

STATE OF COLORADO  
METROPOLITAN STATE COLLEGE

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FINANCIAL STATEMENTS

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LETTER OF RECOMMENDATIONS

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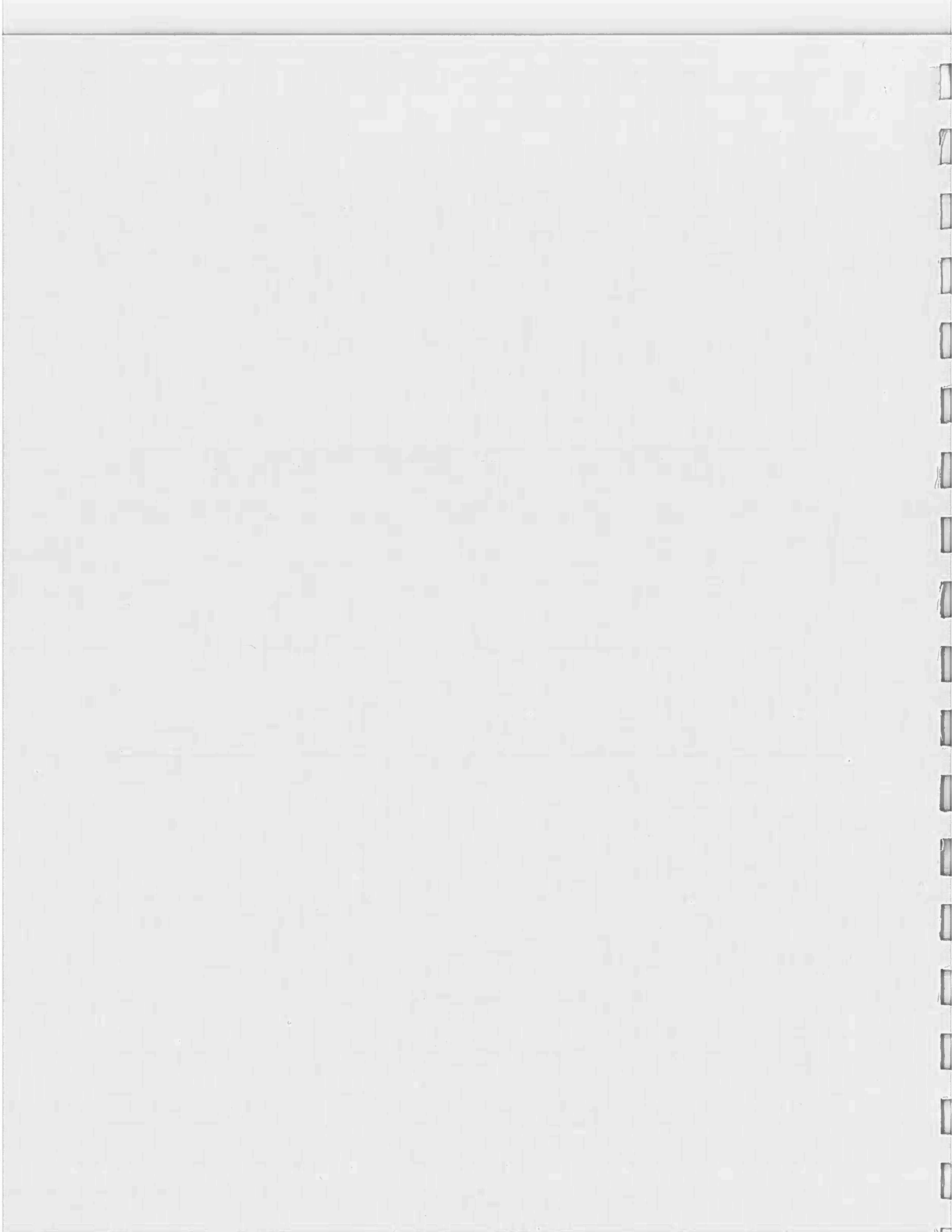
STATE-FUNDED STUDENT  
ASSISTANCE PROGRAMS AUDIT

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FEDERAL FINANCIAL ASSISTANCE PROGRAMS AUDIT

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YEAR ENDED JUNE 30, 1989  
TOGETHER WITH INDEPENDENT AUDITOR'S  
REPORTS DATED OCTOBER 13, 1989



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**\*Signed by Governor Romer and became law April 7, 1989.**





STATE OF COLORADO  
METROPOLITAN STATE COLLEGE

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YEAR ENDED JUNE 30, 1989

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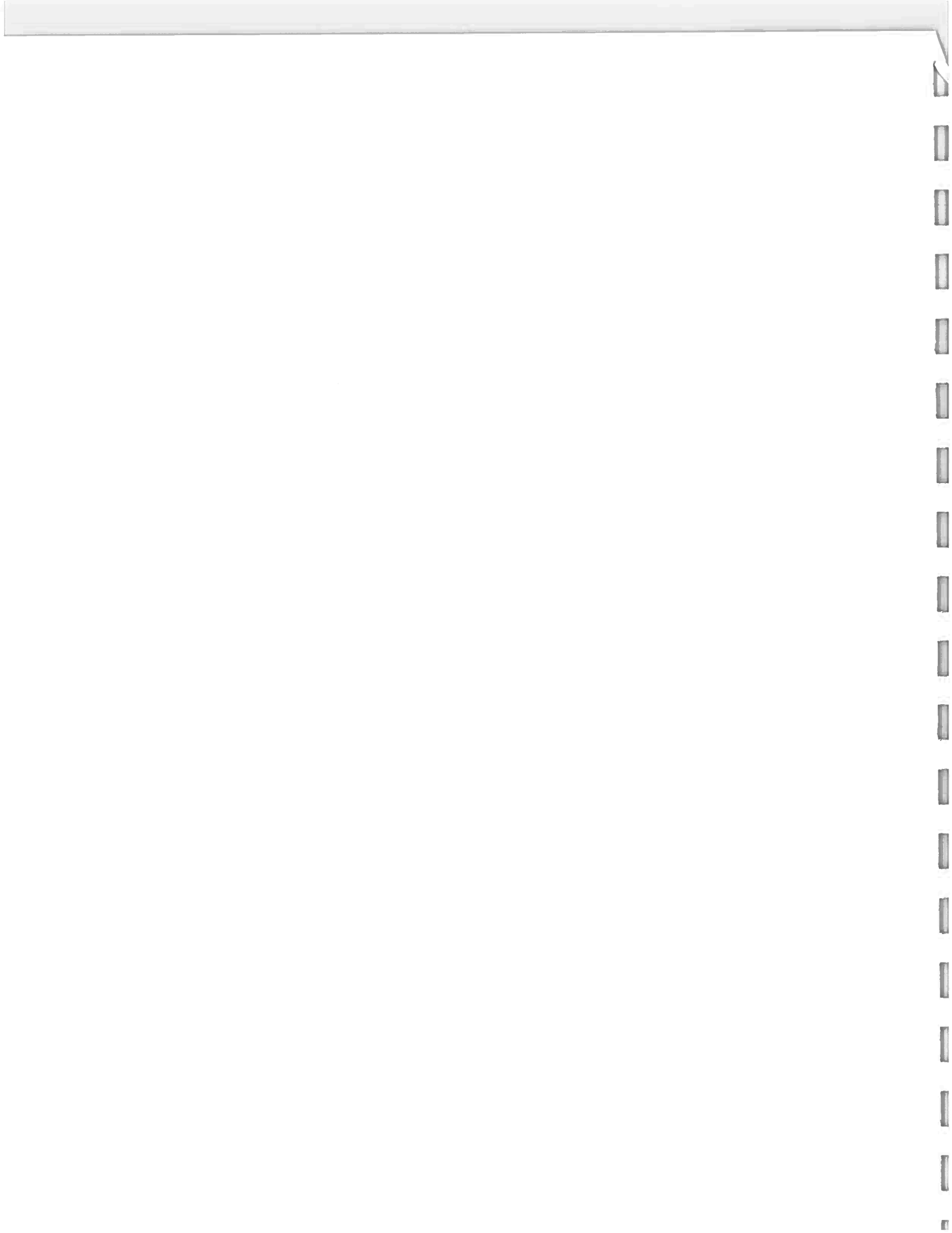
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STATE OF COLORADO  
METROPOLITAN STATE COLLEGE

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STATE OF COLORADO

METROPOLITAN STATE COLLEGE

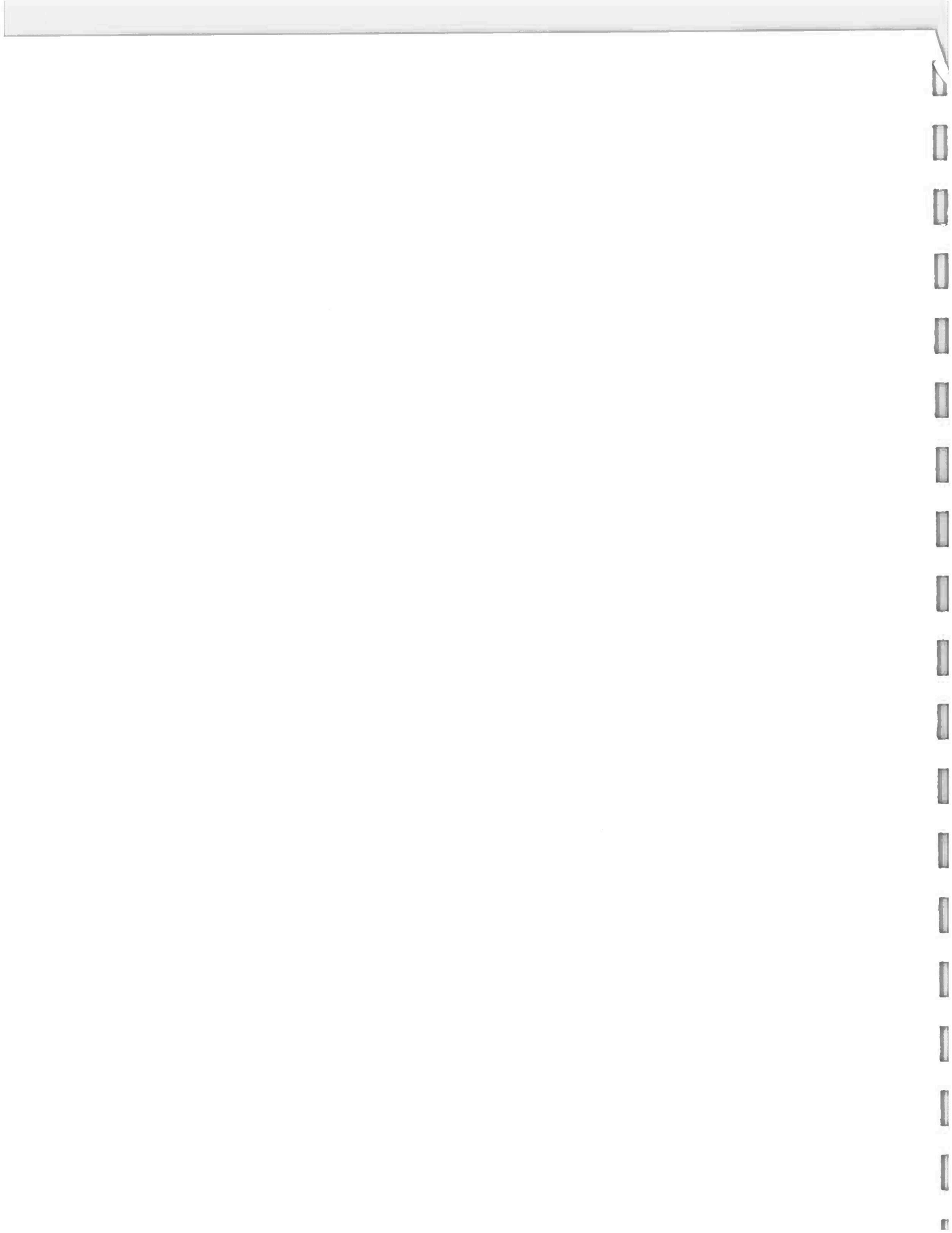
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STATE OF COLORADO  
METROPOLITAN STATE COLLEGE

AUDIT REPORT SUMMARY  
YEAR ENDED JUNE 30, 1989

Purposes and Scope of Audit

The purposes and scope of this audit were:

- To express an opinion on the financial statements of Metropolitan State College (the College) as of and for the year ended June 30, 1989, including a review of the related systems of internal controls as required by generally accepted auditing standards.
- To evaluate progress in implementing prior audit recommendations.
- To express an opinion on the College's Statement of Appropriations, Expenditures, Transfers and Reversions for State-Funded Student Assistance Programs for the year ended June 30, 1989, including a review of the related systems of internal controls.
- To express an opinion on the College's compliance with rules and regulations governing the expenditures of Federal funds, and on the College's Schedule of Changes in Federal Award Fund Balances for the year ended June 30, 1989.





