TABLE OF CONTENTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS ........ 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .................................................. 3

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .............................. 7

SCHEDULE OF FINDINGS AND QUESTIONED COSTS ...................................................... 9

OTHER SUPPLEMENTAL INFORMATION:
Appendix A – Response to Current Year Findings by Management
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

January 18, 2006

Board of Trustees
Minnesota State Colleges and Universities
St. Paul, Minnesota

COMPLIANCE

We have audited the compliance of Minnesota State Colleges and Universities ("MnSCU") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement that are applicable to each of its major federal programs, as determined by the State of Minnesota Office of the Legislative Auditor, for the year ended June 30, 2005. MnSCU’s major federal programs are identified in the Summary of Auditor’s Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of MnSCU’s management. Our responsibility is to express an opinion on MnSCU’s compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Nonprofit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MnSCU’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on MnSCU’s compliance with those requirements.

In our opinion, MnSCU complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items KDV 05-1 through KDV 05-12.
INTERNAL CONTROL OVER COMPLIANCE

The management of MnSCU is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered MnSCU’s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving MnSCU’s internal control over compliance and its operation that we consider to be material weaknesses.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the consolidated financial statements of MnSCU as of and for the year ended June 30, 2005 and have issued our report thereon dated November 4, 2005. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. This Schedule is the responsibility of the management of MnSCU. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the consolidated financials statements taken as a whole.

This report is intended solely for the information of the Board of Trustees, the Audit Committee, management and the State of Minnesota Office of the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

KERN, DEWENTER, VIERE, LTD.
Minneapolis, Minnesota
### CLUSTERED PROGRAMS:

#### Department of Labor:
- **Employment Services Cluster:**
  - Employment Service
    - CFDA Number: 17.207
    - Expenditures: $154,465

#### Department of Education:
- **Student Financial Assistance Cluster:**
  - Federal Supplemental Educational Opportunity Grants
    - CFDA Number: 84.007
    - Expenditures: $5,574,156
  - Federal Work-Study Program
    - CFDA Number: 84.033
    - Expenditures: $7,019,976
  - Federal Pell Grant Program
    - CFDA Number: 84.063
    - Expenditures: $109,238,576
- **Special Education Cluster:**
  - Special Education - Preschool Grants
    - CFDA Number: 84.173
    - Expenditures: $67,760

#### TRIO Cluster:
- TRIO - Student Support Services
  - CFDA Number: 84.042
  - Expenditures: $5,930,694
- TRIO - Talent Search
  - CFDA Number: 84.044
  - Expenditures: $1,204,320
- TRIO - Upward Bound
  - CFDA Number: 84.047
  - Expenditures: $4,188,598
- TRIO - Educational Opportunity Centers
  - CFDA Number: 84.066
  - Expenditures: $743,558

#### Department of Health and Human Services:
- **Child Care Cluster:**
  - Child Care and Development Block Grant
    - CFDA Number: 93.575
    - Expenditures: $76,147

#### Department of the Interior:
- **Fish and Wildlife Cluster:**
  - Wildlife Restoration
    - CFDA Number: 15.611
    - Expenditures: $3,404
  - National Center for Preservation Technology and Training
    - CFDA Number: 15.923
    - Expenditures: $17,516

#### Total Clustered Programs:
- Expenditures: $134,219,170

### NONCLUSTERED PROGRAMS:

#### Department of Agriculture:
- Agricultural Competitive Research
  - CFDA Number: 10.206
  - Expenditures: $42,054
- Tribal Colleges Endowment Program
  - CFDA Number: 10.222
  - Expenditures: $1,838
- Secondary and Two-Year Postsecondary Agricultural Education
  - CFDA Number: 10.226
  - Expenditures: $7,500
- Child and Adult Care Food Program
  - CFDA Number: 10.558
  - Expenditures: $28,727
- Forest Service
  - CFDA Number: 10.652
  - Expenditures: $69,590
- Community Facilities Loans and Grants
  - CFDA Number: 10.766
  - Expenditures: $22,036

#### Department of Commerce:
- Economic Development - Technical Assistance
  - CFDA Number: 11.303
  - Expenditures: $68,557
- Economic Adjustment Assistance
  - CFDA Number: 11.307
  - Expenditures: $53,757
- Climate and Atmospheric Research
  - CFDA Number: 11.431
  - Expenditures: $432
- Meteorologic and Hydrologic Modernization Development
  - CFDA Number: 11.467
  - Expenditures: $4,014

#### Department of the Navy:
- Basic and Applied Scientific Research
  - CFDA Number: 12.300
  - Expenditures: $14,723
## MINNESOTA STATE COLLEGES AND UNIVERSITIES
### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
#### Year Ended June 30, 2005

