

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

**Agenda Item Summary Sheet**

**Committee:** Audit Committee

**Date of Meeting:** March 19, 2008

**Agenda Item:** Review Results of Annual Student Financial Aid Audit

- 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, Deputy Director, Office of Internal Auditing  
Christopher Halling, System Director for Financial Aid  
Steve Wischmann, Partner with Kern, DeWenter, Viere, Ltd.

**Outline of Key Points/Policy Issues:**

- The audit report cites no significant deficiencies or material weaknesses. It contains eight findings related to improvements needed to comply with certain federal financial aid regulations.

**Background Information:**

- Federal law requires an annual audit of major federal financial assistance programs, including the student financial aid programs.
- MnSCU received \$169 million in federal grants and student borrowed over \$367 million of federal loans in fiscal year 2007.
- The firm of Kern, DeWenter, Viere, Ltd. conducted the audit as part of its responsibilities as principal auditor for MnSCU.

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

**BOARD INFORMATION**

REVIEW RESULTS OF ANNUAL STUDENT FINANCIAL AID AUDIT

**BACKGROUND**

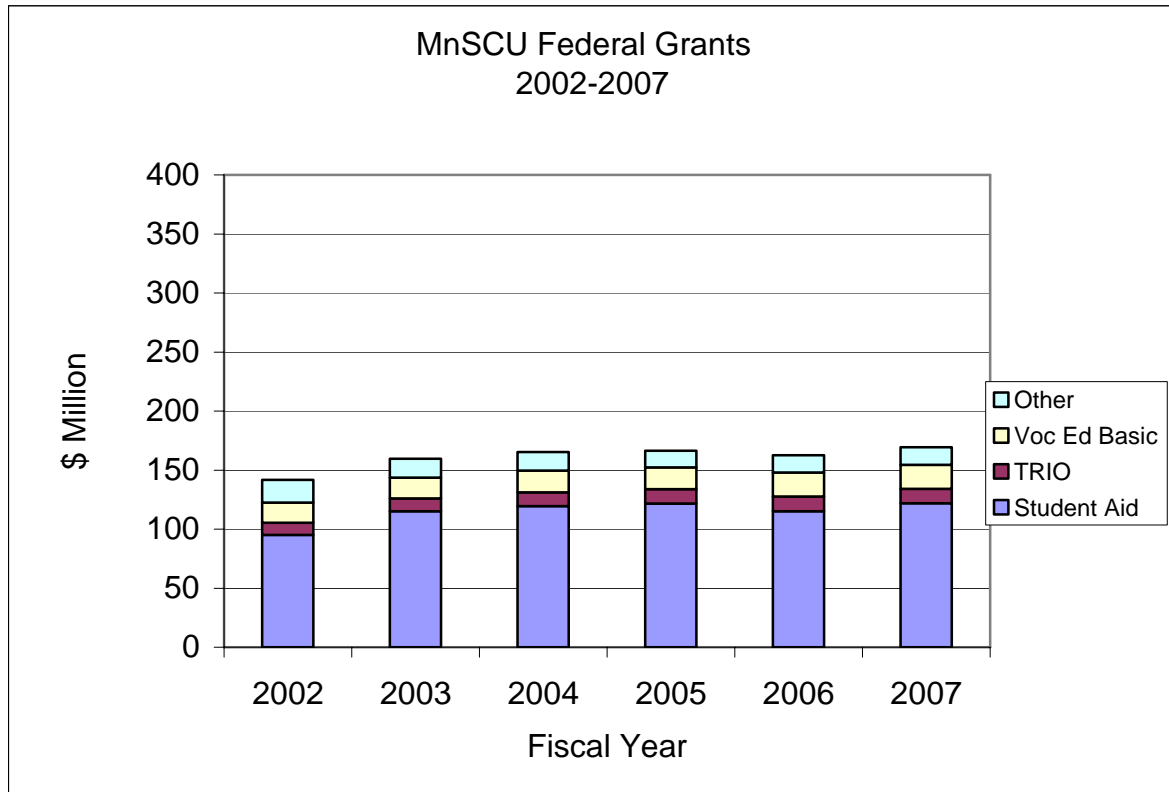
A copy of the report entitled, Minnesota State Colleges and Universities: Schedule of Expenditure of Federal Awards for the Year Ended June 30, 2007 and Independent Auditors' Report was sent to trustees as part of the mailing of the March 2008 board packet. If additional copies are needed they can be requested from the Office of Internal Auditing. The report was prepared by the firm of Kern, DeWenter, Viere, Ltd. as part of its responsibilities as principal auditor for the Minnesota State Colleges and Universities. The results of this report will be incorporated into the State of Minnesota's Single Audit Report that will be released at the end of March. Copies of that report will be available at the end of March on the Minnesota Department of Finance web site at ([www.finance.state.mn.us/accounting/](http://www.finance.state.mn.us/accounting/)).