STATE OF COLORADO

METROPOLITAN STATE COLLEGE

SUMMARY OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS

YEAR ENDED JUNE 30, 1989

Financial Statements Report Section

The independent auditor's reports included herein state that the financial statements of Metropolitan State College are fairly stated, in all material respects, in accordance with generally accepted accounting principles, that no material weaknesses in internal controls were discovered during the course of our audit, and that the College complied in all material respects with Federal regulations.

This report contains two recommendations, one of which relates to a recommendation of the prior year not implemented as of June 30, 1989. The two recommendations address data processing procedures; the need for an electronic data processing disaster plan and the electronic data processing scheduling system.

State-Funded Student Assistance Programs Financial and Compliance Audit Report Section

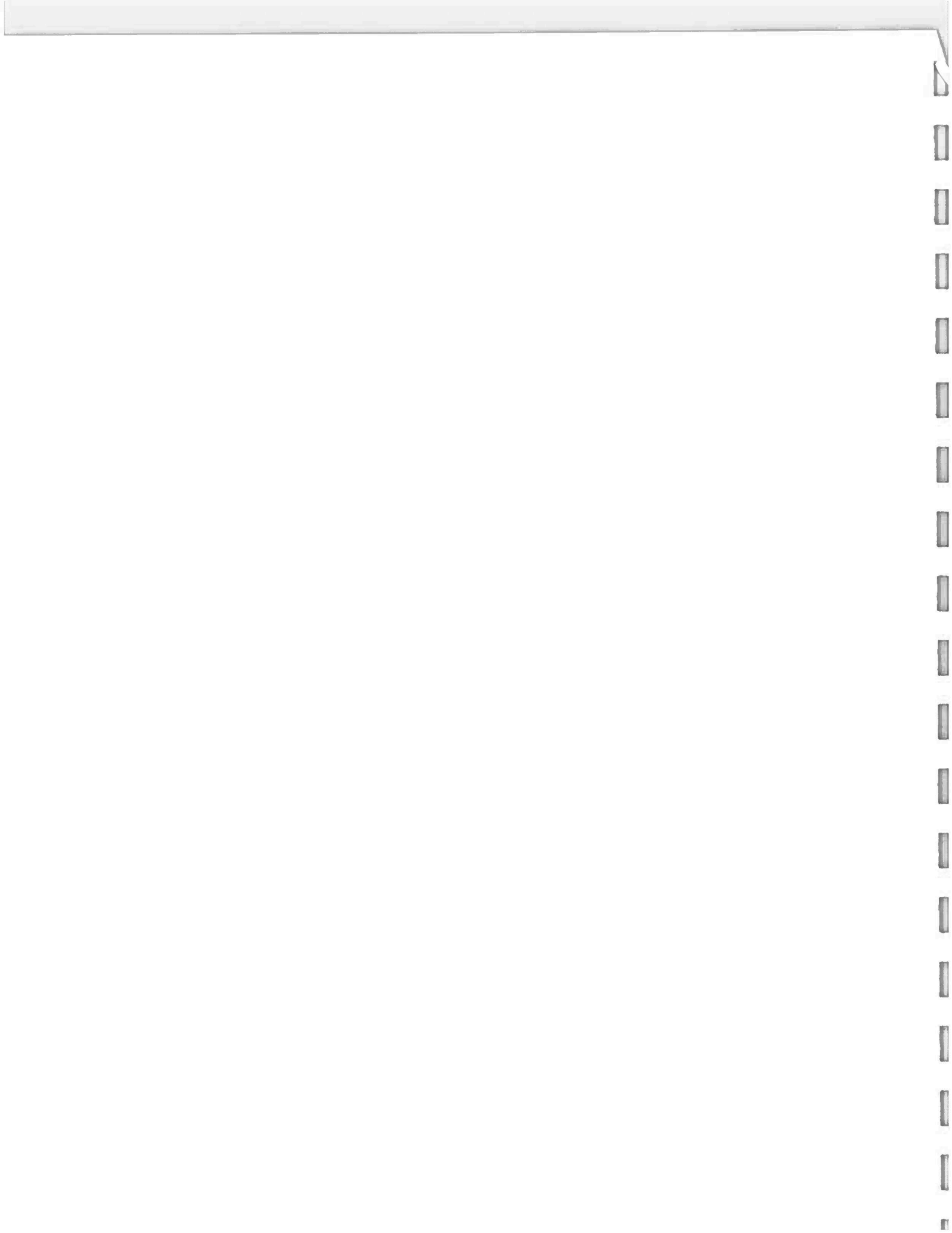
The independent auditor's reports included herein state that the Statement of Student Aid Program Appropriations, Expenditures, Transfers and Reversions is fairly stated in accordance with Colorado Commission on Higher Education (CCHE) guidelines for the fiscal year ended June 30, 1989, and that no material weaknesses in internal controls were noted during the course of our audit.

This report contains six recommendations relating to eligibility status, notification letters of award acceptance, changes in student status, adherence to CCHE College work study limitations, award letters for Undergraduate Merit Program and CCHE approval of financial aid allocations between programs.

Federal Financial Assistance Programs Financial and Compliance Audit Report Section

The independent auditor's reports included herein state that the schedule of changes in Federal Award Fund Balances is fairly stated in all material respects in relation to the financial statements taken as a whole, that no material weaknesses in internal controls were noted during the course of our audit, and that no material instances of noncompliance with applicable laws, regulations, contracts and grants were noted.

This report contains eight findings and recommendations, one relating to monitoring of work-study recipient earnings and seven others relating to various instances of noncompliance.



STATE OF COLORADO

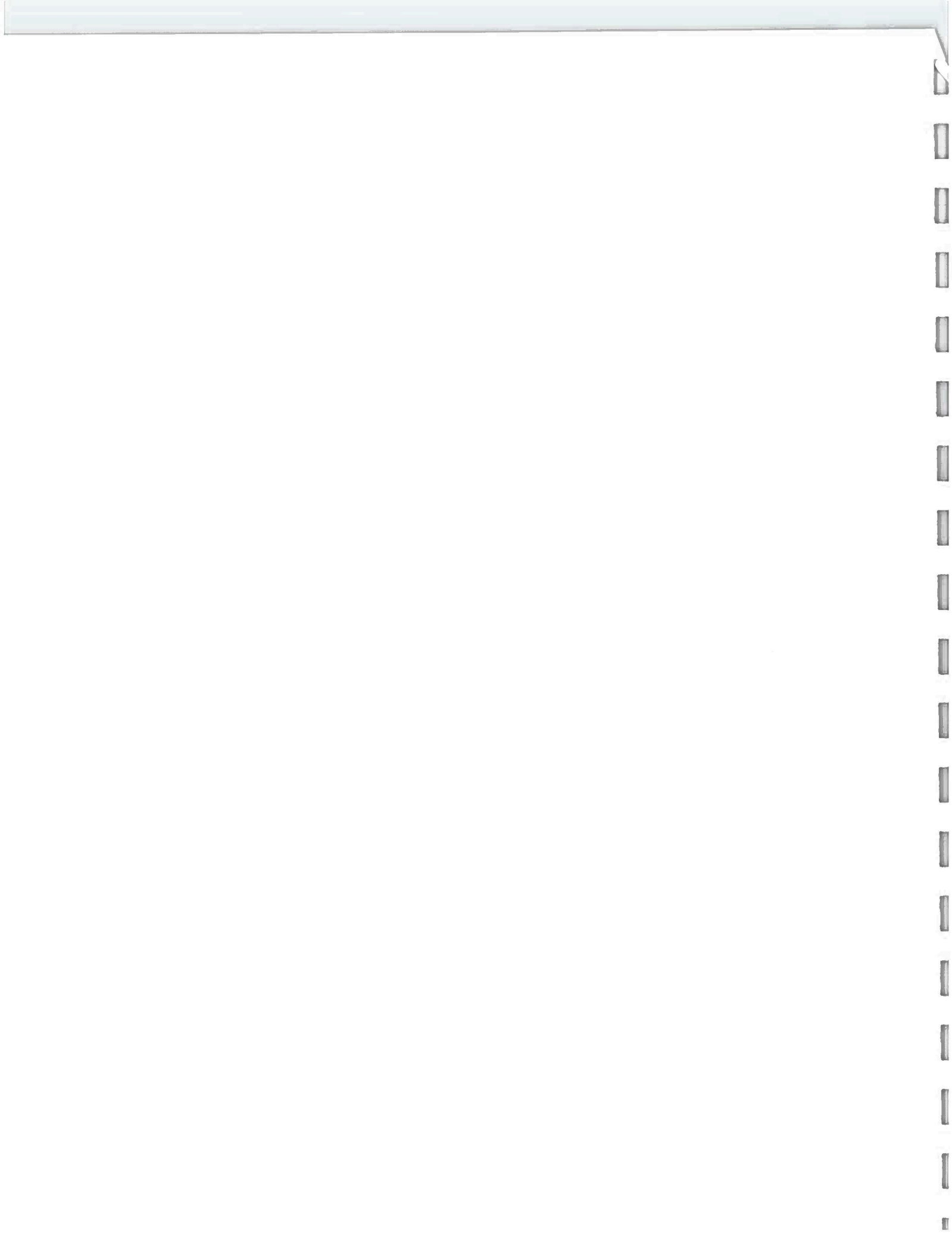
METROPOLITAN STATE COLLEGE

SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS

YEAR ENDED JUNE 30, 1989

The audit report for the year ended June 30, 1988 included four recommendations. The disposition of these recommendations is as follows:

Implemented	2
Not implemented, but:	
In process of implementing	1
Will be implemented	--
Will implement if budget approved	<u>1</u>
Subtotal	4
Rejected/not implemented	--
Total	<u><u>4</u></u>



**FINANCIAL STATEMENTS**

**REPORT SECTION**



INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Audit Committee  
State of Colorado

We have audited the accompanying balance sheet of Metropolitan State College as of June 30, 1989, and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the College. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan State College as of June 30, 1989, and the changes in its fund balances and its current funds revenues, expenditures and other changes for the year then ended, in conformity with generally accepted accounting principles.

