

MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES

Agenda Item Summary Sheet

Committee: Audit Committee

Date of Meeting June 19, 2013

Agenda Item: Review results of Bemidji State University & Northwest Technical College
Internal Control and Compliance Audit

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring
 Information

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

Review results of Bemidji State University & Northwest Technical College audit conducted by the Office of Internal Auditing.

Scheduled Presenters):

Beth Buse, Executive Director, Office of Internal Auditing

Outline of Key Points/Policy Issues:

We reviewed internal controls and compliance over selected activities for fiscal years 2011, 2012, and 2013 through December 31, 2012.

The university and college generally had adequate internal controls. For items tested, the university and college generally complied with MnSCU policies and finance-related legal provisions. We identified six audit findings.

Background Information:

In June 2012 the audit committee approved the Fiscal Year 2013 Internal Auditing Annual Audit Plan. As part of that plan, the Office of Internal Auditing conducted an internal control and compliance audit of Bemidji State University & Northwest Technical College.

BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD ACTION

REVIEW RESULTS OF BEMIDJI STATE UNIVERSITY & NORTHWEST
TECHNICAL COLLEGE INTERNAL CONTROL AND COMPLIANCE AUDIT

See attached report

Date Presented to the Board of Trustee: June 19, 2013



Bemidji State University & Northwest Technical College Internal Control and Compliance Audit

Office of Internal Auditing
Reference Number 2013-06-005

Public Release Date June 12 2013

Members of the MnS8 l63.276 Tf16mna662(o)-5Aes, Scope

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Section II: Audit Objectives, Scope, Methodology, and Conclusion

Audit Objectives

The objectives for this audit were to answer the following

June 12, 2013

Bemidji State University & Northwest Technical College – Internal Control and Compliance Audit

Section III ó Audit Findings and Recommendations

Receipt Collections

1. The university did not have adequate controls to ensure receipts from several supplemental revenue sources were safeguarded and properly deposited.

The university did not have adequate controls to ensure receipts from supplemental revenue sources were safeguarded and properly deposited. The university business office collects many receipts, such as tuition and fees, directly from students. Other supplemental receipts including athletic events and concessions, student union sales, parking fines, recreation center facilities and equipment rental fees are collected elsewhere at the university and delivered to the business office to be deposited. We found the following weaknesses when reviewing these supplemental revenue processes.

The university student union reconciliation process did not accurately reconcile actual receipts to what should have been collected for some supplemental revenue 2(d a)4(nd pr,6(did7(F89.0(ceiptnts and ke19(y)2or oe

safeguarded and deposited. Also, receipt processes and controls should be documented. Controls should ensure:

*deposits are complete and reconcile to supporting documentation
receipts are deposited timely
receipts are physically secured
backup personnel are trained to perform defined procedures,
including daily deposit reconciliations and entry of transactions into
the accounting system.*

2. The university provided student check cashing services resulting in unnecessary risks.

Several years ago, the university began providing a free check cashing service in its student union to allow students to cash student payroll and other checks. Since that time, the number of university issued checks to students has decreased as electronic direct deposits have been used. Also, ATM machines are located throughout campus, and a credit union leases space in the student union

Recommendations

The institutions should develop and implement a more robust, independent reconciliation process to verify the accuracy of employee tuition waivers entered at the university and college, including those paid to other institutions. In addition, they should perform a reconciliation of student tuition waivers to ensure there is documentation to support approval and dollar amounts.

The university should determine the total amount of employee waivers it paid other institutions in error and obtain reimbursement from Northwest Technical College.

Purchasing Cards

4. The university did not have written guidance to help employees determine the reasonableness of clothing purchases for admissions office recruiters.

The university does not have written guidance to help determine the reasonableness of clothing purchased for admissions office recruiting staff. Our audit identified several items of clothing purchased for admissions office recruitment staff such as sweaters and dress shirts, sweaters, scarves, fleece jackets, and a coat. Without written guidance, it is difficult for those involved in the purchasing process to determine if items are reasonable or allowable. In addition, it is not clear for whom clothing may be purchased, how many items or how much can be spent on each employee, or procedures for ensuring clothing purchases are included as employee compensation. As a result, the university and its employees may be at risk of violating Minnesota statutes or MnSCU policies and procedures related to employee code of conduct and ethics.

Recommendation

The university should consider developing written guidance related to clothing purchased for staff. The guidance should include and address:
employees or positions that receive clothing,
quantity of clothing items allowed per employee per year,
clothing parameters, such as allowable items and color restrictions,
and
process for reporting clothing purchases as compensation for employees to the payroll office.

Employee Business Expense Reimbursements

5. The university athletics department did not have written guidance for student athlete recruitment expenses and it did not comply with some travel and special expense procedures.

The university athletics department did not have written guidance to define dollar limits and allowable expenses for athletic recruitment expenses (i.e. student visits). During our audit, we noted the university reimbursed employees for meal and hotel expenses related to recruitment of student athletes. The university should have formal guidance to ensure expenses are reasonable and allowable, pay for recruitment-related expenses.

In addition, the university athletics department did not follow guidance related to personal use of university vehicles. The university athletics department was provided two vehicles by local automobile dealerships to be used by head coaches for the athletic programs in exchange for athletic tickets or advertising. When vehicles are used for personal use, such as commuting to and from home and work, the personal use must be reported to the payroll office as



importance of having consistent business practices that provide adequate controls and comply

~~with the MCOH rules. This is a challenge for the limited equipment as it~~

Finding 4:

The university did not have guidance to help employees determine the reasonableness of

Finding 6:

A complete review and certification of employee's access to the State of Minnesota's accounting system was not performed.

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