<table>
<thead>
<tr>
<th>Federal Agency</th>
<th>CFDA Number</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NONCLUSTERED PROGRAMS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Housing and Urban Development:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Development Block Grants/Entitlement Grants</td>
<td>14.218</td>
<td>$ 24,819</td>
</tr>
<tr>
<td>Community Development Work-Study Program</td>
<td>14.512</td>
<td>$ 43,894</td>
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<tr>
<td>Tribal Colleges and Universities Program</td>
<td>14.519</td>
<td>$ 27,569</td>
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<tr>
<td>Department of the Interior:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fish and Wildlife Management Assistance</td>
<td>15.608</td>
<td>$ 7,612</td>
</tr>
<tr>
<td>State Wildlife Grants</td>
<td>15.634</td>
<td>$ 20,941</td>
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<tr>
<td>Assistance to State Water Resources Research Institutes</td>
<td>15.805</td>
<td>$ 27,895</td>
</tr>
<tr>
<td>National Spatial Data Infrastructure Cooperative Agreements Program</td>
<td>15.809</td>
<td>$ 7,978</td>
</tr>
<tr>
<td>Department of Justice:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training Grants to Stop Abuse and Sexual Assault of Older Individuals or</td>
<td>16.528</td>
<td>$ 91,330</td>
</tr>
<tr>
<td>Individuals with Disabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Juvenile Justice and Delinquency Prevention Allocation to States</td>
<td>16.540</td>
<td>$ 5,940</td>
</tr>
<tr>
<td>Developing, Testing and Demonstrating Promising New Programs</td>
<td>16.541</td>
<td>$ 598,014</td>
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<tr>
<td>Department of Labor:</td>
<td></td>
<td></td>
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<tr>
<td>Employment and Training Administration Pilots, Demonstrations,</td>
<td>17.261</td>
<td>$ 652,970</td>
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<tr>
<td>and Research Projects</td>
<td></td>
<td></td>
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<tr>
<td>Welfare-to-Work Grants to States and Localities</td>
<td>17.253</td>
<td>$ 168,119</td>
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<tr>
<td>WIA Adult Program</td>
<td>17.258</td>
<td>$ 110,492</td>
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<tr>
<td>Dislocated Workers</td>
<td>17.260</td>
<td>$ 132,193</td>
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<tr>
<td>Occupational Safety and Health Training</td>
<td>17.502</td>
<td>$ 47,905</td>
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<tr>
<td>Mine Safety and Health Administration</td>
<td>17.600</td>
<td>$ 251,867</td>
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<tr>
<td>Department of Transportation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aviation Educaiton</td>
<td>20.100</td>
<td>$ 724,863</td>
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<tr>
<td>Highway Training and Education</td>
<td>20.215</td>
<td>$ 1,063</td>
</tr>
<tr>
<td>State and Community Highway Safety</td>
<td>20.600</td>
<td>$ 7,200</td>
</tr>
<tr>
<td>Interagency hazoduse Materials Public Sector Training and Planning</td>
<td>20.703</td>
<td>$ 40,117</td>
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<tr>
<td>National Aeronautics and Space Administration:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aerospace Education Services Program</td>
<td>43.001</td>
<td>$ 98,404</td>
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<tr>
<td>National Foundation on the Arts and the Humanities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promotion of the Humanities - Federal/State Partnership</td>
<td>45.129</td>
<td>$ 4,257</td>
</tr>
<tr>
<td>Promotion of the Humanities - Public Programs</td>
<td>45.164</td>
<td>$ 588</td>
</tr>
<tr>
<td>State Library Program</td>
<td>45.310</td>
<td>$ 174,229</td>
</tr>
</tbody>
</table>
## MINNESOTA STATE COLLEGES AND UNIVERSITIES

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Year Ended June 30, 2005**

<table>
<thead>
<tr>
<th>Federal Agency</th>
<th>CFDA Number</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NONCLUSTERED PROGRAMS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>National Science Foundation:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering Grants</td>
<td>47.041</td>
<td>91,281$</td>
</tr>
<tr>
<td>Mathematical and Physical Sciences</td>
<td>47.049</td>
<td>122,920</td>
</tr>
<tr>
<td>Geosciences</td>
<td>47.050</td>
<td>36,181</td>
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<tr>
<td>Computer and Information Science and Engineering</td>
<td>47.070</td>
<td>20,893</td>
</tr>
<tr>
<td>Biological Sciences</td>
<td>47.074</td>
<td>103,724</td>
</tr>
<tr>
<td>Social, Behavioral and Economic Sciences</td>
<td>47.075</td>
<td>41,489</td>
</tr>
<tr>
<td>Education and Human Resources</td>
<td>47.076</td>
<td>994,879</td>
</tr>
<tr>
<td>Polar Programs</td>
<td>47.078</td>
<td>3,884</td>
</tr>
<tr>
<td><strong>Small Business Administration:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Business Development Center</td>
<td>59.037</td>
<td>974,171</td>
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<tr>
<td><strong>Environmental Protection Agency:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonpoint Source Implementation Grants</td>
<td>66.460</td>
<td>48,218</td>
</tr>
<tr>
<td>Small Water System Training and Certification</td>
<td>66.471</td>
<td>76,705</td>
</tr>
<tr>
<td><strong>Homeland Security Agency:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hazardous Materials Training Program</td>
<td>97.020</td>
<td>10,621</td>
</tr>
<tr>
<td>Homeland Security Grant Program</td>
<td>97.067</td>
<td>8,257</td>
</tr>
<tr>
<td><strong>Department of Education:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adult Education - State Grant Program</td>
<td>84.002</td>
<td>1,088</td>
</tr>
<tr>
<td>Special Education Grants to States</td>
<td>84.027</td>
<td>101,104</td>
</tr>
<tr>
<td>Higher Education - Institutional Aid</td>
<td>84.031</td>
<td>181,805</td>
</tr>
<tr>
<td>Vocational Education - Basic State Grants</td>
<td>84.048</td>
<td>18,291,813</td>
</tr>
<tr>
<td>Demonstration Projects to Ensure Students with Disabilities</td>
<td>84.333</td>
<td>11,745</td>
</tr>
<tr>
<td>Receive a Higher Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund for the Improvement of Postsecondary Education</td>
<td>84.116</td>
<td>948,505</td>
</tr>
<tr>
<td>Rehabilitation Long-Term Training</td>
<td>84.129</td>
<td>154,434</td>
</tr>
<tr>
<td>Trio - McNair Post Baccalaureate Achievement</td>
<td>84.217</td>
<td>200,749</td>
</tr>
<tr>
<td>Tech-Prep Education</td>
<td>84.243</td>
<td>1,643,752</td>
</tr>
<tr>
<td>Eisenhower Professional Development State Grants</td>
<td>84.281</td>
<td>15,258</td>
</tr>
<tr>
<td>Special Education - State Personnel Development</td>
<td>84.323</td>
<td>802</td>
</tr>
<tr>
<td>Research in Special Education</td>
<td>84.324</td>
<td>880,496</td>
</tr>
<tr>
<td>Personnel Preparedness to Improve Services for Children</td>
<td>84.325</td>
<td>310,390</td>
</tr>
<tr>
<td>with Disabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Teacher Quality Enhancement Grants</td>
<td>84.336</td>
<td>815,671</td>
</tr>
<tr>
<td>Childcare Access Means Parents in School</td>
<td>84.335</td>
<td>99,462</td>
</tr>
<tr>
<td>Preparing Tomorrow's Teachers to Use Technology</td>
<td>84.342</td>
<td>5,819</td>
</tr>
<tr>
<td>TRIO - Dissemination Partnership Grants</td>
<td>84.344</td>
<td>87,345</td>
</tr>
<tr>
<td>Occupational and Employment Information State Grants</td>
<td>84.346</td>
<td>147,596</td>
</tr>
<tr>
<td>Mathematics and Science Partnerships</td>
<td>84.366</td>
<td>38,004</td>
</tr>
<tr>
<td>Improving Teacher Quality State Programs</td>
<td>84.367</td>
<td>326,332</td>
</tr>
</tbody>
</table>
## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Year Ended June 30, 2005**