*Touche Ross & Co.*

Certified Public Accountants

October 13, 1989







STATE OF COLORADO  
METROPOLITAN STATE COLLEGE

BALANCE SHEET, ALL FUNDS

(with comparative totals as of June 30, 1988)

ASSETS

	<u>JUNE 30,</u>	
	<u>1989</u>	<u>1988</u>
<b>CURRENT FUNDS:</b>		
Unrestricted:		
Cash and certificates of deposit (Note 2)	\$ 328,559	\$ 325,345
Cash on deposit with State Treasurer (Note 2)	6,347,962	4,722,819
Accounts receivable (less allowance for doubtful accounts of \$1,045,892 and \$1,058,076, respectively)	594,346	658,733
Due from restricted funds	--	70,005
Deferred charges	136,234	117,630
Prepaid expenses	182,913	191,651
Other assets	5,832	3,191
Total unrestricted funds	<u>7,595,846</u>	<u>6,089,374</u>
Restricted:		
Cash on deposit with State Treasurer (Note 2)	187,308	162,777
Accounts receivable	139,915	453,623
Deferred charges	895	--
Total restricted funds	<u>328,118</u>	<u>616,400</u>
 TOTAL CURRENT FUNDS	 <u>\$7,923,964</u>	 <u>\$6,705,774</u>
 <b>LOAN FUNDS:</b>		
Cash on deposit with State Treasurer (Note 2)	\$ 128,448	\$ 222,219
Loans receivable (less allowance for doubtful loans of \$968,602 and \$785,183, respectively)	<u>4,057,456</u>	<u>3,495,924</u>
 TOTAL LOAN FUNDS	 <u>\$4,185,904</u>	 <u>\$3,718,143</u>
 <b>PLANT FUNDS:</b>		
Investment in plant:		
Equipment	<u>\$7,014,617</u>	<u>\$6,256,646</u>
 TOTAL PLANT FUNDS	 <u>\$7,014,617</u>	 <u>\$6,256,646</u>
 <b>AGENCY FUNDS:</b>		
Cash on deposit with State Treasurer (Note 2)	\$ 63,725	\$ 161,919
Accounts receivable - other	560	232
Prepaid expense	--	518
Advances	--	2,417
 TOTAL AGENCY FUNDS	 <u>\$ 64,285</u>	 <u>\$ 165,086</u>

See notes to financial statements.

# LIABILITIES AND FUND BALANCES

	JUNE 30,	
	1989	1988
<b>CURRENT FUNDS:</b>		
Unrestricted:		
Accounts payable	\$ 984,277	\$ 742,310
Accrued payroll	201,498	74,582
Due to State Treasurer	8,133	7,675
Deferred revenue	2,459,528	2,427,724
Compensated absence liability (Note 1)	814,570	718,832
Fund balances (deficits):		
Allocated for compensated absence liability	(814,570)	(718,832)
Unallocated	<u>3,942,410</u>	<u>2,837,083</u>
Total unrestricted funds	<u>7,595,846</u>	<u>6,089,374</u>
Restricted:		
Accounts payable	29,583	13,251
Accrued payroll	62,936	60,802
Due to general fund	--	70,005
Due to State Treasurer	106,845	398,013
Due to other agencies	213	79
Fund balance	<u>128,541</u>	<u>74,250</u>
Total restricted funds	<u>328,118</u>	<u>616,400</u>
<b>TOTAL CURRENT FUNDS</b>	<u><b>\$7,923,964</b></u>	<u><b>\$6,705,774</b></u>
<b>LOAN FUNDS:</b>		
Accounts payable	\$ 584	\$ 715
Due to students	364	5,339
Fund balances:		
U.S. Government grants refundable	3,554,278	3,141,487
Other loan funds	<u>630,678</u>	<u>570,602</u>
<b>TOTAL LOAN FUNDS</b>	<u><b>\$4,185,904</b></u>	<u><b>\$3,718,143</b></u>
<b>PLANT FUNDS:</b>		
Investment in plant:		
Capital lease payable (Note 3)	\$ 168,539	\$ 162,346
Investment in plant	<u>6,846,078</u>	<u>6,094,300</u>
Total investment in plant	<u>7,014,617</u>	<u>6,256,646</u>
<b>TOTAL PLANT FUNDS</b>	<u><b>\$7,014,617</b></u>	<u><b>\$6,256,646</b></u>
<b>AGENCY FUNDS:</b>		
Accounts payable	\$ 11,701	\$ 203
Deposits held in custody for others	<u>52,584</u>	<u>164,883</u>
<b>TOTAL AGENCY FUNDS</b>	<u><b>\$ 64,285</b></u>	<u><b>\$ 165,086</b></u>





STATE OF COLORADO  
METROPOLITAN STATE COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES

(with comparative totals for the year ended June 30, 1988)

YEAR ENDED JUNE 30, 1989

	CURRENT FUNDS				TOTAL	
	1989				1989	1988
	STATE APPROPRIATED FUNDING	AUXILIARY AND SELF-FUNDED	TOTAL UNRESTRICTED	RESTRICTED		
REVENUES AND OTHER ADDITIONS:						
Unrestricted current fund revenues	\$40,047,930	\$3,616,127	\$43,664,057	\$ --	\$43,664,057	\$39,263,770
Federal grants and contracts	53,450	140,036	193,486	5,710,841	5,904,327	4,406,761
State grants and contracts	--	--	--	1,945,350	1,945,350	1,949,913
Private gifts, grants and contracts	--	--	--	117,392	117,392	71,863
U.S. Government advances	--	--	--	--	--	--
Investment income	--	--	--	--	--	--
Interest income	--	--	--	--	--	--
Donated property	--	--	--	--	--	--
Expended for plant facilities	--	--	--	--	--	--
Total revenues and other additions	40,101,380	3,756,163	43,857,543	7,773,583	51,631,126	45,692,307
EXPENDITURES AND OTHER DEDUCTIONS:						
Education and general	39,653,323	3,223,185	42,876,508	7,512,878	50,389,386	44,052,593
Indirect costs recovered	--	--	--	53,450	53,450	58,751
Cancellation of loan principal and interest	--	--	--	--	--	--
Administrative costs reimbursed	--	--	--	82,271	82,271	57,653
Collection costs	--	--	--	--	--	--
Disposal of equipment	--	--	--	--	--	--
Refunded to grantors	--	--	--	--	--	--
Provision for doubtful student loans	--	--	--	--	--	--
Total expenditures and other deductions	39,653,323	3,223,185	42,876,508	7,648,599	50,525,107	44,168,997
TRANSFERS AMONG FUNDS AND OTHER ADDITIONS (DEDUCTIONS):						
Mandatory transfers:						
Loan fund matching grant	--	--	--	(70,693)	(70,693)	(45,857)
Total mandatory transfers	--	--	--	(70,693)	(70,693)	(45,857)
Other transfers:						
Transfers from current unrestricted fund	(8,609)	--	(8,609)	--	(8,609)	--
Transfer from Board of State Colleges	37,163	--	37,163	--	37,163	494,585
Total other transfers	28,554	--	28,554	--	28,554	494,585
NET INCREASE FOR YEAR	476,611	532,978	1,009,589	54,291	1,063,880	1,972,038
FUND BALANCES, beginning of year	1,070,455	1,047,796	2,118,251	74,250	2,192,501	220,463
FUND BALANCES, end of year	\$ 1,547,066	\$ 1,580,774	\$3,127,840	\$ 128,541	\$ 3,256,381	\$ 2,192,501

See notes to financial statements.

LOAN FUNDS		PLANT FUNDS	
1989	1988	INVESTMENT IN PLANT	
1989	1988	1989	1988
\$ --	\$ --	\$ --	\$ --
--	--	--	--
--	--	--	--
4,665	120	--	--
636,233	424,944	--	--
5,012	5,498	--	--
154,478	111,270	--	--
--	--	21,308	24,995
--	--	<u>1,353,758</u>	<u>855,397</u>
800,388	541,832	1,375,066	880,392
--	--	--	--
--	--	--	--
161,252	168,728	--	--
20,112	14,610	--	--
31,599	35,570	--	--
--	--	623,288	235,907
2,194	4,928	--	--
<u>191,666</u>	<u>82,296</u>	--	--
406,823	306,132	623,288	235,907
<u>70,693</u>	<u>45,857</u>	--	--
70,693	45,857	--	--
8,609	--	--	--
--	--	--	--
<u>8,609</u>	<u>--</u>	<u>--</u>	<u>--</u>
472,867	281,557	751,778	644,485
<u>3,712,089</u>	<u>3,430,532</u>	<u>6,094,300</u>	<u>5,449,815</u>
<u>\$4,184,956</u>	<u>\$3,712,089</u>	<u>\$6,846,078</u>	<u>\$6,094,300</u>







STATE OF COLORADO  
METROPOLITAN STATE COLLEGE

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES  
(with comparative totals for the year ended June 30, 1988)

YEAR ENDED JUNE 30, 1989

	STATE APPROPRIATED FUNDING	AUXILIARY AND SELF-FUNDED	UNRESTRICTED TOTAL		RESTRICTED	
			1989	1988	1989	1988
REVENUES:						
Tuition and fees	\$15,216,310	\$1,808,479	\$17,024,789	\$15,667,970	\$ --	\$ --
State appropriations	24,431,170	--	24,431,170	21,948,558	--	--
Federal grants and contracts	53,450	140,036	193,486	164,452	5,654,820	4,229,514
State grants and contracts	--	--	--	--	1,954,936	2,014,429
Private gifts, grants and contracts	--	64,581	64,581	27,845	109,536	73,204
Sales and services - education	--	1,210,306	1,210,306	877,369	--	--
Sales and services - auxiliary	--	125,764	125,764	143,145	--	--
Other sources	400,450	406,997	807,447	598,883	--	--
TOTAL REVENUES	40,101,380	3,756,163	43,857,543	39,428,222	7,719,292	6,317,147
EXPENDITURES AND MANDATORY TRANSFERS:						
Expenditures:						
Instruction	21,974,035	945,142	22,919,177	20,543,407	767,816	1,023,053
Research	--	--	--	--	12,000	6,967
Public service	4,386	63,086	67,472	44,119	105,562	101,754
Academic support	3,751,668	50,387	3,802,055	3,390,606	151,532	19,512
Student services	3,141,591	2,054,622	5,196,213	4,222,550	706,454	613,222
Institutional support	6,282,482	109,948	6,392,430	5,601,860	87,222	80,783
Operation and maintenance of plant	4,499,161	--	4,499,161	4,095,165	--	--
Scholarship and grants	--	--	--	--	5,818,013	4,425,999
TOTAL EXPENDITURES	39,653,323	3,223,185	42,876,508	37,897,707	7,648,599	6,271,290
MANDATORY TRANSFERS:						
Loan Fund Matching Grant	--	--	--	--	70,693	45,857
TOTAL MANDATORY TRANSFERS	--	--	--	--	70,693	45,857
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	39,653,323	3,223,185	42,876,508	37,897,707	7,719,292	6,317,147
OTHER ADDITIONS (DEDUCTIONS):						
Transfer from Board of State Colleges	37,163	--	37,163	494,585	--	--
Transfer from current unrestricted fund	(8,609)	--	(8,609)	--	--	--
Excess (deficiency) of restricted receipts over transfer to revenues	--	--	--	--	54,291	(53,062)
TOTAL OTHER ADDITIONS (DEDUCTIONS)	28,554	--	28,554	494,585	54,291	(53,062)
NET INCREASE (DECREASE) IN FUND BALANCES	\$ 476,611	\$ 532,978	\$ 1,009,589	\$ 2,025,100	\$ 54,291	\$ (53,062)

See notes to financial statements.

TOTAL	
1989	1988
\$17,024,789	\$15,667,970
24,431,170	21,948,558
5,848,306	4,393,966
1,954,936	2,014,429
174,117	101,049
1,210,306	877,369
125,764	143,145
<u>807,447</u>	<u>598,883</u>
51,576,835	45,745,369
23,686,993	21,566,460
12,000	6,967
173,034	145,873
3,953,587	3,410,118
5,902,667	4,835,772
6,479,652	5,682,643
4,499,161	4,095,165
<u>5,818,013</u>	<u>4,425,999</u>
50,525,107	44,168,997
<u>70,693</u>	<u>45,857</u>
<u>70,693</u>	<u>45,857</u>
50,595,800	44,214,854
37,163	494,585
(8,609)	--
<u>54,291</u>	<u>(53,062)</u>
<u>82,845</u>	<u>441,523</u>
<u>\$ 1,063,880</u>	<u>\$ 1,972,038</u>



STATE OF COLORADO

METROPOLITAN STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS

(with comparative numbers as of June 30, 1988)

YEAR ENDED JUNE 30, 1989

1. Summary of Significant Accounting Policies:

The financial statements of Metropolitan State College (the College) are presented in accordance with fund accounting guidelines set forth in the American Institute of Certified Public Accountants' industry audit guide, Audits of Colleges and Universities, and the National Association of College and University Business Officers' publication, College and University Business Administration.

