



**Minnesota**  
STATE COLLEGES  
& UNIVERSITIES

**Minnesota State Colleges and Universities**

# **Review Results of Financial Aid Audits**

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

**April 16, 2013**



Minnesota  
STATE COLLEGES  
& UNIVERSITIES

# **REVIEW 2012 FEDERAL FINANCIAL ASSISTANCE AUDIT REPORT**

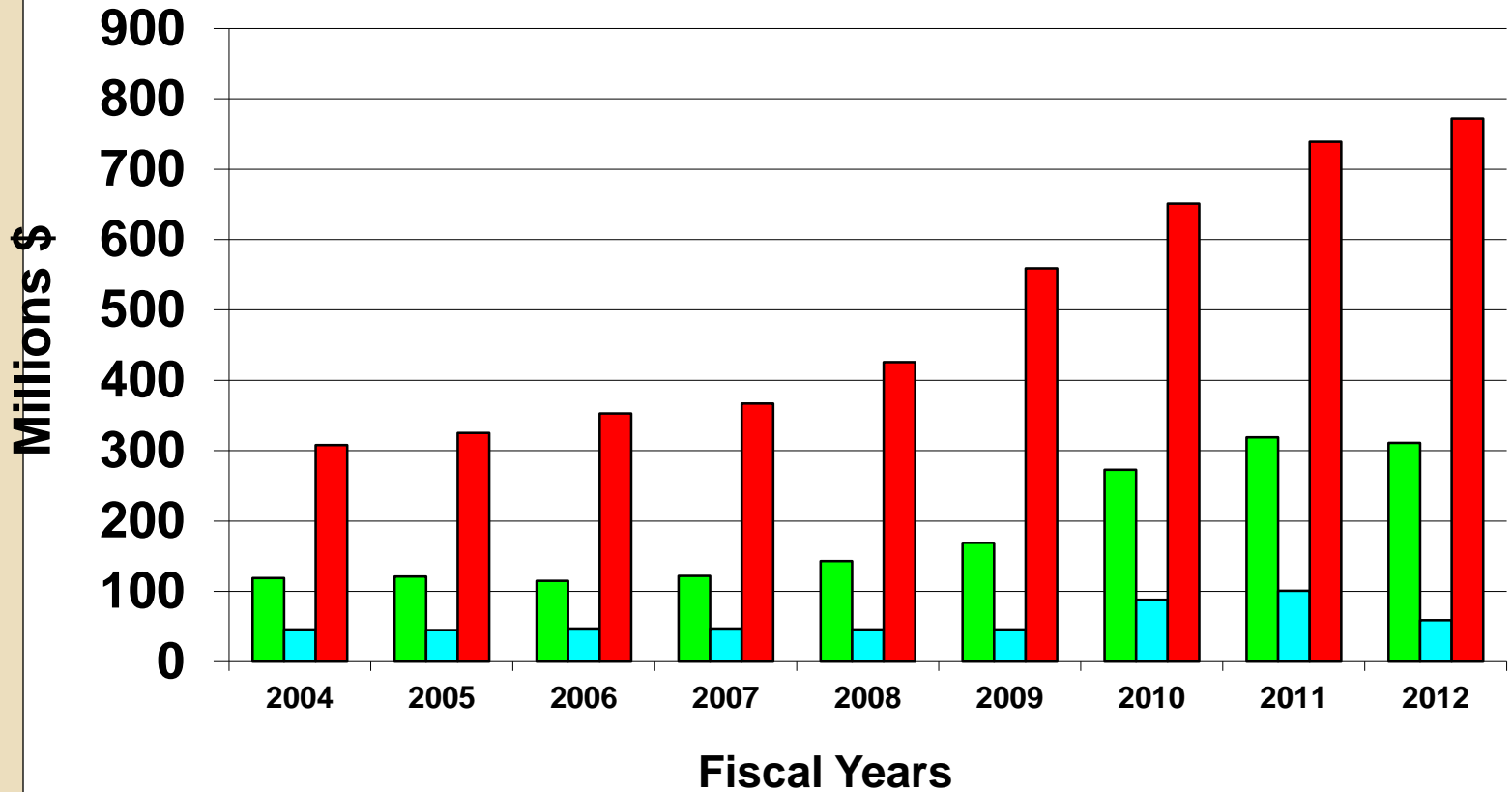


# Background

- Annual audit required by federal law
- Focus on major programs
  - Student Financial Aid
- Audit work performed by Principal Auditor (CliftonLarsonAllen)
- Results will be included with State of Minnesota Report
  - Planned late release in May 2013