<table>
<thead>
<tr>
<th>Federal Agency</th>
<th>CFDA Number</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NONCLUSTERED PROGRAMS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Health and Human Services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Education and Training Centers</td>
<td>93.189</td>
<td>$1,800</td>
</tr>
<tr>
<td>Allied Health Special Projects</td>
<td>93.191</td>
<td>337</td>
</tr>
<tr>
<td>Consolidated Knowledge Development and Application</td>
<td>93.230</td>
<td>6,065</td>
</tr>
<tr>
<td>Advanced Education Nursing Grant Program</td>
<td>93.247</td>
<td>1,913</td>
</tr>
<tr>
<td>Alcohol Research Programs</td>
<td>93.273</td>
<td>17,791</td>
</tr>
<tr>
<td>Advanced Education Nursing Traineeships</td>
<td>93.358</td>
<td>56,164</td>
</tr>
<tr>
<td>Nurse Education, Practice and Retention Grants</td>
<td>93.359</td>
<td>646,131</td>
</tr>
<tr>
<td>Head Start</td>
<td>93.600</td>
<td>56,318</td>
</tr>
<tr>
<td>Administration for Children and Families</td>
<td>93.645</td>
<td></td>
</tr>
<tr>
<td>Child Welfare Services Training Grants</td>
<td>93.648</td>
<td>63,393</td>
</tr>
<tr>
<td>Foster Care - Title IV</td>
<td>93.658</td>
<td>94,335</td>
</tr>
<tr>
<td>Health Careers Opportunity Program</td>
<td>93.822</td>
<td>28,073</td>
</tr>
<tr>
<td>Microbiology and Infectious Diseases Research</td>
<td>93.856</td>
<td>33,190</td>
</tr>
<tr>
<td>Research for Mothers and Children</td>
<td>93.865</td>
<td>44,279</td>
</tr>
<tr>
<td>Geriatric Education Centers</td>
<td>93.969</td>
<td>30,395</td>
</tr>
<tr>
<td>International Research and Training</td>
<td>93.989</td>
<td>131,424</td>
</tr>
<tr>
<td>State Domestic Preparedness Equipment Support Program</td>
<td>97.004</td>
<td>7,050</td>
</tr>
<tr>
<td><strong>Corporation for National and Community Service:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Learn to Serve America - School and Community Based Programs</td>
<td>94.004</td>
<td>1,465</td>
</tr>
<tr>
<td>Learn and Serve America - Higher Education</td>
<td>94.005</td>
<td>36,509</td>
</tr>
<tr>
<td>AmeriCorps</td>
<td>94.006</td>
<td>398,396</td>
</tr>
<tr>
<td><strong>Total Nonclustered Programs</strong></td>
<td></td>
<td>32,033,908</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td></td>
<td><strong>$166,253,078</strong></td>
</tr>
</tbody>
</table>

MINNESOTA STATE COLLEGES AND UNIVERSITIES
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federally sponsored transactions of the Minnesota State Colleges and Universities (MnSCU) reported on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Nonprofit Organizations.

NOTE 2 – RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO MNSCU’S BASIC FINANCIAL STATEMENTS

The following Schedule is a reconciliation of total expenditures as shown on the Schedule of Expenditures of Federal Awards to the federal grant revenue on MnSCU’s basic financial statements for the year ended June 30, 2005.

Federal Grant Revenue Per Basic Financial Statements $ 165,927,981
Plus Miscellaneous Adjustments 325,097

Total Per Schedule of Expenditures of Federal Awards $ 166,253,078


NOTE 3 – PERKINS AND NURSING STUDENT LOAN PROGRAMS

The amount reported on the financial statements for the Perkins Loans (84.038) for the Minnesota State College and University System is the administrative and collection cost. Below is a summary of the loan activity for the Perkins Loans and Nursing Loans Program (93.364) during fiscal year 2005.