The financial statements of the College have been prepared on the accrual basis. The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.

Accounting and reporting activities for resources are performed within funds established, based upon the activities and purposes for which the resources are to be used. A separate group of self-balancing accounts is used for each fund; however, in the accompanying financial statements, funds having similar characteristics and purposes have been combined and reported upon as groups of funds.

Within each group of funds, fund balances restricted by outside sources have been identified. Externally restricted funds may only be utilized in accordance with the restrictions placed upon the resources by the external source. Within the restricted group of funds, revenue is recognized only to the extent that expenditures are made. Resources received in excess or deficiency of expenditures made are recorded as "Excess (Deficiency) of Restricted Receipts Over Transfer to Revenues" in the Statement of Current Funds Revenues, Expenditures and Other Changes.

Plant Funds assets are recorded at acquisition cost or fair value at date of acquisition. Depreciation on these assets is not recorded. When Current Funds are used to finance additions and normal replacement of movable equipment in Plant Fund assets, the acquisition costs are accounted for as expenditures in Current Funds.

Summer session tuition and expenditures are deferred to the subsequent year's operations.



STATE OF COLORADO

METROPOLITAN STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS

(with comparative numbers as of June 30, 1988)

YEAR ENDED JUNE 30, 1989

1. Summary of Significant Accounting Policies (Continued):

Interest on loans to students is recognized as income when received.

The College is an agency of the State of Colorado. A significant portion of the College's operations and activities is funded through state appropriations. Earned revenue in excess of augmenting revenue allocations is transferred to the Board of State Colleges.

Recording the liability for compensated absences results in fund balance deficits which will be funded by state appropriations, federal funds or other funding sources available in future years when the liability is to be paid.

College employees may accrue annual and sick leave based on length of service, but subject to certain limitations on the amount which will be paid upon termination. The estimated cost of compensated absences for which employees are vested is as follows:

	<u>ANNUAL LEAVE</u>	<u>SICK LEAVE</u>	<u>COMBINED</u>
June 30, 1989	\$775,107	\$39,463	\$814,570
June 30, 1988	681,911	36,921	718,832

Certain June 30, 1988 revenue and expenditures have been reclassified for consistent presentation with June 30, 1989 account balances.

2. Deposits With Financial Institutions:

At year ended June 30, 1989, the College had \$6,620,598 on deposit with the State Treasurer, which consists of \$6,727,443 carried on the College's books as cash on deposit with State Treasurer less \$106,845 due to the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office. At year end, the carrying amount of the College's deposits was \$328,559 and the bank balance was \$1,751,329, all of which was covered by collateral held in the pledging institution's trust department in the name of the public deposit pool, as required by the Public Deposit Protection Act.





STATE OF COLORADO

METROPOLITAN STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS

(with comparative numbers as of June 30, 1988)

YEAR ENDED JUNE 30, 1989

3. Capital Lease Payable:

The following is a schedule, by year, of future minimum lease payments for equipment acquired under a capital lease, together with the present value of the net minimum lease payments as of June 30, 1989. The book value of the equipment capitalized under this agreement is \$168,539.

YEARS ENDING <u>JUNE 30,</u>	
1990	\$ 60,555
1991	60,555
1992	<u>60,553</u>
Total minimum lease payments	181,663
Less amount representing interest	<u>13,124</u>
Present value of net minimum lease payments	<u><u>\$168,539</u></u>

4. Operating Leases:

The College leases building space and equipment under operating lease agreements. Total rental expense for the year ended June 30, 1989, under these agreements, was \$250,410.

Minimum future rentals (excluding contingent rentals) required by the above agreements are as follow:

YEARS ENDING <u>JUNE 30,</u>	
1990	\$461,583
1991	477,046
1992	481,409



STATE OF COLORADO

METROPOLITAN STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS

(with comparative numbers as of June 30, 1988)

YEAR ENDED JUNE 30, 1989

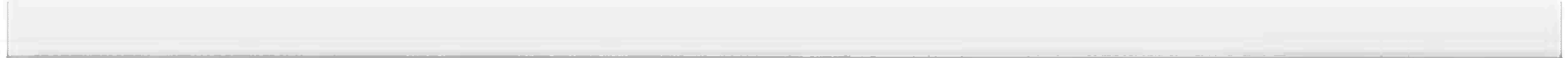
5. Metropolitan State College Foundation, Incorporated - A Related Party  
(Continued):

STATEMENTS OF SUPPORT, REVENUE, EXPENSES,  
AND CHANGES IN FUND BALANCE

	<u>JUNE 30,</u>	
	<u>1989</u>	<u>1988</u>
Support and revenue:		
Support - contributions	\$123,464	\$ 89,355
Revenue	<u>292,246</u>	<u>121,965</u>
Total support and revenue	415,710	211,320
Expenses:		
Payment to or for the benefit of Metropolitan State College	378,104	151,625
Other expenses	<u>48,377</u>	<u>25,338</u>
Total expenses	<u>426,481</u>	<u>176,963</u>
Excess of support and revenue over (under) expenses before capital additions	(10,771)	34,357
Capital additions	22,950	43,111
Excess of support and revenue over expenses after capital additions	12,179	77,468
Fund balance, beginning of year	<u>255,027</u>	<u>177,559</u>
Fund balance, end of year	<u>\$267,206</u>	<u>\$255,027</u>

6. Contingent Liabilities:

Amounts expended under the terms of certain grants and contracts are subject to audit and possible adjustment by governmental agencies. In the opinion of College management, any adjustments will not have a material adverse effect on the accompanying financial statements.



STATE OF COLORADO

METROPOLITAN STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS

(with comparative numbers as of June 30, 1988)

YEAR ENDED JUNE 30, 1989

7. Pension Plan:

The college's principal employee pension plan is the Public Employees' Retirement Association of Colorado (PERA). PERA is a cost-sharing multiple-employer public employee retirement system.

Substantially all full-time employees of the College are covered by PERA. The College's total payroll for the fiscal year ended June 30, 1989 was \$26,342,110; the total payroll of employees covered by PERA was \$22,197,929. Employer and employee obligations to contribute to PERA are established under Colorado State Law: specifically, Title 24, Article 51 of Colorado Revised Statutes (C.R.S.). For the current fiscal year, the employer's contribution to PERA was \$2,707,844, which is 12.2% of covered payrolls and \$2,110,822 for June 30, 1988. Contributions by employees were \$1,781,919, which is 8% of covered payrolls.

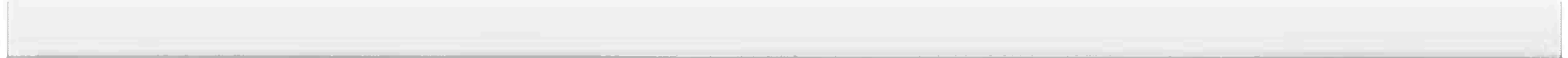
The College's contribution to PERA for the calendar year ended December 31, 1988 was approximately .91% of all employer contributions to PERA for the year ended December 31, 1988.

An employee is eligible for full retirement benefits at age 55 with at least 30 years service with the College and other entities covered by PERA, at age 60 with at least 20 years service or at age 65 with at least 5 years service, or by earning 35 or more years of credited service. Reduced retirement benefits are available at age 55 with at least 20 years service or at age 60 with at least 5 years service.

Disability and survivors benefits are also available. There was no change in PERA benefits during the year. PERA benefits vest after five years service with covered employers. Benefit provisions are established under Colorado State Law; specifically, Title 24, Article 51, C.R.S.

During the current fiscal year, there were no changes in benefit provisions or in the actuarial funding method. The amortization period for unfunded actuarial accrued liabilities was decreased from 30 years to 28 years.

The pension benefit obligation, which is the actuarial measure of the present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects



STATE OF COLORADO

METROPOLITAN STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS

(with comparative numbers as of June 30, 1988)

YEAR ENDED JUNE 30, 1989

7. Pension Plan (Continued):

of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users of the College's financial statements assess PERA's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERA and other pension programs and among employees. As of December 31, 1988, the total pension benefit obligation of the State Division within PERA was \$3,244,926,000. Net assets of the division available for benefits, at fair market value, were \$3,116,290,000.

The annual report of PERA for the calendar year 1988 provides historical trend information under the heading "Schedule of Funding Progress." This historical trend information shows the progress being made in accumulating sufficient assets to pay benefits when due.

PERA's assets do not include any loans or securities of the college.

8. Campus Shared Costs:

The College's portion of campus shared costs for the Auraria Campus, where the College is located, is as follows:

	<u>YEAR ENDED JUNE 30,</u>	
	<u>1989</u>	<u>1988</u>
Administration of Auraria Higher Education		
Center and operation and maintenance of plant	\$4,331,480	\$3,968,677
Library and media center	<u>2,474,678</u>	<u>2,208,819</u>
	<u>\$6,806,158</u>	<u>\$6,177,496</u>

These campus shared costs have been included in the functional expenditure categories of the statements of current funds revenues, expenditures and other changes as follow:





STATE OF COLORADO

METROPOLITAN STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS

(with comparative numbers as of June 30, 1988)

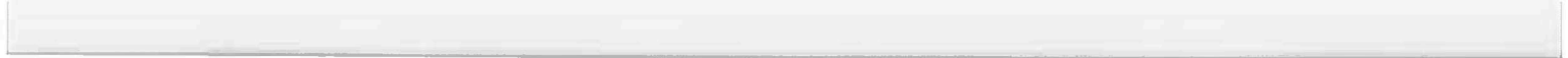
YEAR ENDED JUNE 30, 1989

8. Campus Shared Costs (Continued):

	<u>YEAR ENDED JUNE 30,</u>	
	<u>1989</u>	<u>1988</u>
Operation and maintenance of plant	\$4,331,480	\$3,968,677
Academic support	<u>2,474,678</u>	<u>2,208,819</u>
	<u>\$6,806,158</u>	<u>\$6,177,496</u>

9. Reconciliation of Allocated Appropriation Funding Sources to Financial Statement Revenues for the Year Ended June 30, 1989:

	<u>GENERAL</u>	<u>CASH</u>	<u>TOTAL UN-</u>	<u>SPONSORED</u>	
	<u>FUND</u>	<u>FUND</u>	<u>RESTRICTED</u>	<u>PROGRAMS</u>	
			<u>FUNDS</u>	<u>AND OTHER</u>	
				<u>RESTRICTED</u>	
				<u>FUNDS</u>	<u>TOTAL</u>
Allocated appropriation funding	\$24,431,170	\$15,670,210	\$40,101,380	\$ --	\$40,101,380
State grants and contracts	--	--	--	1,954,936	1,954,936
Federal grants and contracts	--	140,036	140,036	5,654,820	5,794,856
Student fees	--	1,808,479	1,808,479	--	1,808,479
Other student activity sources	--	406,997	406,997	--	406,997
Private gifts, grants and contracts	--	64,581	64,581	109,536	174,117
Sales and services - education	--	1,210,306	1,210,306	--	1,210,306
Sales and services - auxiliary	--	<u>125,764</u>	<u>125,764</u>	--	<u>125,764</u>
Financial statement revenues	<u>\$24,431,170</u>	<u>\$19,426,373</u>	<u>\$43,857,543</u>	<u>\$7,719,292</u>	<u>\$51,576,835</u>



October 13, 1989

**Members of the Legislative Audit Committee  
State of Colorado**

We have audited the financial statements of Metropolitan State College (the College) for the year ended June 30, 1989 and have issued our report thereon dated October 13, 1989. As part of our audit, we made a study and evaluation of the College's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the College's financial statements. Our study and evaluation were more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the College is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objective of a system is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

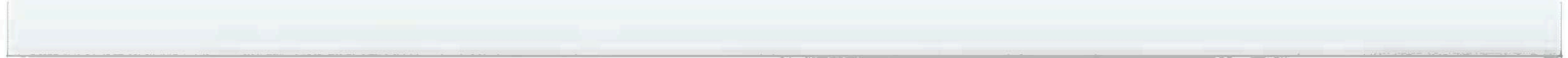
Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation, made for the limited purpose described above, would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of the College taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness. Our study did disclose certain areas which we wish to bring to your attention. Our findings and recommendations are enclosed.

