

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Committee: Audit Committee

Date of Meeting: April 18, 2012

Agenda Item: Review Results of Financial Aid Audits

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda:

Board Policy 1A.2. Part 5, Subpart E charges the Audit Committee with overseeing the work of external auditors.

Scheduled Presenter(s):

Beth Buse, Executive Director, Office of Internal Auditing
Christopher Halling, System Director for Financial Aid
Craig Popenhagen, Principal with CliftonLarsonAllen, LLP

Outline of Key Points/Policy Issues:

- The auditor's report on compliance for the major federal award programs expressed an unqualified opinion.
- The audit report contains three isolated compliance findings related to certain federal financial aid regulations.
- Minnesota Office of Higher Education regularly conducts audits of colleges and universities.

Background Information:

- Federal law requires an annual audit of major federal financial assistance programs, including the student financial aid programs.
- MnSCU received over \$420 million in federal grants and students borrowed nearly \$651 million of federal loans in fiscal year 2011.
- The firm of CliftonLarsonAllen, LLP conducted the audit as part of its responsibilities as principal auditor for MnSCU.

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MINNESOTA STATE COLLEGES AND UNIVERSITIES**

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| BOARD INFORMATION |
| REVIEW RESULTS OF FINANCIAL AID AUDITS |

1 **BACKGROUND**

2
3 Copies of Minnesota State Colleges and Universities Schedule of Expenditures of Federal
4 Awards for the Year Ended June 30, 2011 were provided to members of the Board of Trustees in
5 the Board materials for the April 18, 2012 meeting. Additional copies will be made available at
6 the meeting. The report was prepared by the firm of CliftonLarsonAllen LLP as part of its
7 responsibilities as principal auditor for the Minnesota State Colleges and Universities. The
8 results of this report were incorporated into the State of Minnesota’s Single Audit Report that
9 was released in March. Copies of that report are available on the Minnesota Management and
10 Budget web site at (<http://www.mmb.state.mn.us/doc/acct/2011-audit.pdf>).

11
12 The Minnesota Office of Higher Education conducts regular program reviews of state paid
13 financial aid administered by MnSCU colleges and universities.

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15 The attached PowerPoint presentation provides a summary of audit work completed on federal
16 and student financial aid programs.

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36 *Date Presented to the Board of Trustees: April 18, 2012*



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Audit Committee April 18, 2012 Meeting

Review Results of Financial Aid Audits

**Beth Buse, Executive Director of Internal Auditing
Christopher Halling, System Director for Financial Aid
Craig Popenhagen, Principal with LarsonAllen LLP**

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REVIEW 2011 FEDERAL FINANCIAL ASSISTANCE AUDIT REPORT



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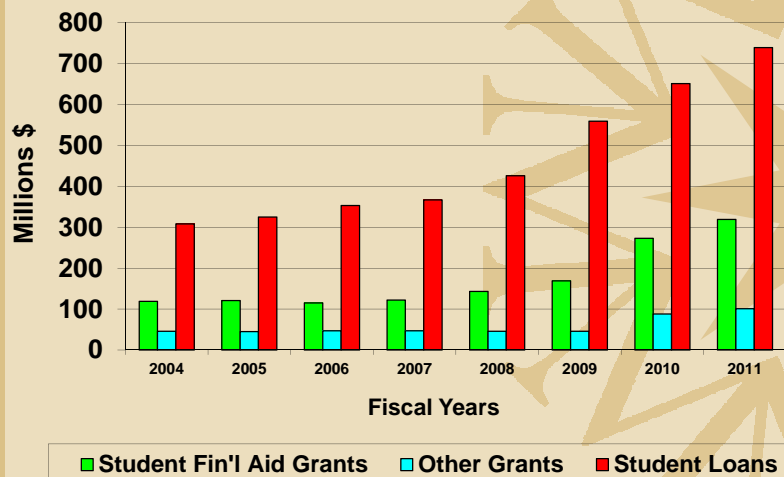
Background

- Annual audit required by federal law
- Focus on major programs
 - Student Financial Aid
 - American Recovery and Reinvestment (ARRA)
- Audit work performed by Principal Auditor (CliftonLarsonAllen)
- Results included with State of Minnesota Report
 - Submitted to federal government in March 2012



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MnSCU Federal Financial Assistance: 2004 to 2011



Note: Student Loans Exclude Perkins and Nursing Loans



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ARRA

- \$40.5 Million in 2011
 - 94 % State Fiscal Stabilization Fund Education State Grants (SFSF)
- No Audit Findings



