



Minnesota  
STATE COLLEGES  
& UNIVERSITIES

OFFICE OF INTERNAL AUDITING

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## INTERNAL AUDITOR'S REPORT

September 5, 2007

Members of iSeek Solutions Board of Directors  
Nancy Jacobsen, iSeek Solutions Executive Director

At your request, the Minnesota State Colleges and Universities (MnSCU) Office of Internal Auditing has audited the accompanying financial statements of iSeek Solutions for fiscal year 2007. As fiscal agent for iSeek Solutions, these financial statements are the responsibility of MnSCU management. The responsibility of MnSCU Internal Auditing was to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with *Institute of Internal Auditors: Standards for Professional Practice of Internal Auditing*. Those standards require that internal auditors maintain structural independence from management and conduct their work according to a disciplined, systematic process.

In our opinion, the statement of financial position as of June 30, 2007, and the statement of operations for fiscal year ended June 30, 2007, conform to the comprehensive accrued basis of accounting as explained in the notes. This basis of accounting measures account balances and operating results consistent with methods allowed by generally accepted accounting principles, but the financial statements are not intended to be presented according to generally accepted accounting principles. The presentation omits a statement of cash flows and note disclosures required by generally accepted accounting principles.

In addition to examining the financial statements, we have considered internal accounting controls over financial reporting and tested compliance with iSeek Solutions by-laws and board budgetary directives. We noted no matters involving the internal controls over financial reporting that we considered to be material weaknesses. Furthermore, our testing revealed no instances of noncompliance that warrant reporting to the iSeek Solutions board of directors. We did note one needed improvement in internal accounting operations that we have communicated to MnSCU management.

John Asmussen, CPA, CIA, CISA, MBA  
Executive Director  
Office of Internal Auditing

ISEEK  
Statement of Financial Position  
FY 07  
Year End 6/30/2007

|   | Totals         |
|---|----------------|
| <b>Assets</b>                           |                |
| <i>Cash</i>                             | 444,383        |
| <i>Accounts Receivable</i>              | 328,994        |
| <b>Total Assets</b>                     | <b>773,377</b> |
| <b>Liabilities</b>                      |                |
| <i>Payable - Payroll</i>                | 17,327         |
| <i>Payable - Non salary Payable</i>     | 18,581         |
| <i>Compensated absences</i>             | 49,688         |
| <b>Total Liabilities</b>                | <b>85,596</b>  |
| <i>Net assets at beginning of year</i>  | 335,684        |
| <i>Add: Change in net assets</i>        | 352,097        |
| <b>Net Assets</b>                       | <b>687,781</b> |
| <b>Total Liabilities and Net Assets</b> | <b>773,377</b> |

Statement of Financial Position Notes Attached

ISEEK  
Statement of Operations  
For Period  
7/1/2006 - 6/30/2007

| Operating Revenues   | <i>Budget</i>    | <i>Actual</i>    |
|--|------------------|------------------|
| Minnesota State Colleges and Universities                    | 330,000          | 460,000          |
| University of Minnesota                                      | 200,000          | 200,000          |
| DEED   | 100,000          | 44,000           |
| MnCareers Sales  | 140,000          | 364,671          |
| MN Future Works (Perkins)                                    | 20,000           | -                |
| Federal Grants Perkins                                       |                  | 71,635           |
| Other Income - Westat  |                  | 10,000           |
| Other Income - Century College                               |                  | 3,700            |
| Other Income - MOHE  |                  | 40,000           |
| Interest Income  |                  | 337              |
| <b>Total Operating Revenue</b>                               | <b>790,000</b>   | <b>1,194,343</b> |
| <b>Operating Expenses</b>                                    |                  |                  |
| Salary Expense   | 282,000          | 280,197          |
| Fringe Benefit Expense                                       | 84,600           | 83,021           |
| MnSCU Service Level Agreement (SLA)                          | 220,000          | 197,467          |
| ISEEK.ORG Coding Upgrades - DEED                             | 65,000           | 24,804           |
| Outreach & Marketing Materials - DEED                        | 10,000           | 6,600            |
| Supplies, Travel, equipment, leases                          | 18,305           | 11,394           |
| Training - DEED  | 6,000            | -                |
| CAS (Course Applicability System)                            | 71,095           | 99,232           |
| Learning Innovations Projects                                |                  | 6,262            |
| Business Services and Audit                                  | 4,000            | 4,000            |
| MN Department of Education (MCIS)                            | 25,000           | 25,000           |
| MN Dept of Employment & Economic Dev(LMI IA) -DEED           | 25,000           |                  |
| MnCareers Magazine   | 140,000          | 91,426           |
| MnCareers Content Integration - DEED                         | 4,000            | -                |
| Redesign (Business Services Tab)- DEED                       | 15,000           | -                |
| Mn FutureWorks Perkins                                       | 20,000           | -                |
| Other Non Salary Expenses                                    |                  | 12,843           |
| <b>Total Operating Expenses</b>                              | <b>990,000</b>   | <b>842,246</b>   |
| <b>Gain Before Other Revenues, Expenses, Gains or Losses</b> | <b>(200,000)</b> | <b>352,097</b>   |
| Other Revenues, Expenses, Gains or Losses                    |                  | -                |
| Change in Net Assets   |                  | 352,097          |
| <b>Total Net assets, Beginning of year (Restated)</b>        | <b>200,000</b>   | <b>335,684</b>   |
| <b>Total Net assets, End of Year</b>                         | <b>-</b>         | <b>687,781</b>   |