This report is intended solely for the use of Metropolitan State College, members of the Legislative Audit Committee and Colorado Commission on Higher Education, and should not be used for any other purpose. This restriction is not intended to limit distribution of this report which, upon release by the Legislative Audit Committee, is a matter of public record.

*Touche Ross & Co.*

Certified Public Accountants



STATE OF COLORADO

METROPOLITAN STATE COLLEGE

AUDITOR'S FINDINGS AND RECOMMENDATIONS REGARDING INTERNAL  
ACCOUNTING AND ADMINISTRATIVE CONTROLS AND COMPLIANCE

JUNE 30, 1989

1. EDP Disaster Planning

Finding

The College has not completed a disaster recovery plan for its data processing facility.

Recommendation

We recommend that the College place a higher priority on funding for the development of a comprehensive plan. This plan should include a test execution and adequate staff training on appropriate documentary procedures when on-line entry of data is not possible.

College's Responses

A study is in progress to be completed November 1989 which will outline alternatives and make recommendations for a Disaster Recovery Plan. Implementation will depend on obtaining appropriate resources including funding.

2. Automated Data Processing Scheduling System

Finding

Many of the batch jobs that are run on a nightly or weekly basis at the College have dependencies. For example, one job cannot be executed until several other jobs are successfully completed. Because of limitations in existing scheduling software, batch jobs must be scheduled sequentially. A more sophisticated scheduling system would allow for the development of more complex dependency scheduling and could potentially lead to a significant reduction in the overall amount of time needed to complete nightly batch runs and reduce the lagtime in obtaining needed reports.

Recommendation

We recommend that this system be investigated and that the possibility of using a more advanced scheduling software package be examined.

College's Responses

The College recognizes the need for more sophisticated batch scheduling software. Implementation will depend on the College's priorities relative to funding computer needs.



STATE OF COLORADO

METROPOLITAN STATE COLLEGE

DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS

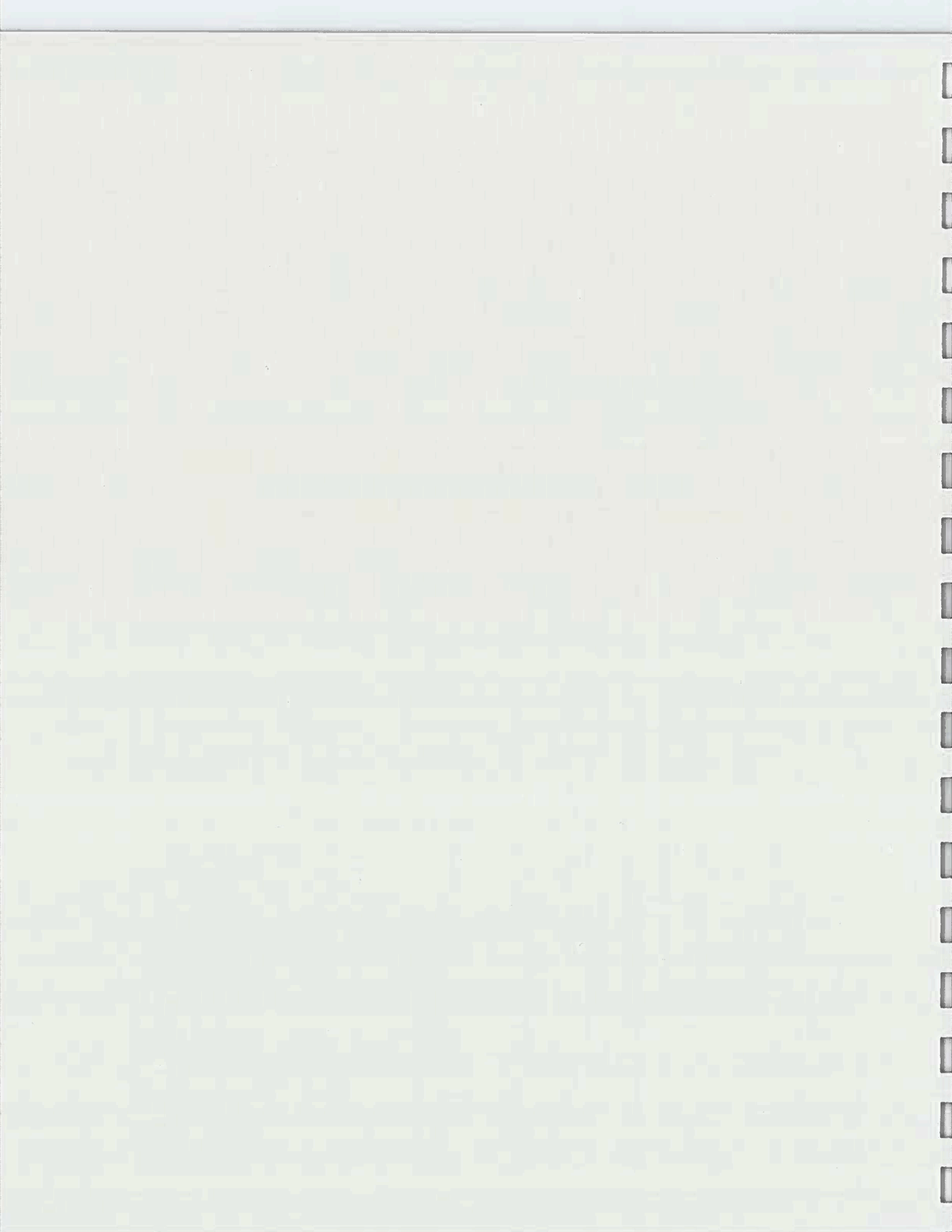
JUNE 30, 1989

<u>RECOMMENDATIONS</u>	<u>DISPOSITION</u>
<p><u>Air Treatment System on Auraria</u></p> <p>We recommend that the College proceed without hesitation in its current action directed to improving the quality of air on the campus for the central classroom building, the south classroom building, the west classroom building, the technology building, the library and the science building.</p>	<p>The capital construction funding was allocated to AHEC during 1989-90 fiscal year. Construction is estimated to be completed during the summer of 1990.</p>
<p><u>Need for Internal Auditor</u></p> <p>The College should establish an internal auditor position. An internal auditor could assist in the preparation of year-end closing documentation, financial statements and audit lead schedules. During the year, the internal auditor could monitor the taking of equipment inventory and assist the Vice President of Finance with various internal control review procedures.</p>	<p>The Office of State Colleges hired an internal auditor September 1, 1989 for all four State Colleges.</p>
<p><u>Overall Comments Pertaining to Data Processing</u></p> <p>A general observation is that the addition of a technical writer in the Data Processing Department would greatly speed up the development of appropriate documentation for both old and new systems. This position is reasonable for an organization the size of Metropolitan State College and we recommend it be created.</p>	<p>The College has recently begun using a Programmer C position to perform the technical writer functions. This person has initiated documentation of new systems as well as clearing the backlog of documentation needs for old systems.</p>
<p><u>EDP Disaster Planning</u></p> <p>We recommend that a formal disaster plan be developed. This plan, at a minimum, should identify EDP critical applications and times when backup is necessary. Alternatives should be arranged and planned. This could include both EDP and manual alternatives as circumstances warrant.</p>	<p>See current year finding and recommendation #1.</p>





**STATE-FUNDED STUDENT  
ASSISTANCE PROGRAMS AUDIT  
REPORT SECTION**



STATE OF COLORADO

METROPOLITAN STATE COLLEGE

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

YEAR ENDED JUNE 30, 1989

INTRODUCTION

Metropolitan State College is a state-supported institution of higher education located in Denver, Colorado.

Our financial and compliance audit of the various state-funded student assistance programs at the College for the year ended June 30, 1989 was directed toward the objectives and criteria set forth in the "Colorado Handbook for State-Funded Student Assistance Programs" issued by the Colorado Commission on Higher Education (CCHE), June 1989 revision. The state student financial assistance programs were audited simultaneously with the federal aid programs for the year ended June 30, 1989.

STATE FUNDED ASSISTANCE PROGRAMS

The various state-funded student assistance programs at the College include the Colorado Student Incentive Grant Program (CSIG), Colorado Student Grant Program (CSG), Colorado Work-Study Program (CWS), Colorado Graduate Grant Program (CGG), Undergraduate Merit Program (Merit), Perkins Student Loan Matching Program (Perkins), Income Contingent Loan Matching Program (ICL), the Colorado Diversity Grant Program (CDG) and the Colorado Nursing Scholarship Program.

The state-funded assistance awards made by the College were \$1,948,801 during the fiscal year ended June 30, 1989. In addition, total state-funded matching funds of \$32,330 and \$38,363 during the fiscal year 1989 were transferred to the Perkins and ICL Student Loan Funds, respectively.

The Director of Financial Aid is responsible for administration of these programs. This responsibility includes application processing, eligibility determination and financial aid packaging, as well as ensuring compliance with regulations governing the participation of the College in federal and state financial aid programs. The College Controller is responsible for the programs' financial management, general ledger accounting, payments and collections.

During the audit period, Metropolitan State College obtained authorizations to award federal student financial aid funds of \$3,970,192 in the Pell Grant Program, \$369,101 in the Supplemental Education Opportunity Grant Program, \$374,134 in the College Work-Study Program and \$290,967 in the Perkins Student Loan Program.



STATE OF COLORADO

METROPOLITAN STATE COLLEGE

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

YEAR ENDED JUNE 30, 1989

INTRODUCTION

(Continued)

During the audit period, Metropolitan State College was authorized to award Colorado student financial aid funds of \$144,978 in the CSIG, \$537,737 in the CSG, \$638,440 in Merit, \$70,693 in ICL, \$22,536 in CDG and \$604,010 in CWS.



STATE OF COLORADO

METROPOLITAN STATE COLLEGE

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

YEAR ENDED JUNE 30, 1989

REPORT SUMMARY

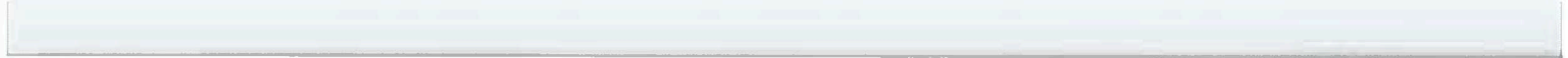
PURPOSES AND SCOPE OF AUDIT

Our audit of the state-funded student assistance programs was performed in accordance with the financial compliance elements of Government Auditing Standards issued by the Comptroller General of the United States. The purpose of the audit was to formulate an opinion on the statement of student aid program appropriations, expenditures, transfers and reversions for the fiscal year ended June 30, 1989, and to determine if these programs were administered in accordance with applicable laws, regulations, terms of agreements and CCHE directives which were set forth in the handbook.

Our audit included:

- Expression of an opinion on the statements of student aid program appropriations, expenditures, transfers and reversions.
- Evaluation of the policies, procedures, and practices used to administer these programs.
- Determination of compliance with applicable sections of the CCHE guidelines contained in the "Colorado Handbook for State-Funded Student Assistance Programs," 1989 revision.