Federal law requires that major federal financial assistance programs be audited each year. As shown in Table 1, the Minnesota State Colleges and Universities received over \$169 million in federal grants during fiscal year 2007. As depicted in Table 1, MnSCU has not had significant variance in the total federal grants received over the past six years. Table 2 shows that students received over \$367 million in federal loans during fiscal year 2007. The table shows that the total amount of federal loans has increased substantially over the past six years. Student financial aid programs, accounted for \$122 million of the grant proceeds. Over 90,000 students received aid from the student financial aid programs during fiscal year 2007.

**Summary of Report Findings**

The audit report cites eleven findings. The first three findings, though, were previously reported as part of the MnSCU financial statement audit for the year ended June 30, 2007. Seven findings are procedural in nature and require a change in institutional policies or practices, but do not require any repayment of funds. The other finding had a small financial consequence and questioned \$10,323 in costs, which have been repaid. The questioned costs pertain to an error in calculating return to Title IV funds at one college. As documented in Table 3, the total questioned costs for fiscal year 2007 is minor compared to prior years and demonstrates the improvement that colleges and universities have made in administering student financial aid over the past several years.

**Table 1 – MnSCU Federal Grants Summary**

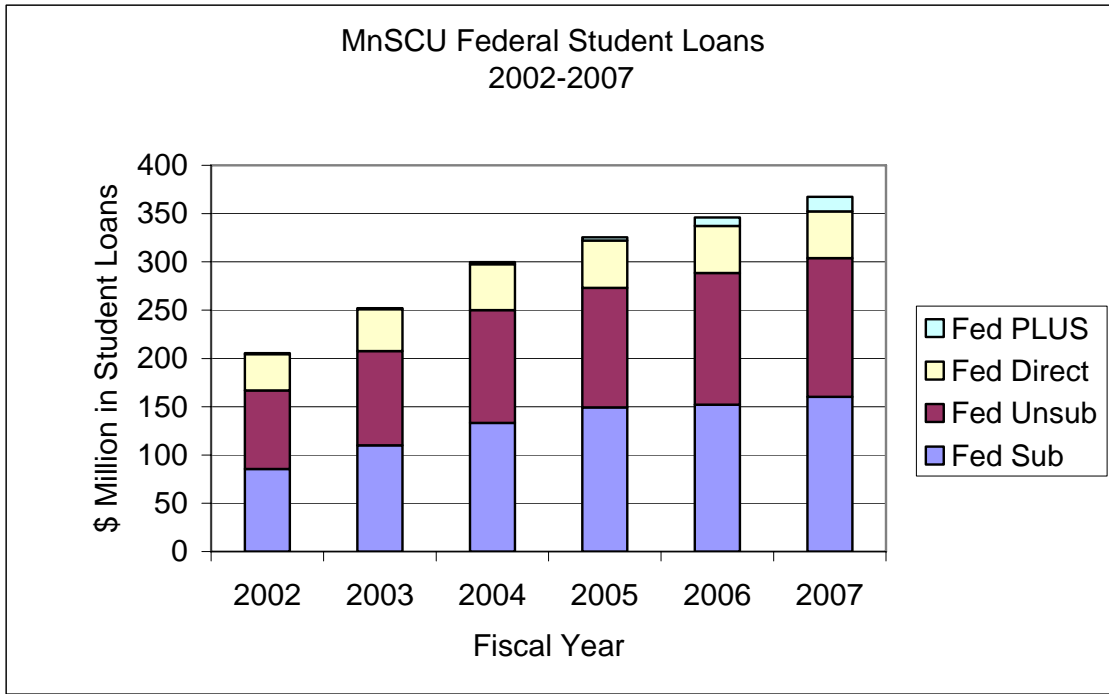


Grant Type	Federal Grants (\$ Millions) - Per Fiscal Year					
	2002	2003	2004	2005	2006	2007
Student Aid	95.2	115.1	119.4	121.8	115.3	122.0
TRIO	10.1	10.8	11.7	12.1	12.3	12.2
Vo Ed Basic	17.3	17.6	18.6	18.3	20.3	20.4
Other	19.1	16.2	15.6	14.1	14.7	14.8
Total	141.7	159.7	165.3	166.3	162.6	169.4

Grant Type	Percentage Annual Change				
	02-03	03-04	04-05	05-06	06-07
Student Aid	21%	4%	2%	-5%	6%
TRIO	7%	8%	3%	2%	-1%
Voc Ed Basic	2%	6%	-2%	11%	0%
Other	-15%	-4%	-10%	4%	1%
Total	13%	4%	1%	-2%	4%

Source: MnSCU Single Audit Reports: 2002 to 2007