## MnSCU Federal Financial Assistance: 2004 to 2012



■ Student Fin'l Aid Grants    ■ Other Grants    ■ Student Loans



Minnesota  
STATE COLLEGES  
& UNIVERSITIES

# Fiscal Year Comparison – Federal Financial Aid Grants

Program Title	FY12 Total	FY11 Total	Amount Change	% Change
Federal Pell Grant Program	\$297,167,750	\$306,142,887	(\$8,975,137)	-3%
Federal Work-Study Program	\$7,179,090	\$7,071,092	\$107,998	2%
Federal Supplemental Education Opportunity Grants	\$6,089,367	\$6,202,142	(\$112,775)	-2%
Academic Competiveness Grants	\$69,646	\$3,801,108	(\$3,731,462)	-98%
National Science and Math Talent (Smart) Grants	\$45,150	\$1,999,579	(\$1,954,429)	-98%
Teacher Education Assistance for College and Higher Ed. Grants	\$454,803	\$335,663	\$119,140	35%
	<b>\$311,005,806</b>	<b>\$325,552,471</b>	<b>(\$14,546,665)</b>	<b>-4%</b>



Minnesota  
STATE COLLEGES  
& UNIVERSITIES

# Fiscal Year Comparison – Federal Loans

Program Title	FY12 Total	FY11 Total	Amount Change	% Change
Federal Direct Student Loans	\$771,876,888	\$739,473,470	\$32,403,418	4%



# FY 2012 Federal Student Financial Aid Findings

- 3 Findings & **NO** Questioned Costs
  - One college did not report a reading tutor in the Fiscal Operations Report and Application to Participate (FISAP)
  - One college did not timely report changes in governance within the required 10 days.
  - One college did not properly report the disbursement date of a Pell disbursement in COD.



Minnesota  
STATE COLLEGES  
& UNIVERSITIES

# Prior Year (2011) Federal Student Financial Aid Findings

- 3 prior findings
- All were resolved





# 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
2012	3	0
<b>Total</b>	<b>29</b>	<b>\$1,499,232</b>

\* - includes questioned costs from USDOE program reviews



**Minnesota**  
STATE COLLEGES  
& UNIVERSITIES

# **MINNESOTA OFFICE OF HIGHER EDUCATION AUDIT WORK**



Minnesota  
STATE COLLEGES  
& UNIVERSITIES

# Background – Minnesota Office of Higher Education

Student Financial Aid Programs Administered by MOHE	Total FY 2011 Awarded	MnSCU FY 2011 Awarded	MnSCU %
State Grant	\$119,829,000	\$36,849,000	31%
Postsecondary Child Care Grant	\$6,524,000	\$5,054,000	77%
Public Safety Officer's Survivor Grant	\$74,000	\$16,000	22%
Minnesota GI Bill	\$568,000	\$342,000	60%
Minnesota Indian Scholarship	\$1,843,000	\$1,218,000	66%
Minnesota State Work Study	\$19,599,000	\$9,673,000	49%
Student Educational Loan Fund (SELF)	\$69,700,000	\$25,171,000	36%

Also, administers tuition reciprocity agreements



Minnesota  
STATE COLLEGES  
& UNIVERSITIES

# 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



Minnesota  
STATE COLLEGES  
& UNIVERSITIES

# 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



Minnesota  
STATE COLLEGES  
& UNIVERSITIES

# Audits - Minnesota Office of Higher Education

## Minnesota State Colleges and Universities Audit Finding History

<b>Fiscal Year</b>	<b>Audit Reports Issued</b>	<b>Total Recommendations</b>	<b>Total Amount Repaid</b>
<b>2008</b>	<b>7</b>	<b>29</b>	<b>\$33,648</b>
<b>2009</b>	<b>12</b>	<b>29</b>	<b>\$16,523</b>
<b>2010</b>	<b>15</b>	<b>67</b>	<b>\$20,310</b>
<b>2011</b>	<b>3</b>	<b>22</b>	<b>\$3,882</b>
<b>2012</b>	<b>12</b>	<b>74</b>	<b>\$44,616</b>
<b>2013*</b>	<b>6</b>	<b>68</b>	<b>\$5,322</b>
<b>Total</b>	<b>55</b>	<b>289</b>	<b>\$124,301</b>