<table>
<thead>
<tr>
<th></th>
<th>Perkins</th>
<th>Nursing Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans Receivable, Beginning</td>
<td>$ 35,959,291</td>
<td>$ 88,805</td>
</tr>
<tr>
<td>Loan Repayments</td>
<td>(6,871,622)</td>
<td>(35,648)</td>
</tr>
<tr>
<td>Loan Cancellations</td>
<td>(561,768)</td>
<td>-</td>
</tr>
<tr>
<td>New Loans Issued</td>
<td>7,788,593</td>
<td>-</td>
</tr>
<tr>
<td>Loans Receivable, Ending</td>
<td>$ 36,314,494</td>
<td>$ 53,157</td>
</tr>
</tbody>
</table>
NOTE 4 – FEDERAL FAMILY EDUCATION LOAN PROGRAMS

The Minnesota State College and University System financial records provide information on various federal higher education student loan programs for which the state does not manage the federal funds.

Under the Federal Family Education Loans (FFEL) Program (84.032), financial institutions make loans to students attending institutions of higher education. The Federal Direct Student Loan (FDSL) Program (84.268) operates similar to the FFEL Program except the federal government, rather than a private lender, provides the loan principal to the student. MnSCU distributed the following FFEL and FDSL loans to students attending state colleges or universities during fiscal year 2005.

Federal Family Education Loans Issued:

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Subsidized Stafford</td>
<td>$ 149,382,962</td>
</tr>
<tr>
<td>Federal Unsubsidized Stafford</td>
<td>123,846,944</td>
</tr>
<tr>
<td>Federal Parent Loans for Undergraduate Students</td>
<td>3,611,196</td>
</tr>
<tr>
<td><strong>Total Federal Family Education Loans</strong></td>
<td><strong>$ 276,841,102</strong></td>
</tr>
</tbody>
</table>

Federal Direct Student Loans

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 49,142,104</td>
</tr>
</tbody>
</table>
MINNESOTA STATE COLLEGES AND UNIVERSITIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:
  • Material weakness(es) identified: No
  • Reportable condition(s) identified that are not considered to be a material weakness(es)? No

Noncompliance material to financial statements noted? No

Federal Awards

Type of auditors report issued on compliance for major programs: Unqualified

Internal control over major programs:
  • Material weakness(es) identified? No
  • Reportable condition(s) identified that are not considered to be material weakness(es)? No

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

Identification of Major Programs**

CFDA #: Various*
Name of Federal Program or Cluster: Student Financial Assistance Cluster

Dollar Threshold used to Distinguish between Type A and Type B programs: $ 20.5 million**
Auditee qualified as low risk auditee? No
MINNESOTA STATE COLLEGES AND UNIVERSITIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Identification of Major Programs

* Includes Federal Supplemental Educational Opportunity Grant Program (CFDA No. 84.007), Federal Work Study Program (CFDA No. 84.033), Federal Pell Grant Program (CFDA No. 84.063), Federal Direct Student Loan Program (CFDA No. 84.268), Federal Family Education Loans (CFDA No. 84.032), Federal Perkins Loans – Federal Capital Contributions (CFDA No. 84.038) and Nursing Student Loans (CFDA No. 93.364).

** The State of Minnesota Office of the Legislative Auditor (“OLA”) determined the dollar threshold used to distinguish between Type A and Type B programs. The OLA also determined the major programs to be audited under Circular A-133.

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.
MINNESOTA STATE COLLEGES AND UNIVERSITIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding KDV 05-1

CFDA #: 84.007
Program: Federal Supplemental Educational Opportunity Grant

CFDA #: 84.033
Program: Federal Work Study

CFDA #: 84.063
Program: Federal Pell Grant

CFDA #: 84.268
Program: Federal Direct Student Loans ("FDSL")

CFDA #: 84.032
Program: Federal Family Education Loans ("FFEL")

CFDA #: 84.038
Program: Federal Perkins Loans

CFDA #: 93.364
Program: Nursing Student Loans

Compliance Requirement: Eligibility – Institutional

Institution: Multiple, See Below

Questioned Costs: None – Procedural Finding Only

Condition #1:
Certain colleges and universities need to modify provisions within their financial aid satisfactory academic progress policies to ensure compliance with federal regulations. In addition, colleges and universities need to ensure that polices are written clearly in order for financial aid recipients to understand requirements for maintaining eligibility. The specific areas needing attention are listed below:

- Anoka Technical College and Vermilion Community College satisfactory academic progress policies do not clearly define requirements for probation, suspension and reinstatement.

- Minnesota State College – Southeast Technical College’s satisfactory academic progress policy needs to be reworded to make it clear to students that if they are suspended after spring term, the suspension is effective beginning in the summer term.
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding KDV 05-1

Condition #1, Continued:

- Inver Hills Community College, Itasca Community College, Minnesota West Community and Technical College, Mesabi Range Community and Technical College, Minneapolis Community and Technical College, Pine Technical College, Rainy River Community College and Ridgewater College satisfactory academic progress policies are incomplete in defining the requirements students must meet in order to remain on probation. Specifically, the policies must state what the term requirements are and include a provision that if it is not possible for a student to raise her or his GPA or course completion percentage to meet the institution’s standards before the student would reach the end of the program for which he or she is receiving financial aid, the institution shall suspend the student from financial aid eligibility immediately upon completion of the evaluation.

- Vermilion Community College’s satisfactory academic progress policy does not begin evaluation of a student’s progress until the student has attempted eight credits. Federal regulations do not allow the exclusion of any attempted credits from evaluation criteria.