**Table 2 – MnSCU Federal Student Loan Analysis**



Loan Type	Loans (\$ Millions) - Per Fiscal Year					
	2002	2003	2004	2005	2006	2007
Fed Sub	85.4	109.9	133.2	149.4	152.1	160.4
Fed UnSub	81.3	97.8	116.8	123.5	136.2	143.4
Fed Direct	37.7	43.3	47.5	49.1	48.8	48.4
Fed PLUS	1.2	1.1	2.3	3.6	8.7	15
<b>Total</b>	<b>205.6</b>	<b>252.1</b>	<b>299.8</b>	<b>325.6</b>	<b>345.8</b>	<b>367.2</b>

Loan Type	Percentage Annual Change				
	02-03	03-04	04-05	05-06	06-07
Fed Sub	29%	21%	12%	2%	5%
Fed UnSub	20%	19%	6%	10%	5%
Fed Direct	15%	10%	3%	-1%	-1%
Fed PLUS	-8%	109%	57%	142%	72%
<b>Total</b>	<b>23%</b>	<b>19%</b>	<b>9%</b>	<b>6%</b>	<b>6%</b>

Source: MnSCU Single Audit Reports: 2002 to 2007

**Table 3 – Summary of Questioned Costs  
Fiscal Year 2003 - 2007**

Fiscal Year	Questioned Cost Type				Grand Total
	Loan Maximums	Return to Title IV (R2T4)	Satisfactory Academic Progress	Other	
2003	\$ 7,055	\$ 794,803	\$ 4,852,888		\$ 5,654,746
2004	\$ 12,551	\$ 33,581	\$ 629,633		\$ 675,765
2005	\$ 10,466	\$ 117,289		\$ 13,294	\$ 141,049
2006	\$ 3,540	\$ 945,859	\$ 530,245		\$ 1,479,644
2007		\$ 10,323			\$ 10,323
<b>Grand Total</b>	\$ 33,612	\$ 1,901,855	\$ 6,012,766	\$ 13,294	\$ 7,961,527

### **Pending Program Reviews**

Section IV of the report summarizes three federal financial aid program reviews by the United State Department of Education (USDOE) at Metropolitan State University, St. Cloud State University and Minneapolis Community and Technical College. These program reviews focused on issues at these institutions in administering satisfactory academic progress or return to Title IV fund requirements. The two state universities have received final determination letters from the USDOE and no further action is required. Minneapolis Community and Technical College submitted required information to the USDOE in November 2007 and is awaiting a final determination from the department.

### **Prior Audit Findings**

Section V discusses one prior audit finding related to excessive security access to the financial aid application that has remained outstanding for two years. The System Director for Student Financial Aid plans to have this issue resolved by April 2008.

*Date Presented to the Board of Trustee: March 19, 2008*