opportunity to respond to the audit report for Anoka-Hennepin Technical College for the period of July 1, 1995 through June 30, 1997. Our formal written response to the audit findings is attached.

I want to thank Brad White, Audit Manger, and the entire audit team for the thorough and professional manner in which they performed the audit. They were very helpful working with our staff to resolve the findings.

The audit reflects a time of great change for the College. The governance change and subsequent development of new accounting systems have provided both challenges and opportunities for improvement. The audit findings provide us with useful feedback on our continuous improvement efforts. We believe our response to the audit findings reflects significant progress toward continuous improvement of our operations.

Please contact me if you have any questions regarding our response.

Sincerely,

Clifford Korkowski, Ed.D.
Interim President

ANOKA-HENNEPIN TECHNICAL COLLEGE

Response to audit findings

FINANCIAL MANAGEMENT

1. **Anoka-Hennepin Technical College did not verify, on a timely basis, that MnSCU accounting agreed with financial activity recorded in the state treasury and local bank account.**

Recommendation

Anoka-Hennepin Technical College should reconcile MnSCU accounting to MAPS cash, revenue and expenditure activity and the local bank account on a periodic basis to ensure the accuracy of its accounting records. The college should identify, resolve and adjust differences to avoid incomplete or inaccurate information.

The college has reconciled bank statements to MnSCU accounting through 6/30/98 and will continue to reconcile on a monthly basis. We daily review and correct any MnSCU revenue and expenditure entries that don't match with MAPS. We have hired a staff member who will monthly reconcile MAPS to MnSCU. This reconciliation will be completed September 30, 1998. Payroll is reconciled between SCUPPS and SEMA4 each pay period.

Responsible Person: Tom Silvers, VP of Finance Effective Date: August 18, 1998

2. **Anoka-Hennepin Technical College security controls to access MnSCU accounting and SCUPPS personnel/payroll systems were weak.**

Recommendation

Anoka-Hennepin Technical College should improve security access controls by:
-periodically reviewing system security reports;
-promptly canceling user IDs for terminated employees; and
-restricting access to its business systems based on job responsibilities.

The H/R Director has reviewed and revised the security status of her staff. The VP of Finance will do so after FY98 year-end closing. We will review and correct these security levels each semester.

In August, the Director of Technology reviewed, with administration, the entire security listing for the college and submitted to MnSCU the names that should be removed. MnSCU will review the security level of system employees and determine what rights they need at the campus level.

Responsible Person: Carol Abell, H/R Director; Tom Silvers, VP of Finance;
David Jeffrey, Director of Technology
Effective Date: October 30, 1998

TUITION AND FEES

3. **Anoka-Hennepin Technical College did not verify the accuracy and reasonableness of tuition collections.**

Recommendation

Anoka-Hennepin Technical College should reconcile billable credits on the MSIS system to the tuition and fee revenue.

The college should reconcile customized training payments recorded on Data Pro to the revenue recorded on MnSCU accounting.

For FY99 the new ISRS system will track credits sold directly into tuition revenue. We will review FY98 credits sold against tuition revenue to determine accuracy. CTS courses and receivables will also be tracked in ISRS. The third party billing module is in development and should be released soon. We will review FY98 CTS revenue against course records and receivables billed to determine accuracy.

Responsible Person: Tom Silvers, VP of Finance Effective Date: October 30, 1998

4. **The college did not promptly record and transfer student financial aid revenue for tuition and fees into the state treasury.**

Recommendation

Anoka-Hennepin Technical College should promptly record tuition revenue paid from financial aid resources to initiate timely transfer of funds to the state treasury.

For FY99 the new ISRS system will receipt financial aid to tuition and fees when funds are applied to the student record (bill). This will ensure timely receipt of funds into the local bank and state treasury.

Responsible Person: Tom Silvers, VP of Finance Effective Date: September 17, 1998

5. **The college did not promptly deposit certain receipts in compliance with Minnesota Statutes.**

Recommendation

Anoka-Hennepin Technical College should deposit receipts, totaling $250 or more, on a daily basis as required by Minn. Stat. Section 16A.275.

We have reviewed procedures with the staff involved to ensure timely deposit of receipts. The new ISRS system will help ensure timely deposit of all receipts.

Responsible Person: Tom Silvers, VP of Finance Effective Date: May 12, 1998

SUPPLIES AND EQUIPMENT

6. **The College did not complete a physical inventory of fixed assets to verify the accuracy of its fixed asset records.**

Recommendation

Anoka-Hennepin Technical College should complete a physical inventory count and ensure proper recording of all equipment on the fixed assets system.