**Notes Attached**

ISEEK  
Statement of Financial Position  
FY 07  
Year End 6/30/2007

| Notes to Statement of Financial Position  |  |               |               |
|---|--|---------------|---------------|
| <p>Note - Fund Balance:<br/>An internal audit for FY 06, noted a cumulative difference of \$246,371 between calculated carry forward versus the approved carry forward for the fiscal years 1999, 2000 and 2001. Documentation could not be located to support the higher amounts of approved carry forward for the fiscal years 1999, 2000, &amp; 2001. The Finance Division reviewed this and confirmed that approval was given to carry forward the higher amounts.</p> <p>Note - Compensated Absences:<br/>Total Compensated Absences as of 6/30/2007 were \$49,688 and the total Compensated Absences for FY 06 were</p> |  |               |               |
| Accrued Revenue sources - ISEEK   |  |               |               |
| <b>1</b>  | Description  | Amount        | Date Recorded |
|   | Transfer In - Academic & Student Affairs                     | -130,000      | 05-Jul-07     |
|   | Other Income - Century College                               | -2,500        | 05-Jul-07     |
|   | Other Income - Century College                               | -1,200        | 18-Jul-07     |
|   | Other Income - Westat  | -10,000       | 01-Aug-07     |
|   | Other Income - MOHE  | -25,000       | 03-Aug-07     |
|   | Other Income - MOHE  | -15,000       | 03-Aug-07     |
|   | Other Income- DEED   | -44,000       | 16-Aug-07     |
|   | Total Accrued Revenue  | -227,700      |               |
| <b>MnCareers Magazine</b>   |  |               |               |
|   | Description  | Amount        | Date Recorded |
|   | Other Income - Century College                               | -2,500        | 05-Jul-07     |
|   | Other Income - Mn Careers mag receipt                        | -88,391       | 18-Jul-07     |
|   | Other Income - Mn Careers mag receipt                        | -6,764        | 18-Jul-07     |
|   | Other Income - Mn Careers mag receipt                        | -3,688        | 03-Aug-07     |
|   |  | -101,343      |               |
|   | <b>Employer Partnership</b>                                  | 49            | 08-Aug-07     |
|   |  | 49            |               |
|   | Total Accrued Revenue Receivable                             | -328,994      |               |
| Accrued Non Salary Payable  |  |               |               |
| <b>2</b>  | Description  | Amount        | Date Recorded |
|   | Writing Services-Manual, Grants Etc                          | 150           | 02-Jul-07     |
|   | Writing Services-Manual, Grants Etc                          | 150           | 02-Jul-07     |
|   | Other Professional/Technical Services                        | 6,240         | 09-Jul-07     |
|   | Other Professional/Technical Services                        | 2,576         | 02-Aug-07     |
|   | State Agency-Other Consultant Services                       | 2,500         | 06-Jul-07     |
|   | Network services   | 227           | 17-Aug-07     |
|   | Trainers/Speakers for Employee Development                   | 1,000         | 17-Jul-07     |
|   |  | 12,843        |               |
|   | Mileage  | 397           | 16-Jul-07     |
|   | Registration Fees  | 240           | 02-Aug-07     |
|   | Misc Travel Expenses   | 1,101         | 18-Jul-07     |
|   | Total Travel   | 1,738         |               |
|   | Business office Services                                     | 4,000         | 30-Jul-07     |
|   | Total Business Office Services                               | 4,000         |               |
|   | <b>Total Non Salary Payable</b>                              | <b>18,581</b> |               |
| <b>3</b>  | <b>ISEEK - FY 07 Summary - Compensated Absence Liability</b> |               |               |
|   | <b>Vacation</b>  | 31,700        |               |
|   | <b>Sick</b>  | 14,457        |               |
|   | <b>FICA</b>  | 3,531         |               |
|   | <b>Total</b>   | <b>49,688</b> |               |
| <p><b>Liability for Compensated Absences was calculated using vacation and sick leave balances as of 6/30/2007. Vacation accruals valued at 100% and sick leave accruals valued at 40% of accrual balance (Per MAPE and AFSCME)</b></p>   |  |               |               |