The audit covered the period July 1, 1988 through June 30, 1989 and field work was performed during the period September 11, 1989 through October 13, 1989 at the College Business and Student Financial Aid Offices.





INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF APPROPRIATIONS,  
EXPENDITURES, TRANSFERS AND REVERSIONS

Members of the Legislative Audit Committee  
State of Colorado

We have audited the statement of appropriations, expenditures, transfers and reversions of the State-Funded Student Assistance Programs of Metropolitan State College for the year ended June 30, 1989. This statement is the responsibility of the College. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the procedures prescribed by the Colorado Commission on Higher Education (CCHE). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the appropriations, expenditures, transfers and reversions of the State-Funded Student Assistance Programs of the College for the year ended June 30, 1989, in conformity with the provisions of the CCHE Colorado Handbook for State-Funded Student Assistance Programs.

The accompanying statement was prepared in the format as set forth in the CCHE Colorado Handbook for State-Funded Student Assistance Programs. The statement is a summary of cash activity of the state-funded student financial aid programs with the exception of the Perkins Loan and College Work-Study Programs, and does not present certain transactions that would be included in financial statements of the state-funded student financial aid programs if presented on the accrual basis of accounting, as contemplated by generally accepted accounting principles. Accordingly, the accompanying statement is not intended to present the financial position or results of operations in conformity with generally accepted accounting principles.

*Touche Ross & Co.*  
Certified Public Accountants

October 13, 1989



STATE OF COLORADO

METROPOLITAN STATE COLLEGE

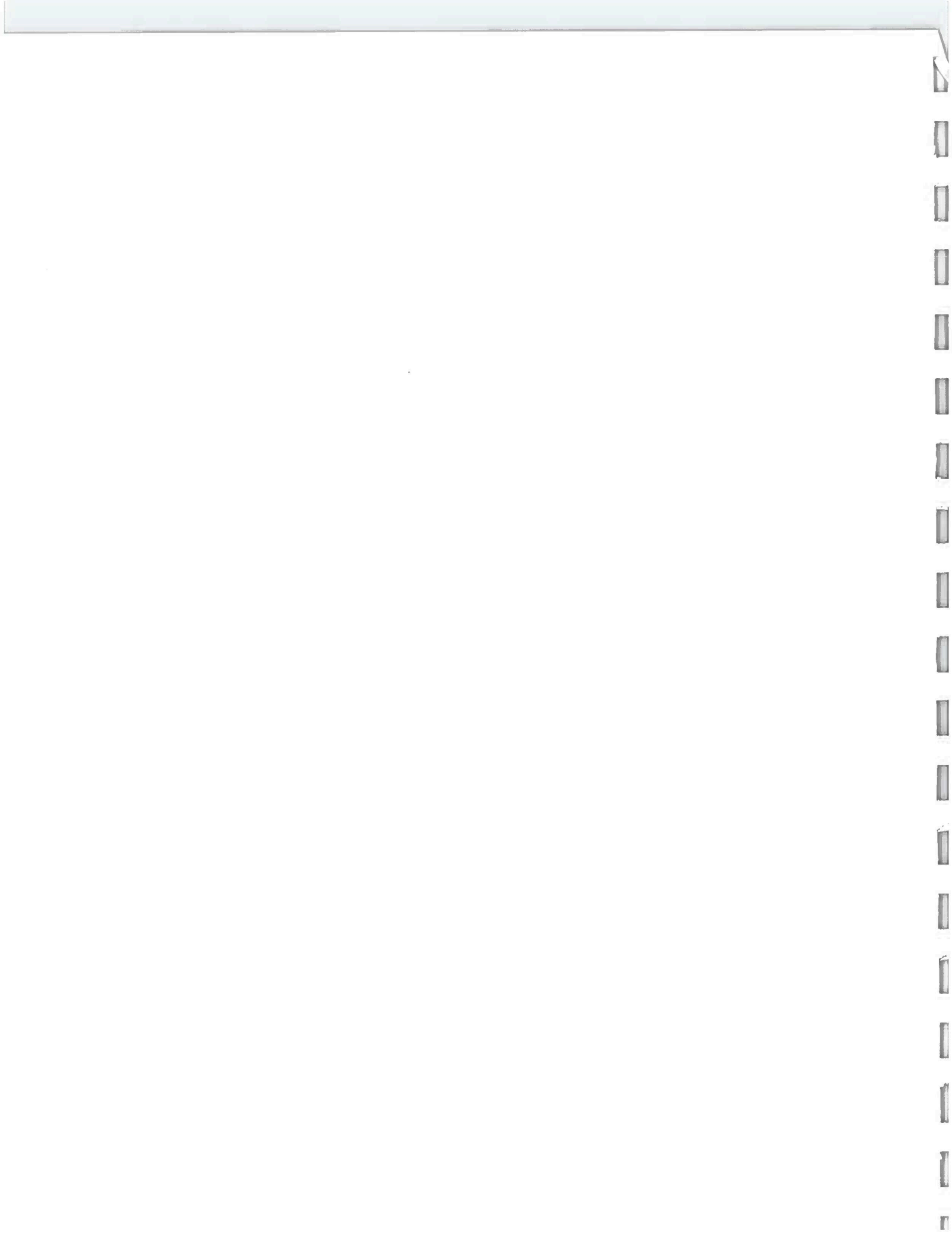
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND REVERSIONS

YEAR ENDED JUNE 30, 1989

	TOTAL STATE- FUNDED STUDENT ASSISTANCE	STUDENT INCENTIVE GRANTS	STUDENT GRANT PROGRAM	WORK - STUDY PROGRAM	UNDERGRADUATE MERIT FUNDS				COLORADO NURSE SCHOLARSHIP	COLORADO DIVERSITY GRANT
					UNDER- GRADUATE MERIT	ATHLETIC GRANT PROGRAM				
Appropriations:										
Original	\$1,944,455	\$144,978	\$537,737	\$599,664	\$495,840	\$142,600		\$1,100	\$22,536	
Adjustments	4,346	--	--	4,346	--	--		--	--	--
Transfers	--	--	62,487	(27,192)	(28,952)	(6,343)		--	--	--
Total	1,948,801	144,978	600,224	576,818	466,888	136,257		1,100	22,536	
Expenditures	1,948,801	144,978	600,224	576,818	466,888	136,257		1,100	22,536	
Reversions to State										
General Fund	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --		\$ --	\$ --	\$ --

See notes to financial statement.



STATE OF COLORADO  
METROPOLITAN STATE COLLEGE  
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS  
NOTES TO FINANCIAL STATEMENT  
YEAR ENDED JUNE 30, 1989

Basis of Accounting

The accounting system of Metropolitan State College is structured and administered in accordance with the accounting principles promulgated by the National Association of College and University Business Offices in its revised publication, College and University Business Administration, as supplemented by the American Institute of Certified Public Accountants industry audit guide, Audits of Colleges and Universities.

The Perkins and ICL Student Loan matching requirement from general funds, as approved by the CCHE, is recorded as a transfer from general funds to loan funds and not as a general fund expense and loan fund revenue.

All student aid is expensed on a cash basis except for the CWS. The CWS is on the accrual basis in that the expense is recognized when the services are performed.

Colorado Student Incentive Grants

Colorado Student Incentive Grants consist of 50% non-federal state funds and 50% federal funds. The amount shown is the combined total.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROL

Members of the Legislative Audit Committee  
State of Colorado

We have audited the financial statements of the State-Funded Student Assistance Programs of Metropolitan State College for the year ended June 30, 1989. As part of our audit, we made a study and evaluation of the system of internal accounting control of Metropolitan State College to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the CCHE Colorado Handbook for State-Funded Student Assistance Programs.

- Receipt and Disbursement of Funds
- Eligibility of Recipients and Award Amounts
- Reports to the Colorado Commission on Higher Education

Our study included all of the control categories listed above. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. Our study and evaluation were more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of Metropolitan State College is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objective of a system is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the second paragraph would not necessarily disclose all material weaknesses in the system.

Accordingly, we do not express an opinion on the system of internal accounting control of Metropolitan State College taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believe to be a material weakness in relation to the College's financial information.