- Anoka Technical College’s satisfactory academic progress policy contains notification language that is inconsistent with federal regulations. Specifically, the notification provision states it is the student’s responsibility to monitor and maintain SAP. Failure to receive notification does not exclude a student from the SAP process. Federal regulations require institutions to monitor satisfactory academic progress.

- Minnesota State College – South Central College and Winona State University’s satisfactory academic progress policies do not contain examples of extenuating circumstances in which a student may appeal a financial aid suspension.

- North Hennepin Community College’s satisfactory academic progress policy is unclear and needs to be rewritten to ensure that students are aware that extenuating circumstances must be considered when approving maximum timeframe appeals.
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding KDV 05-1

Condition #1, Continued:

- Bemidji State University, Hibbing Community College, Mesabi Range Community and Technical College, Pine Technical College, Ridgewater College, Riverland Community College, St. Cloud State University, St. Cloud Technical College, St. Paul College and Southwest Minnesota State University need to rework the language in their satisfactory academic progress policies related to reinstatement of financial aid. The policies need to make it clear to students that paying for their own classes and sitting out a period of time is not sufficient in and of itself to re-establish a student’s financial aid eligibility.

- Anoka Ramsey Community College and St. Cloud State University’s satisfactory academic progress policies are incomplete in that they do not specify the treatment of grades on a student’s grade point average if a student repeats a course.

- South Central College’s satisfactory academic progress policy does not include transfer credit or withdrawal information as required by federal regulations.

- Anoka Technical College, Century College, Metropolitan State University and St. Cloud State University’s academic satisfactory academic progress (SAP) policy and financial aid SAP policy contain provisions that may be unclear or confusing to students. Specifically, each institution’s academic SAP policy contains a provision that is more stringent that the financial aid SAP policy. For example, two of the academic SAP policies require students to maintain a cumulative and term 2.0 GPA while the financial aid SAP policy only requires a cumulative 2.0 GPA. We recommend that the institutions align the provisions.

**Criteria:**
The *OMB Compliance Supplement* requires an institution to establish and publish an academic progress policy in compliance with OMB requirements. These requirements are explained in more detail in the SFA Handbook.

**Effect:**
The above named Colleges and Universities may not be in compliance with federal requirements regarding financial aid satisfactory academic progress policies. In addition, if policies are unclear financial aid recipients may not understand requirements for maintaining aid eligibility.

**Recommendation:**
Ensure the Colleges’ and Universities’ satisfactory academic progress policy addresses all of the requirements in the SFA regulations. Implement policies and procedures to be used by the colleges and universities to monitor compliance with satisfactory academic progress requirements in accordance with the OMB requirements and SFA regulations.
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding KDV 05-1 (Continued)

Condition #2:
Colleges and universities have not implemented required provisions of MnSCU System Procedure 2.9.1.

A review of college and university financial aid satisfactory academic progress policies found that the majority were not in compliance with MnSCU System Procedure 2.9.1 – Financial Aid Satisfactory Academic Progress. This procedure was developed to ensure that all colleges and universities comply with federal regulations related to satisfactory academic progress. In addition, the procedure defines provisions to gain uniformity among college and university policies. The procedure was effective in April 2004. Many of the issues noted during the review related to uniformity and do not directly violate federal regulations.

Recommendation:
MnSCU colleges and universities should ensure that they are in compliance with MnSCU System Procedure 2.9.1 – Financial Aid Satisfactory Academic Progress.

Condition #3:
A review of control procedures relating to repeated courses contained within the College and University financial aid satisfactory academic progress policies found significant variances between campuses. The review also found that the financial aid and student system used by all Colleges and Universities does not have an automated way to enforce the varying policies, which may result in some campuses not being in compliance with federal requirements.

Discussions with management informed us that MnSCU is looking at a uniform policy regarding repeated courses.

Recommendation:
Ensure the Colleges’ and Universities’ satisfactory academic progress policy relating to repeated courses addresses the requirements in MnSCU policy 2.9.1 and the SFA regulations. Implement consistent control policies and procedures to be used by the colleges and universities to monitor compliance with repeated courses in accordance with the OMB requirements and SFA regulations.
MINNESOTA STATE COLLEGES AND UNIVERSITIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding KDV 05-2

CFDA #: 84.063
Program: Federal Pell Grant

CFDA #: 84.032
Program: Federal Family Education Loans (“FFEL”)

Compliance Requirement: Eligibility

Institution: Rochester Community and Technical College

Questioned Costs: $8,350 Total, $1,725 Pell, $6,625 FFEL

Condition:
Rochester Community and Technical College did not manually track some prior years’ academic forgiveness students as required by their current satisfactory academic progress policy. As a result, the student in question was ineligible for aid that was awarded.

Criteria:
The OMB Compliance Supplement requires an institution to establish and publish an academic progress policy in compliance with OMB requirements, including academic forgiveness policies. These requirements are explained in more detail in the SFA Handbook.

Effect:
The above College was not in compliance with the SFA Handbook relating to academic forgiveness.