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Fiscal Year Comparison – Federal Financial Aid Grants

| Program Title | FY11 Total | FY10 Total | Amount Change | % Change |
|--|----------------------|----------------------|---------------------|------------|
| Federal Pell Grant Program | \$306,142,887 | \$254,681,709 | \$51,461,178 | 20% |
| Federal Work-Study Program | \$7,071,092 | \$7,373,199 | (\$302,107) | -4% |
| Federal Supplemental Education Opportunity Grants | \$6,202,142 | \$6,389,253 | (\$187,111) | -3% |
| Academic Competiveness Grants | \$3,801,108 | \$3,133,645 | \$667,463 | 21% |
| National Science and Math Talent (Smart) Grants | \$1,999,579 | \$1,526,987 | \$472,592 | 31% |
| Teacher Education Assistance for College and Higher Ed. Grants | \$335,663 | \$233,734 | \$101,929 | 44% |
| | \$325,552,471 | \$273,338,527 | \$52,213,944 | 19% |



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FY Comparison – Fin. Aid Loans

| Program Title | FY11 Total | FY10 Total | Amount Change | % Change |
|--------------------------------|----------------------|----------------------|---------------------|------------|
| Federal Direct Student Loans | \$739,473,470 | \$192,552,846 | \$546,920,624 | 284% |
| Federal Family Education Loans | \$0 | \$458,211,894 | (\$458,211,894) | -100% |
| | \$739,473,470 | \$650,764,740 | \$88,708,730 | 14% |



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FY 2011 Federal Student Financial Aid Findings

- 11-1 Timely reporting of governance changes (3 colleges)
- 11-2 Late Return of Title IV funds (1 college)
- 11-3 Loan exit conference documentation (1 college)



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Prior Year (2010) Federal Student Financial Aid Findings

- 4 prior findings
- All were resolved
- However, a similar issue was identified in FY11 for one of the findings (R2T4)



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Federal Financial Aid Finding History

| Fiscal Year | Total Findings | Questioned Costs |
|--------------|----------------|--------------------|
| 2006* | 6 | \$1,479,644 |
| 2007 | 8 | 10,323 |
| 2008 | 3 | 0 |
| 2009 | 5 | 4,567 |
| 2010 | 4 | 4,698 |
| 2011 | 3 | 0 |
| Total | 29 | \$1,499,232 |

* - includes questioned costs from USDOE program reviews



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MINNESOTA OFFICE OF HIGHER EDUCATION AUDIT WORK



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Background — Minnesota Office of Higher Education

- Administers state student financial aid programs for postsecondary education students:
 - State Grant Program
 - Minnesota State Work Study Program
 - Postsecondary Child Care Grant Program
 - Public Safety Officer’s Survivor Grant Program
 - Student Educational Loan Fund Program (SELF)
 - Minnesota GI Bill
 - Minnesota Indian Scholarship
 - Summer Transition Grant Program
- Administers tuition reciprocity agreements



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Background – Minnesota Office of Higher Education

- Distinctive program eligibility requirements for most programs
 - Minnesota Residency
 - Minimum enrollment status requirements
 - Education term limits
- Other program specific requirements
 - Postsecondary Child Care Grant Program
 - Minnesota Indian Scholarship



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Background – Minnesota Office of Higher Education

- Program Reviews (audits)
 - Audit manager and two audit staff
 - Conduct rotating audits of all MN colleges and universities (public, private non-profit and private for-profit)
 - Conduct audit work on individual colleges and universities, not the system as a whole
 - Current goal – conduct reviews a minimum of once every four years



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Audits - Minnesota Office of Higher Education

Minnesota State Colleges and Universities Audit Finding History

| Fiscal Year | Audit Reports Issued | Total Findings | Total Amount Repaid |
|--------------|----------------------|----------------|---------------------|
| 2008 | 7 | 29 | \$33,648 |
| 2009 | 12 | 29 | \$16,523 |
| 2010 | 15 | 67 | \$20,310 |
| 2011 | 3 | 22 | \$3,882 |
| 2012* | 10 | 51 | \$42,534 |
| Total | 47 | 198 | \$116,897 |

* - Thru March 2012



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Audits - Minnesota Office of Higher Education

- Audit Finding Observations
 - Most issues noted in Child Care and State Grant Programs
 - Typically less audit findings at state universities
 - Most audit findings are due to calculation errors or incomplete information for determining program eligibility
- Follow-up
 - Internal Audit has been tracking and following up on findings since 2003