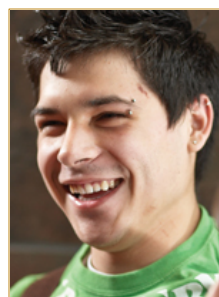
\* - Thru March 2013



# Audits - Minnesota Office of Higher Education

- Audit Finding Observations
  - Most issues noted in Child Care and State Grant Programs
  - Most audit findings are a result of manual calculation errors or incomplete information for determining program eligibility
- Follow-up
  - Internal Audit has been tracking and following up on findings since 2003

# Minnesota State Colleges and Universities



Banking Controls Audit Results  
Audit Committee April 16, 2013

The Minnesota State Colleges and Universities system is an Equal Opportunity employer and educator.





# Background

- Each college, university, and the system office is responsible for internal controls related to local banking and investment activity
- Over 130 local bank accounts
- Over \$1B in receipts deposited into local bank accounts annually
  - Some “swept” or moved into the state’s bank account or state treasury (examples - tuition, fees, and room and board)
  - Others remain in local bank accounts until spent or invested (examples include auxiliary services such as parking, food service and bookstore receipts, federal financial aid and scholarship funds)
- June 30, 2012 cash and cash equivalent balances
  - State Treasury - \$793M
  - Local Bank Accounts - \$114M

# Audit Objectives

- Did colleges, universities, and the system office internal controls provide reasonable assurance that bank financial activities were adequately safeguarded, accurately recorded in the accounting records and complied with finance-related legal requirements?
- For the items tested, did colleges, universities, and the system office comply with significant finance-related legal requirements, including state laws, regulations, contracts, and applicable policies, procedures, and guidelines?
- Do opportunities exist for management to improve business processes over banking controls to make them more efficient and effective?

# Audit Scope and Methodology

- All colleges and universities and the system office
- Areas of focus
  - Bank account reconciliations
  - Banking contracts and investment and collateral requirements
  - Banking transactions (withdrawals, checks, electronic payments – ACH and wire transfers)
  - Employee's access/ability to initiate banking transactions
  - Others such as positive pay, dollar limits, dual controls/approvals...
- All institutions surveyed, analyzed data, reviewed security access, and tested a sample of transactions

# Audit Results – Overall Conclusion

- Internal controls were ***generally adequate***
- For the items tested, ***Generally complied*** with significant finance-related legal requirements and applicable policies, procedures, and guidelines



# Summary of Findings

- Internal control and compliance findings and recommendations
  - Institutions lacked guidance to help them determine the banking controls needed to address evolving risks (positive pay, wire transfers, online banking and direct deposit) (Finding 1).
  - Most institutions did not periodically review and recertify employee's access to bank and investment accounts (Finding 2).
  - Several colleges and universities did not adequately separate some job duties and some employees had unnecessary access (Finding 3).
  - Findings 4 – 8 address various compliance-related issues.

# Summary of Findings

- Considerations for system leaders
  - Evaluate the overall banking strategy for the system. Opportunities may exist to save money on banking services, improve controls, and maximize earnings on investments.
    - System leaders should evaluate banking practices and determine whether there are sufficient benefits to warrant going out for RFP for the entire system to select one or more vendors for banking services.
    - System leaders should evaluate system-wide cash flow needs and determine whether there are sufficient benefits to pool and invest local cash in a variety of short, mid, and long term investments. As part of this, leaders should consider pooling cash with the State of Minnesota.
  - Evaluate opportunities to develop more standardized practices for local bank reconciliations.

# College and University Local Bank Account Investments

Types of Investments	Universities	Colleges
No savings account or other investments	1	8
Savings account only	0	1
Certificates of Deposits only	0	5
Repurchase Agreements	2	5
Money Market or Pooled Investments	4	11
Other investments such as GNMMAs, Bonds, Treasury Bills	5	2

# Questions



**Minnesota**  
STATE COLLEGES  
& UNIVERSITIES