Recommendation:
Implement policies and procedures to be used by the College to monitor compliance with satisfactory academic progress requirements in accordance with the OMB requirements and SFA regulations, specifically relating to academic forgiveness.
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding KDV 05-3

CFDA #: 84.268
Program: Federal Direct Student Loans (“FDSL”)

CFDA #: 84.032
Program: Federal Family Education Loans (“FFEL”)

Compliance Requirement: Special Tests and Provisions

Institution: Multiple, See Below

Questioned Costs: None – Procedural Finding Only

Condition:
The following Colleges and Universities did not report changes in student status to the National Student Loan Data System (“NSLDS”) clearinghouse within the required deadlines through submission of student status confirmation reports every 60 days.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Number of Instances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dakota County Technical College</td>
<td>2</td>
</tr>
<tr>
<td>Inver Hills Community College</td>
<td>1</td>
</tr>
<tr>
<td>Minnesota West Community and Technical College</td>
<td>1</td>
</tr>
<tr>
<td>Minnesota State College - Southeast Technical</td>
<td>1</td>
</tr>
<tr>
<td>Rochester Community and Technical College</td>
<td>2</td>
</tr>
<tr>
<td>Southwest Minnesota State University</td>
<td>2</td>
</tr>
<tr>
<td>Winona State University</td>
<td>3</td>
</tr>
</tbody>
</table>

In addition, we also noted that the scheduling of data submissions to the clearinghouse and roster file creations left exposure for non-compliance with the 60 day requirement at various times during the year at Minnesota State University, Mankato, Minnesota State College – Southeast Technical, Rochester Community and Technical College and Winona State University.
MINNESOTA STATE COLLEGES AND UNIVERSITIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding KDV 05-3

Criteria:
Under the requirements for the Federal Family Education Loan and Federal Direct Student Loan Programs, changes in student status must be reported to NSLDS within 30 days, unless a Roster File is scheduled to be submitted within 60 days.

Effect:
The above Colleges and Universities are not in compliance with the reporting requirements specified by federal program guidelines.

Recommendation:
The above Colleges and Universities should ensure student status changes are reported to NSLDS within 30 days, unless a Roster File submission is expected within 60 days. They should also review the submission dates for NSLDS to ensure compliance with either the 30 or 60 day requirement.
Audit Finding KDV 05-4

CFDA #: 84.063
Program: Federal Pell Grant

Compliance Requirement: Reporting

Institution: Multiple, See Below

Questioned Costs: None – Procedural Finding Only

Condition:
The following Colleges and Universities did not report Federal Pell Grant Program (Pell) disbursements within 30 days:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Number of Instances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dakota County Technical College</td>
<td>2</td>
</tr>
<tr>
<td>Metropolitan State University</td>
<td>2</td>
</tr>
<tr>
<td>Rochester Community and Technical College</td>
<td>1</td>
</tr>
</tbody>
</table>

Criteria:
Under the requirements for the Federal Pell Grant Program, institutions must report student payment data within 30 calendar days after the institution makes a payment to students or becomes aware of the need to make an adjustment to previously reported or expected student payment data.

Effect:
The above Colleges and University are not in compliance with the reporting requirements specified by federal program guidelines.

Recommendation:
The above Colleges and University should ensure that Federal Pell Grant expenditures are reported to the U.S. Department of Education within 30 days of being disbursed.
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding KDV 05-5

<table>
<thead>
<tr>
<th>CFDA #</th>
<th>Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>84.063</td>
<td>Federal Pell Grant</td>
</tr>
<tr>
<td>84.268</td>
<td>Federal Direct Student Loans (“FDSL”)</td>
</tr>
<tr>
<td>84.032</td>
<td>Federal Family Education Loans (“FFEL”)</td>
</tr>
<tr>
<td>84.038</td>
<td>Federal Perkins Loans</td>
</tr>
</tbody>
</table>

**Compliance Requirement:** Special Tests and Provisions

**Institution:** Multiple, See Below

**Questioned Costs:** None – Procedural Finding Only

**Condition:**
The following Colleges did not have all the required policies and procedures in place for verifying applicant information as required by 34 CFR Sections 668.51 through 668.61.

- Inver Hills Community College – incomplete policy
- Minnesota State Community and Technical College – draft policy available
- Northland Community and Technical College – incomplete policy

**Criteria:**
Under the requirements of 34 CFR Sections 668.51 through 668.61, an institution not participating under an ED-approved QAP is required to establish written procedures that incorporate the above provisions for verifying applicant information, including number of family members, number of family members attending post secondary education institutions, dependency status, adjusted gross income, U.S. taxes paid and untaxed income.

**Effect:**
The above Colleges are not in compliance with the verification requirements specified by federal program guidelines.

**Recommendation:**
The above Colleges should develop complete written policies for verification procedures as required by 34 CFR 668.51 through 668.61.
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding KDV 05-6

CFDA #: 84.007
Program: Federal Supplemental Educational Opportunity Grant

CFDA #: 84.063
Program: Federal Pell Grant

CFDA #: 84.032
Program: Federal Family Education Loans (“FFEL”)

CFDA #: 84.038
Program: Federal Perkins Loans

Compliance Requirement: Special Tests and Provisions

Institution: Multiple, See Below

Questioned Costs: $117,289

Condition:
Inver Hills Community College incorrectly calculated return of Title IV funds for the fall 2004 term. The calculations were based on waiving a percentage of charges based on the last date of attendance. The impact of this calculation error was $1,099.

Winona State University returned an amount that did not agree to the return of Title IV calculation. The impact of this was that Pell was underpaid by $140 and Perkins Loan was overpaid $140. This has been corrected.

St. Cloud State University did not perform calculations or return to Title IV funds for students who unofficially withdrew for spring 2005 and summer 2005 terms. The impact for Spring 2005 was $96,662 and Summer 2005 was $19,388.