STATE OF COLORADO

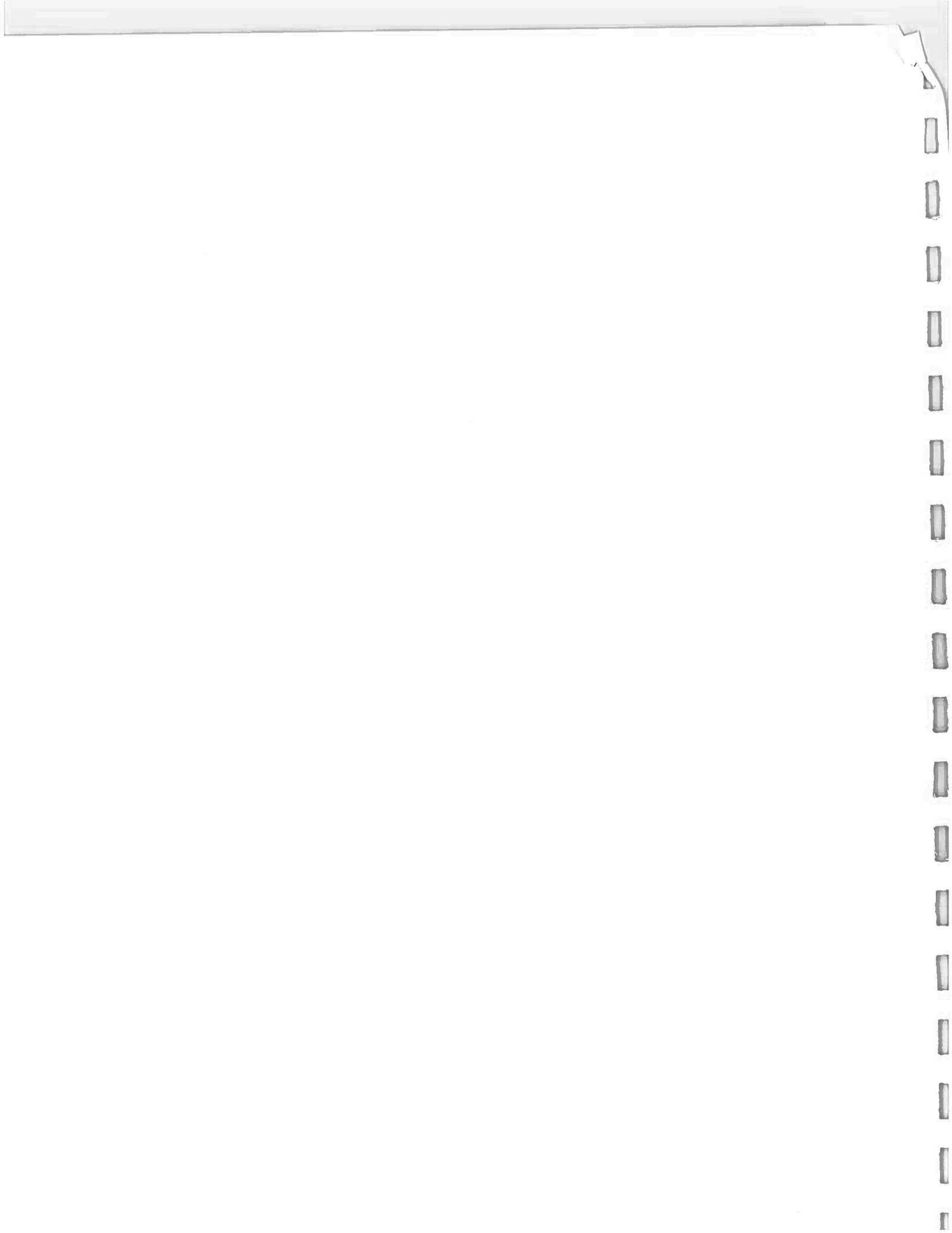
METROPOLITAN STATE COLLEGE

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS

YEAR ENDED JUNE 30, 1989

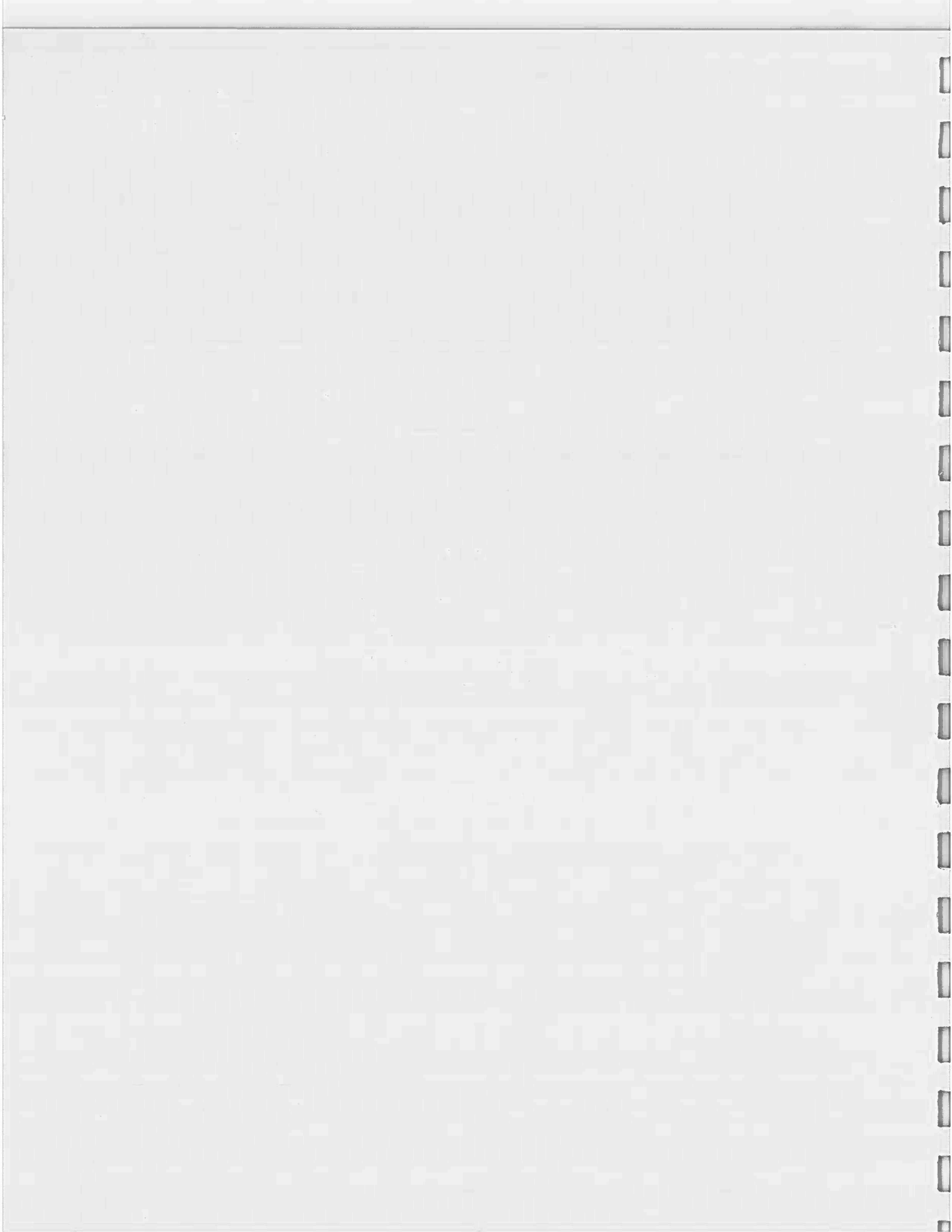
There were no recommendations included in the audit report for the year ended June 30, 1988.



**FEDERAL FINANCIAL ASSISTANCE**

**PROGRAMS AUDIT**

**REPORT SECTION**



Touche Ross & Co.  
370 Seventeenth Street  
Suite 2600  
Denver, CO 80202-5626  
Telephone: 303 861-4462



INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF CHANGES  
IN FEDERAL AWARD FUND BALANCES

Members of the Legislative Audit Committee  
State of Colorado

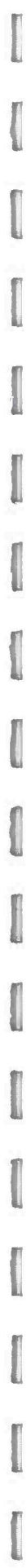
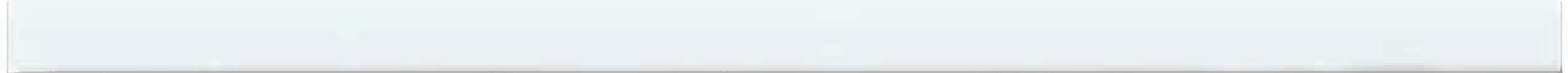
We have audited the financial statements of Metropolitan State College for the year ended June 30, 1989 and have issued our report thereon dated October 13, 1989. Our audit of such financial statements was conducted in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Changes in Federal Award Fund Balances is presented for purposes of additional analysis and is not a required part of the financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Touche Ross & Co.*

Certified Public Accountants

October 13, 1989



STATE OF COLORADO

METROPOLITAN STATE COLLEGE

SCHEDULE OF CHANGES IN FEDERAL AWARD FUND BALANCES

CFDA PROGRAM NUMBER	FEDERAL AGENCY ADMINISTERING THE GRANT	GRANT OR CONTRACT	FUND BALANCE JUNE 30, 1988	FUND ADDITIONS		FUND DEDUCTIONS	FUND BALANCE JUNE 30, 1989
				FEDERAL FUNDS	OTHER		
N/A	NSF	NSF Chemical Equipment 88-91	\$ --	\$ 36,104	\$ --	\$ 36,104	\$ --
84.003	Education	Bilingual Education Program	--	145,449	--	145,449	--
13.600	HHS	Resource Access Project	--	29,269	--	29,269	--
N/A	OPM	Training Government Employees	--	12,967	--	12,967	--
16.302	Justice	Training Crime Scene Tech	--	1,582	--	1,582	--
N/A	Justice	Federal Correctional Institute	--	20,785	--	20,785	--
N/A	NSF	NSF Borazine Research	--	12,000	--	12,000	--
84.016	Justice	Institute For International Studies	--	17,630	--	17,630	--
84.055	Education	Cooperative Education Program	--	68,868	--	68,868	--
84.964	Education	Veterans Education Outreach	--	15,628	--	15,628	--
84.042	Education	Special Services Program	--	114,290	--	114,290	--
84.047	Education	Upward Bound Programs	--	295,022	--	295,022	--
		Total Direct Federal Grants	--	769,594	--	769,594	--
84.007	Education	Supplemental Education Opportunity Grant	--	369,101	--	369,101	--
84.063	Education	Pell Grant Program	--	3,970,192	--	3,970,192	--
84.033	Education	College Work Study Program	--	374,134	--	374,134	--
84.038	Education	National Direct Student Loan Program (Perkins)	3,423,685	290,967	37,185	187,420	3,564,417
13.364	HHS	Nursing Student Loan Program	13,817	--	3,047	3,592	13,272
N/A	Education	Income Contingent Loan Program	259,464	345,266	48,742	66,930	586,542
		Total Federal Student Aid	3,696,966	5,349,660	88,974	4,971,369	4,164,231
84.069	CCHE	Supplemental Student Incentive Grant	--	72,489	72,489	144,978	--
84.029	CCHE	Congressional Teacher Scholarship Program	--	25,000	--	25,000	--
N/A	NCAA	National Youth Sports Program	--	56,584	--	56,584	--
17.250	CCHE	Federal/JTPA Youth-Early Child- hood Project	--	17,597	--	17,597	--
N/A	NASA	Center For Advancement of Science, Engineering and Technology	--	128	--	128	--
		Total Pass-Through Funds	--	171,798	72,489	244,287	--
		Total Federal Awards	<u>\$3,696,966</u>	<u>\$6,291,052</u>	<u>\$161,463</u>	<u>\$5,985,250</u>	<u>\$4,164,231</u>





STATE OF COLORADO

METROPOLITAN STATE COLLEGE

SCHEDULE OF CHANGES IN FEDERAL AWARD FUND BALANCES

NOTES TO SCHEDULE OF CHANGES IN FEDERAL AWARD FUND BALANCES

YEAR ENDED JUNE 30, 1989

Basis of presentation

The accompanying Schedule of Changes in Federal Award Fund Balances (the Schedule) has been prepared in the format set forth by the State of Colorado Division of Accounts and Control. The purpose of the Schedule is to present a summary of these activities of Metropolitan State College (the College) for the year ended June 30, 1989 which have been financed by the U. S. Government.

For purposes of the Schedule, federal awards have been classified into two types:

1. Direct federal awards consisting of federal assistance and procurement relationships entered into directly between the College and the U. S. Government, and
2. Sub-awards received from non-federal organizations made under federally sponsored programs conducted by those organizations.

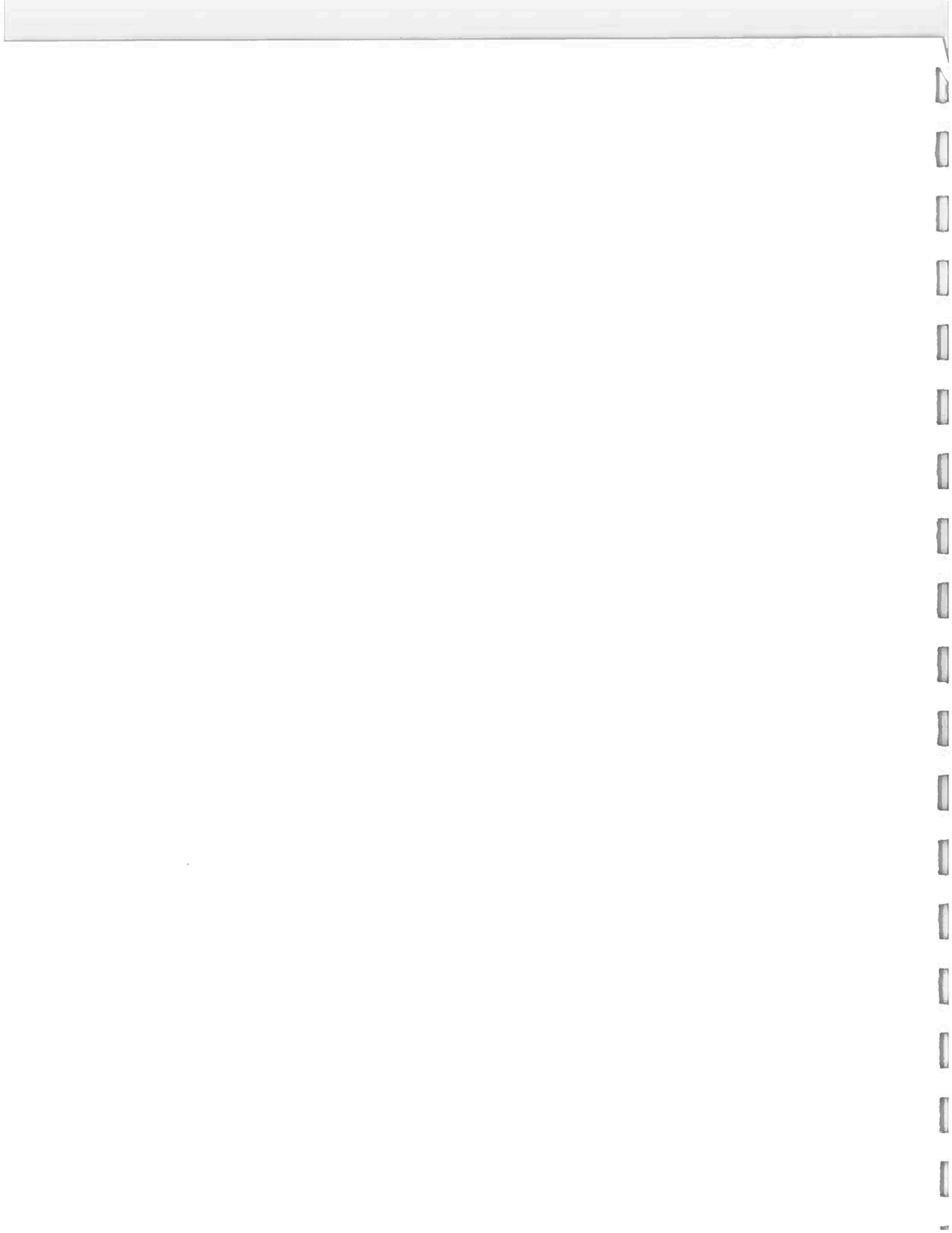
Because the Schedule presents only a selected portion of the activities of the College, it is not intended to and does not present either the financial position, changes in fund balances, or the current funds revenues, expenditures and other changes of the College.