ISEEK  
Statement of Operations  
For Period  
7/1/2006 - 6/30/2007

**Notes to Statement of Operations**

**1** Budgeted carry forward from FY 06 to FY 07 was \$200,000. Actual carry forward from FY 06 was \$325,320 and available for distribution.

**2** DEED Contribution of \$100,000 was awarded for projects to be completed by ISEEK during the period ending 11/1/2007. As projects are completed DEED funds the expenses to the corresponding project category. As of June 30, 2007, ISEEK had billed DEED for \$44,000 for completed items. The \$44,000 was received in August 2007, and is shown as a receivable as of 6/30/2007.  
The project categories and corresponding budgets are included in this Statement of Operations. Projects are also Identified with respective budgets below.

| Project Name                                  | Project Budget |
|---|----------------|
| iseek.org Coding Upgrades                     | 40,000         |
| Training                                      | 6,000          |
| Outreach & Marketing Materials                | 10,000         |
| MN Dept of Employment & Economic Dev (LMI IA) | 25,000         |
| MnCareers Content Integration                 | 4,000          |
| Redesign (Business Services Tab)              | 15,000         |
| <b>Total</b>                                  | <u>100,000</u> |

**3** Salary Expense: Salary expense includes compensated absence expense of \$11,845. Salary expense was increased by \$11,845 on the Statement of Operation report for FY 07.

|                      |               |
|----------------------|---------------|
| FY 07 Ending balance | 49,688        |
| FY 06 Ending Balance | <u>37,844</u> |

Compensated absence expense for FY 07      11,845

Accrued Non Salary Expenses (other)

| 4 | ObjCode | Description                                | Amount           | Date Recorded |
|---|---------|--|------------------|---------------|
|   | 1514    | Writing Services-Manual, Grants Etc        | 150.00           | 02-Jul-07     |
|   | 1514    | Writing Services-Manual, Grants Etc        | 150.00           | 02-Jul-07     |
|   | 1570    | Other Professional/Technical Services      | 6,240.00         | 09-Jul-07     |
|   | 1570    | Other Professional/Technical Services      | 2,576.25         | 02-Aug-07     |
|   | 1571    | State Agency-Other Consultant Services     | 2,500.00         | 06-Jul-07     |
|   | 1582    | Trainers/Speakers for Employee Development | 1,000.00         | 17-Jul-07     |
|   | 2020    | Network services                           | 226.55           | 17-Jul-07     |
|   |         | Other Non Salary Expense Total             | <u>12,842.80</u> |               |

**5** Learning Innovations Project - Budget Variance

For FY 06, the Board approved a \$300,000 budget for Learning Innovations projects. A portion of these funds had been committed to Minnesota Education Media in April 2006, for \$14,000. The first installment was paid June 2006 and the second (and final payment) occurred April 2007. The first iteration of the FY 07, budget was approved as of 7/21/2006, and included a budget for Learning Innovations projects in the amount of \$25,399. This amount was removed from the budget by the Board on 11/17/2006, and did not recognize the ongoing outstanding contract with Mn Education Media. The remaining \$6,262 outstanding commitment was paid at the completion of the project in April of 2007. Payment had been completed to satisfy the ISEEK obligation though most recent approved budget had been removed.