A summary of these questioned costs by SFA Program is as follows:
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding KDV 05-6 (Continued)

<table>
<thead>
<tr>
<th>CFDA</th>
<th>Description</th>
<th>Time Period</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>84.063</td>
<td>Federal Pell Grant</td>
<td>2005</td>
<td>$8,891</td>
</tr>
<tr>
<td>84.032</td>
<td>Subsidized Federal Family Education Loans</td>
<td>2005</td>
<td>38,250</td>
</tr>
<tr>
<td>84.032</td>
<td>Unsubsidized Federal Family Education Loans</td>
<td>2005</td>
<td>69,573</td>
</tr>
<tr>
<td>84.038</td>
<td>Federal Perkins Loans</td>
<td>2005</td>
<td>575</td>
</tr>
</tbody>
</table>

$117,289

Criteria:
The *OMB Compliance Supplement* requires an institution to properly calculate and determine the return of Title IV funds for all students that receive financial aid and either officially or unofficially withdraw.

Effect:
The above College and Universities may not be consistent with special tests and provisions regarding return of Title IV funds as specified by the *OMB Compliance Supplement*.

Recommendation:
The above College and Universities should improve the methodology used to identify students and perform timely and accurate return of Title IV fund calculations.
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding KDV 05-7

CFDA #: 84.032
Program: Federal Family Education Loans (“FFEL”)

CFDA #: 84.268
Program: Federal Direct Student Loans (“FDSL”)

Compliance Requirement: Eligibility – Student

Institution: Multiple, See Below

Questioned Costs: $10,465 Total, $1,293 FDSL, $9,172 FFEL.

Condition:
Certain students received subsidized FFEL and FDSL loans in excess of permitted amounts from the following Colleges and Universities:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Number of</th>
<th>Amount of Over Award</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minnesota State University, Mankato</td>
<td>2</td>
<td>$ 4,626</td>
<td>D</td>
</tr>
<tr>
<td>Century College</td>
<td>1</td>
<td>1,274</td>
<td>D</td>
</tr>
<tr>
<td>Minnesota State College -Southeast Technical</td>
<td>1</td>
<td>139</td>
<td>T</td>
</tr>
<tr>
<td>North Hennepin Technical College</td>
<td>1</td>
<td>1,273</td>
<td>T</td>
</tr>
<tr>
<td>Dakota County Technical College</td>
<td>1</td>
<td>1,273</td>
<td>T</td>
</tr>
<tr>
<td>Minnesota State University, Moorhead</td>
<td>1</td>
<td>1,293</td>
<td>S</td>
</tr>
<tr>
<td>St. Cloud State University</td>
<td>1</td>
<td>588</td>
<td>R</td>
</tr>
</tbody>
</table>

$10,466

T – The student transferred from another institution during the academic year. Financial aid awarded by the previous Institution was not appropriately considered in calculating financial aid at the destination institution. The student was awarded an excess amount of financial aid at the destination institution as a result.

D – The Institution erroneously duplicated a payment to the student, or over awarded amounts due to an inaccurate grade classification. The student subsequently repaid the Institution for the amount of the erroneous disbursement.

S – The institution erroneously duplicated a payment to the student. The student was billed for the duplicate payment but has not paid for the amount in error.
MINNESOTA STATE COLLEGES AND UNIVERSITIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding KDV 05-7 (Continued)

Condition:

R – Students’ academic record related to graduate studies admission was erroneously adjusted, incorrectly increasing the status to Graduate from Senior. Excess funds were awarded at Graduate status.

Electronic file interrogation techniques were applied to the fiscal year 2005 Student Financial Assistance Cluster Program disbursements for the entire student population and identified the following analysis:

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Student Population</th>
<th>Potential Key Items</th>
<th>Sample Size</th>
<th>Sample Errors</th>
<th>Questioned Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidized Loans</td>
<td>60,636</td>
<td>46</td>
<td>20</td>
<td>7</td>
<td>$9,173</td>
</tr>
<tr>
<td>Subsidized Direct Loans</td>
<td>10,629</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Unsubsidized Loans</td>
<td>75,992</td>
<td>855</td>
<td>19</td>
<td>1</td>
<td>1,293</td>
</tr>
<tr>
<td>Unsubsidized Direct Loans</td>
<td>13,145</td>
<td>79</td>
<td>4</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>160,402</td>
<td>981</td>
<td>44</td>
<td>8</td>
<td>$10,466</td>
</tr>
</tbody>
</table>

Criteria:
The OMB requires an institution properly calculate and determine an eligible student’s financial aid award. The NSLDS is maintained in order to avoid overawards, and institutions are required to determine if students have already received their limit of FFEL loans through verification of any records in the NSLDS.

Effect:
The above named Colleges and Universities are not in compliance with eligibility requirements regarding FFEL and FDSL loans.

Recommendation:
The Colleges and Universities should ensure all students eligible for FFEL and FDSL loans have been verified through the NSLDS and that no awards have already been disbursed at another institution. The Colleges and Universities should also ensure students are awarded aid based on accurate eligibility levels.
Audit Finding KDV 05-8

CFDA #: 84.033   Program: Federal Work Study

Compliance Requirement: Matching, Level of Effort, Earmarking

Institution: Metropolitan State University

Questioned Costs: $4,944

Condition:
The above University did not use at least 7% of its initial and supplemental FWS allocations for the award year to compensate students employed in community service activities. Additional funds of $4,944 were needed to comply with the 7% earmark requirement.

Criteria:
The OMB Compliance Supplement requires an institution to use 7% of its FWS allocation to students employed in Community Service Activities.

Effect:
The above University was not in compliance with the OMB Compliance Supplement relating to Earmarking.