Awards Other Than Student Loans

Deductions (expenditures) are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the U. S. Office of Management and Budget (OMB) Circular A-87, Cost Principles for State and Local Governments. Under those principles, certain types of expenditures are not allowable or are limited as to reimbursement. Moreover, the expenditures include a portion of cost associated with general College activities (indirect costs) which are allocated to federal awards' costs, and related revenues applicable to these cost recoveries are classified as unrestricted revenues in the College's financial statements. In the Schedule, additions to restricted grants and contracts and other agreements are recognized when funds are either received or become due from the federal government.

Student Loan Funds

Student loans are funded by the federal government under various programs, e.g., Perkins Loan Program, National Direct Student Loan (NDSL), Income



STATE OF COLORADO

METROPOLITAN STATE COLLEGE

SCHEDULE OF CHANGES IN FEDERAL AWARD FUND BALANCES

NOTES TO SCHEDULE OF CHANGES IN FEDERAL AWARD FUND BALANCES

YEAR ENDED JUNE 30, 1989

Student Loan Funds (Continued)

Contingent Loan Program (ICL) and Nursing Student Loan (NSL). Activity related to these loan programs in the Schedule includes capital transactions such as federal and College contributions, loans canceled and changes in the allowance for uncollectible loans. It also reflects operating items, e.g., revenues arising from interest earned on loans and expenditures for administrative and collection costs.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS

Members of the Legislative Audit Committee  
State of Colorado

We have audited the financial statements of Metropolitan State College (the College) as of and for the year ended June 30, 1989 and have issued our report thereon dated October 13, 1989.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the College for the year ended June 30, 1989, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the College is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Revenue/receipts
- Purchases/disbursements
- Payroll
- Financial Reporting
- Eligibility

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.



Members of the Legislative Audit Committee  
State of Colorado  
Page 2

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements 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 the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the College in the Schedule of Findings.

This report is intended for the information of the Legislative Audit Committee, management, and the cognizant state and federal agencies from which the College receives funding. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Touche Ross & Co.*

Certified Public Accountants

October 13, 1989





STATE OF COLORADOMETROPOLITAN STATE COLLEGECURRENT-YEAR SINGLE AUDIT FINDINGS AND RECOMMENDATIONSYEAR ENDED JUNE 30, 1989Finding No. 1

The records of forty-five College work-study recipients were examined. It was noted that in several cases the monitoring of award limits was not being controlled effectively. The College has compensating controls to ensure that a student is not overawarded. These compensating controls take additional unplanned time from Financial Aid staff, which is inefficient.

Recommendation No. 1

The Financial Aid Office and supervisors of federal college work-study students should be responsible for monitoring the earnings of the students. A system is in place, but it doesn't appear to be followed. In addition, monthly reconciliations to the FAMS system should be performed to bring attention to potential overaward situations.

Comments on Finding and Recommendation No. 1

The institution has recently installed new financial aid software that is not directly interfaced with the payroll system. Hence, monitoring of student earnings must be done manually.

Action Taken or Planned

The Financial Aid Office staff will monitor payroll earnings each month so that the payroll office can send notices to students and employers when students have reached their maximum earnings. Any overearnings will be billed to the employing department, not charged to the work-study fund accounts. Eventually, software programs will be developed to provide accurate monitoring of work-study expenditures.



STATE OF COLORADO

METROPOLITAN STATE COLLEGE

PRIOR YEAR SINGLE AUDIT FINDINGS AND RECOMMENDATIONS

YEAR ENDED JUNE 30, 1989

There were no findings and recommendations included in the audit report for the year ended June 30, 1988.



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Members of the Legislative Audit Committee  
State of Colorado

We have audited the financial statements of Metropolitan State College (the College) as of and for the year ended June 30, 1989 and have issued our report thereon dated October 13, 1989.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the College is the responsibility of the College's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the College's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

We noted certain immaterial instances of noncompliance that we have reported to the management of the College in the Schedule of Findings.

The results of our tests indicate that, with respect to the items tested, the College complied, in all material respects, with the provisions referred to in the third paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the College had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Committee, management, and the cognizant state and federal agencies from which the College receives funding. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Touche Ross & Co.*  
Certified Public Accountants

October 13, 1989



STATE OF COLORADO

METROPOLITAN STATE COLLEGE

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 1989

Finding No. 1

A promissory note is to be signed for each Perkins Loan disbursement awarded to a student. One disbursement of the 45 tested did not have the applicable promissory note for \$900.

Recommendation No. 1

A tracking system should be maintained in order for the Controller's Office to determine that all promissory notes have been received. This could be accomplished through a log of Perkins Loans disbursements maintained by the cashiers and sent to the Controller's Office with all promissory notes.

Comments on Finding and Recommendation No. 1

The College concurs and agrees that a method of tracking of promissory notes needs to be developed.

Actions Taken or Planned

The College has contacted the borrower who is currently attending Metropolitan State College. The borrower has now signed a promissory note. The College also plans to develop a computer program which would alphabetically list all fiscal year borrowers. After the students sign their notes, they will be forwarded to the Perkins Loan staff who will place an indicator in the file showing that the signed note had been returned. Those borrowers who show no indicator would then require follow-up by the Perkins Loan staff.

Finding No 2

One of the 45 Supplemental Loans for Students (SLS) disbursements tested was to a student studying abroad. There was no documentation as to how the student met the satisfactory academic progress requirements. The SLS award was for \$146,250.

Recommendation No. 2

A procedure for determining satisfactory academic progress of students studying abroad should be developed.





STATE OF COLORADO

METROPOLITAN STATE COLLEGE

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 1989

Actions Taken or Planned

During the 1988-89 fiscal year, the institution developed a software program to address the problem of more timely refunds to lenders. The program was not operational until mid-year. Since that time it has been run on a weekly basis to prevent untimely refunds to lenders.

Finding No. 6

Financial Aid Counselors are not required to sign requests for checks for refunds on GSL/SLS loans.

Recommendation No. 6

Since the Financial Aid Counselors determine the amount and propriety of the refund, their authorization should be required before a check is printed.

Comments on Finding and Recommendation No. 6

The lack of a signatory line was an oversight when check request forms were printed last year.

Actions Taken or Planned

A signatory line will be added to the check request refund form.

Finding No. 7

The SLS application form has the statements of educational purpose, default and refunds on the back. The student signs the front of the application indicating that all statements on the application (front and back) are true. Several of the SLS files only had a copy of the front of the application in the file.

Recommendation No. 7

In order to support the conclusion that the student signed the statements of education, default and refunds, the complete application should be maintained in the student file.

Comments on Findings and Recommendation No. 7

A copy of both sides of the application is kept in the student's file.



STATE OF COLORADO

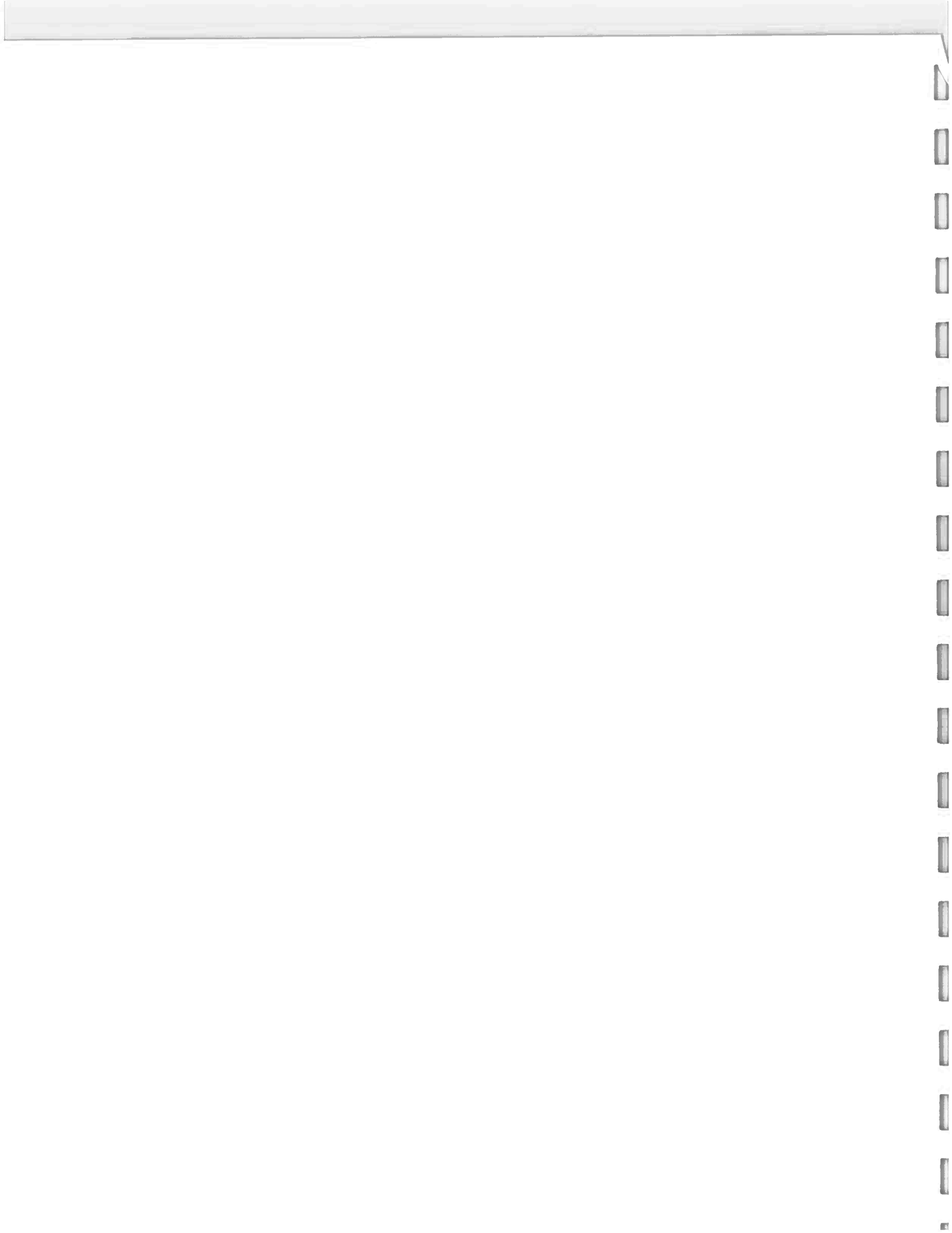
METROPOLITAN STATE COLLEGE

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 1989

Actions Taken or Planned

The College will reinforce its policy to retain a copy of both sides of the application and periodically monitor employees' compliance.



STATE OF COLORADO  
METROPOLITAN STATE COLLEGE  
FEDERAL PROGRAMS  
DISPOSITION OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 1989

There were no findings included in the audit report for the year ended June 30, 1988.