A physical inventory was undertaken before the legislative audit. The physical inventory is now completed and recorded. Most computer equipment does not meet the $2,000 requirement to be inventoried. However, we have now started a project to record these items due to their susceptibility to theft.

Responsible Person: Tom Silvers, VP of Finance   Effective Date: September 17, 1998

STUDENT FINANCIAL AID

7. The College did not ensure the accuracy of its records by performing key reconciliations related to student financial aid.

Recommendation

The college should ensure the accuracy of student financial aid activity by reconciling MnSCU accounting to the bank activity and financial aid disbursements recorded on SARA.

Bank reconciliations are now done monthly (see #1). The new ISRS system will ensure the accuracy of financial aid accounting.

Responsible Person: Tom Silvers, VP of Finance   Effective Date: September 17, 1998.

8. Anoka-Hennepin Technical College did not resolve negative balances for the federal financial aid account.

Recommendation

Anoka-Hennepin Technical College should work with the federal government to resolve prior year financial aid negative balances.

The college has contacted the Dept. of Education and requested their help in resolving this matter. We will be requesting an adjustment to cash.

Responsible Person: Tom Silvers, VP of Finance   Effective Date: October 30, 1998.

9. The college did not promptly record certain student financial aid activity in MnSCU accounting.

Recommendation

The college should transfer the state FSEOG match from the general fund to the federal financial aid fund as it disburses the aid to students.

The college should clear the balances in the payroll clearing accounts bi-weekly.

The college has reviewed its procedures and will ensure timely recording of financial aid activity. The new ISRS system will ensure timely posting to the correct accounts. The college started bi-weekly posting and clearing of matching payroll funds in February, 1998.

Responsible Person: Tom Silvers, VP of Finance   Effective Date: August 24, 1998

10. The college did not consistently comply with certain federal regulations.

Recommendation

The college should comply with federal financial aid requirements by:

a. -developing written selection procedures for awarding federal work study and FSEOG to students;
b. -submitting Pell changes within the required 30 days;
c. -separating student financial aid awarding and disbursing;
d. -obtaining written agreements with employers who hire work study students; and
e. -disbursing federal financial aid draws within three business days.

a. The Financial Aid Officer has updated the Policies and Procedures manual. The procedure for the selection of recipients is being addressed in the manual. The procedure will state that the students who apply earliest are selected based on a first come first served basis. Our experiences show that a practice of over-awarding allows us to award FSEOG and federal work study to a large number of students up front and then re-award after some students decide not to attend our college or to not accept the work study program. This way we are able to serve the students who do attend and desire to work.

Responsible Person: Nancy Maki, Financial Aid Officer   Effective Date: August 15, 1998

b. The Financial Aid Officer is now able to report Pell through the new software (SARAWIN), eliminating the problem.

Responsible Person: Nancy Maki, Financial Aid Officer   Effective Date: August 24, 1998

c. We have changed our procedures to fully separate these tasks.

Responsible Person: Tom Silvers, VP of Finance; Nancy Maki, Financial Aid Officer   Effective Date: June 30, 1998

d. We have written up an agreement for off-campus employers. That form will be used from this time forward.

Responsible Person: Nancy Maki, Financial Aid Officer
Effective Date: May 30, 1998

e. The ISRS system and new procedures will alleviate this issue.

Responsible Person: Tom Silvers, VP of Finance
Effective Date: August 24, 1998

11. The college's financial aid satisfactory academic progress policy does not comply with MnSCU guidelines.

Recommendation

The college should update its financial aid satisfactory academic progress policy to comply with MnSCU policy.

The revised Policy and Procedure manual addresses the number of credits required to complete programs and the time frame a student has in which to complete these credits.

Responsible Person: Nancy Maki, Financial Aid Officer   Effective Date: August 10, 1998

BOOKSTORE

12. The college did not effectively measure operating results for the bookstore.

Recommendation

Anoka-Hennepin Technical College should allocate operating costs to the bookstore for inclusion in the annual financial statement.

MnSCU will be addressing this activity in policy. The college is waiting for system action.

Responsible Person: Tom Silvers, VP of Finance   Effective Date: June 30, 1998

13. The college did not separate key control responsibilities for the bookstore revenues.

Recommendation

The college should improve internal controls over bookstore receipts by:
-separating incompatible responsibilities; and
-providing a periodic, independent reconciliation of Data Pro sales receipts to MnSCU accounting revenues.

The college has changed procedures to improve the internal controls over the bookstore including: 1) daily receipt totals and supporting documentation will be submitted to the tuition office for entry into MnSCU accounting. 2) Non-bookstore staff will periodically reconcile Data Pro receipts to MnSCU accounting.

Responsible Person: Tom Silvers, VP of Finance   Effective Date: October 1, 1998