

**STATE COLLEGES IN COLORADO
FINANCIAL AND COMPLIANCE AUDIT
FISCAL YEAR ENDED JUNE 30, 1999**

Authority, Purpose, and Scope

The audit of the State Colleges in Colorado was conducted under the authority of Section 2-3-103, C.R.S., which authorizes the Office of the State Auditor to conduct audits of all departments, institutions, and agencies of state government. The audit was conducted in accordance with generally accepted auditing standards. Audit work was performed from May 1999 through October 1999.

The purposes and scope of our audit were to:

- C Express an opinion on the consolidated financial statements of the State Colleges in Colorado for the year ended June 30, 1999. This included a review of the related internal control structure as required by generally accepted auditing standards.
- C Evaluate compliance with rules and regulations governing the expenditure of federal and state funds.
- C Express an opinion on the Statements of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs for Adams State College, Mesa State College, Metropolitan State College of Denver, and Western State College for the year ended June 30, 1999.
- C Evaluate progress in implementing prior audit recommendations.

The Schedules of Expenditures of Federal Awards of the State Colleges in Colorado and applicable audit opinions are included in the June 30, 1999, Statewide Single Audit Report issued under a separate cover.

Audit Opinions and Reports

We expressed unqualified opinions on the consolidated financial statements and the Statements of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs for the State Colleges in Colorado for the year ended June 30, 1999.

We issued a report on the State Colleges' compliance with applicable laws and regulations and internal controls over financial reporting. We did not note any material instances of noncompliance with legal or regulatory requirements or material internal control weaknesses. Certain areas where the State Colleges can improve their internal controls are described in the Findings and Recommendations section of this report.

Summary of Findings and Recommendations

The State Colleges in Colorado issue a single set of financial statements that consolidates the financial activity of the four state colleges (Adams, Mesa, Metro, Western), the Western Colorado

Graduate Center, and the Office of State Colleges. The consolidated financial statements are prepared by the Office of State Colleges and audited by the Office of the State Auditor. Our review included determining the appropriateness of information reported in the consolidated financial statements based on audit work performed by certified public accounting firms at the four state colleges. The Office of the State Auditor also audited the financial balances of the Office of State Colleges and the Western Colorado Graduate Center.

The following is a summary of the findings and recommendations contained in the report.

METROPOLITAN STATE COLLEGE OF DENVER

Some general ledger accounts were not reconciled to supporting detail in a timely manner. For example:

- Reconciliations between the monthly bank statements and the general ledger were not performed during the six-month period from January 1, 1999 and June 30, 1999. It took two people approximately four weeks to prepare the reconciliation for the Bank One accounts after the end of the fiscal year.
- Financial aid reports were not reconciled to the general ledger on a monthly basis. At June, 30, 1999, the amount of State Work Study expenditures reported to the Colorado Commission on Higher Education differed from the general ledger amount by approximately \$32,000. The difference was the result of a reclassification between State Work Study funds and institutional funds which was not recorded on the general ledger.

Timely reconciliations are needed to ensure the accuracy of general ledger balances. Some reconciliations are currently not being performed due to the implementation of the new accounting software (Banner System) during the year. The lack of understanding of the new system has impacted the ability of the accounting department to perform account reviews and reconciliations in an efficient and timely manner. **We recommend that Metropolitan State College of Denver perform reconciliations of significant accounts on a monthly basis to ensure the accuracy of the general ledger and monthly financial statements.**

Metropolitan State College of Denver Response:

Agree. Metropolitan State College will continue to improve its reconciliations of significant accounts on a monthly basis.

WESTERN STATE COLLEGE

The Colorado Commission on Higher Education conducted a review of Western State College. During this review, it noted instances of students being awarded more than the allowable cost of tuition and fees for Colorado Merit Scholarships during Fiscal Year 1998. During our audit we reviewed for overawards on all disbursements made for this scholarship program for Fiscal Year 1999 (i.e., \$228,381 awarded to 247 students.) We noted that although the occurrence of awards in

excess of allowable limits decreased in frequency, the College overawarded \$1,637 to two students. **We recommend the College implement computer controls to prevent awards that exceed the allowable limits.**

Western State College Response:

Agree. Western State College implemented computer system controls in January 1999 that will properly limit awards for Fiscal Year 2000.

Summary of Progress in Implementing Prior Audit Recommendations

The audit report for the State Colleges in Colorado for Fiscal Year 1998 contained two audit recommendations. The disposition of these recommendations, as of October 29, 1999, was as follows:

Metropolitan State College

Implemented	2
Partially Implemented	0
Deferred	<u>0</u>
Total	<u><u>2</u></u>

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
1	14	Perform reconciliations of significant general ledger accounts on a monthly basis.	Metropolitan State College of Denver	Agree	June 2000
2	15	Implement computer controls to prevent overawards of Colorado Merit Scholarships.	Western State College	Agree	January 1999