Recommendation:
The above University should ensure all required earmarking is performed and allocated in the future.
MINNESOTA STATE COLLEGES AND UNIVERSITIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding KDV 05-9

CFDA #: 84.007
Program: Federal Supplemental Educational Opportunity Grant

CFDA #: 84.033
Program: Federal Work Study

CFDA #: 84.063
Program: Federal Pell Grant

CFDA #: 84.268
Program: Federal Direct Student Loans (“FDSL”)

CFDA #: 84.032
Program: Federal Family Education Loans (“FFEL”)

CFDA #: 84.038
Program: Federal Perkins Loans

CFDA #: 93.364
Program: Nursing Student Loans

Compliance Requirement: Eligibility

Institution: Multiple, See Below

Questioned Costs: None – Procedural Finding Only

Condition:
Many colleges and universities had excessive security access rights granted to individuals to the financial aid system, including setup access for the financial aid system and deleting and changing holds.

Criteria:
The OMB Compliance Supplement administrative capability provisions require adequate security controls over SFA operations.

Effect:
MnSCU Colleges and Universities accepted a level of system control risk that created unnecessary security exposure to system access rights.

Recommendation:
MnSCU Colleges and Universities should ensure that access to the financial aid system is limited to appropriate levels based on job responsibilities to reduce unnecessary security risks.
Audit Finding KDV 05-10

CFDA #: 84.007
Program: Federal Supplemental Educational Opportunity Grant

CFDA #: 84.033
Program: Federal Work Study

CFDA #: 84.063
Program: Federal Pell Grant

CFDA #: 84.268
Program: Federal Direct Student Loans (“FDSL”)

CFDA #: 84.032
Program: Federal Family Education Loans (“FFEL”)

CFDA #: 84.038
Program: Federal Perkins Loans

Compliance Requirement: Period of Availability of Federal Funds, Reporting

Institution: Metropolitan State University, Ridgewater College

Questioned Costs: None, Condition #1/Unknown, Condition #2

Condition #1:
Ridgewater College did not draw down $75,075 of federal work study funds as reported on the FISAP report. The College has subsequently drawn down these funds. Further, the College is not recording monthly loan cancellations as reported to it by the MnSCU Central Loan Management System.

Criteria: The OMB Compliance Supplement requires accurate and timely reporting of SFA drawdowns.

Effect: The above College was not in compliance with the OMB Compliance Supplement relating to period of availability and reporting of funds.

Recommendation: The above College should ensure all drawdowns are accurately and timely reported in the accounting records.
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding KDV 05-10 (Continued)

Condition #2:

Grant activity at Metropolitan State University has not been reconciled to the University’s general ledger system for several years. As a result, grant activity may not have been reported correctly for some federal grants. Initially, the University thought it may have overdrawn Pell grants by $295,000 in a prior year. Further work on the reconciliations has determined that this is not the case. The University continues to work on reconciling federal grants to their general ledger.

Criteria:
The OMB Compliance Supplement requires accurate and timely reporting of federal grant information.

Effect:
The above University was not in compliance with the OMB Compliance Supplement relating to period of availability and reporting of federal funds.

Recommendation:
Metropolitan State University should implement procedures to review and reconcile activity for federal grants to ensure compliance with OMB Provisions.
MINNESOTA STATE COLLEGES AND UNIVERSITIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding KDV 05-11

CFDA #: 84.007
Program: Federal Supplemental Educational Opportunity Grant

CFDA #: 84.033
Program: Federal Work Study

CFDA #: 84.063
Program: Federal Pell Grant

CFDA #: 84.268
Program: Federal Direct Student Loans (“FDSL”)

CFDA #: 84.032
Program: Federal Family Education Loans (“FFEL”)

CFDA #: 84.038
Program: Federal Perkins Loans

CFDA #: 93.364
Program: Nursing Student Loans

Compliance Requirement: Reporting

Institution: Winona State University

Questioned Costs: None – Procedural Finding Only

Condition:
The Federal Student Aid Handbook requires the University to report certain administrative changes to the Department of Education via E-Application within 10 calendar days of the change. Winona State University failed to report the change in the University president within the 10 calendar day requirement.

Criteria:
The Federal Student Aid Handbook requires timely reporting of administrative changes to the Department of Education.

Effect:
The above University was not in compliance with the Federal Student Aid Handbook relating to reporting of information.
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding KDV 05-11 (Continued)

Recommendation:
Winona State University should implement procedures to promptly report the required information changes to the Department of Education.
OTHER SUPPLEMENTAL INFORMATION
March 3, 2006

Board of Trustees
Chancellor James H. McCormick
Minnesota State Colleges and Universities

Kern, DeWenter, Viere, Ltd, has audited the compliance of Minnesota State Colleges and Universities with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) circular A-133 Compliance Supplement that are applicable to each of our major federal programs, as determined by the State of Minnesota Office of the Legislative Auditor, for the year ended June 30, 2005. The Schedule of Expenditures of Federal Awards is presented by management for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements.

It is the auditor’s opinion that Minnesota State Colleges and Universities complied, in all material respects, with the requirements referred to above that are applicable to each of the major federal programs for the year ended June 30, 2005. The auditor noted no matters involving Minnesota State Colleges and Universities’ internal control over compliance and its operation that would be considered a material weakness. However, instances of non-compliance with internal controls and other federal requirements were identified.

The purpose of this letter is to convey management’s acceptance of the noted issues. All matters have been discussed with the appropriate personnel at each college or university. The colleges and universities are beginning implementation of the recommendations. Office of the Chancellor staff will assist when necessary. The Office of Internal Auditing will monitor the progress.

Warmest Regards,

Laura M. King
Vice Chancellor – Chief Financial Officer