

March 24, 2005

Marie Saumweber
Deloitte & Touche, LLP
400 One Financial Plaza
120 South Sixth Street
Minneapolis, MN 55402

Re: University of Minnesota FY 2004 A-133 Report – Status of Prior Year Findings

Dear Marie Saumweber:

The following updates the status of compliance findings from the University of Minnesota's FY 2003 A0133 audit reports.

FY 2003 Findings

FINDING 03-01 - TWIN CITIES CAMPUS

Program Name:	Research and Development
CFDA:	93.RD, 43.RD
Questioned Cost:	None
Criteria or Specific Requirement	Reporting

Condition/Context:

In 17 of 40 instances, federal reports were not filed with the National Institutes of Health (“NIH”) by the date specified in the contract, and in 1 of 40 instances federal reports were not filed with National Aeronautics and Space Administration (“NASA”) by the date specified in the contract. In accordance with individual grant agreements, each grant specifies reporting deadlines. Based on the results of our testing as stated above, it appears that these filing dates are not always being met.

Effect:

As a result of the untimely filing of the reports, the University is not in compliance with the terms of the grant agreements.

Cause:

The late filings are due to two factors. First, Sponsored Financial Reporting (SFR) had a backlog of reports due to fluctuations in workload and the associated staffing levels. Second, information used by SFR to generate accurate and timely financial reports is obtained from a variety of sources, both within and outside the University. There were delays encountered in receiving and compiling the necessary information from sources external to SFR.

Recommendation:

The University should ensure that employees in all departments involved with federal programs are aware of the significance of providing the necessary information to complete the reports in a timely basis. Additionally, the University should evaluate its procedures and systems used to prepare and submit financial reports, and make changes as necessary to complete the reports on a timely basis.

Update to Management's Corrective Action Plan:

The JD Edwards system is in place and conversion is complete. The SFR management uses management reports to better assist in workload and timeliness of reports. The University continues to work diligently toward improving the timeliness of report submission. In addressing this issue, it has been determined that cultural, as well as procedural and systems changes are needed to increase the timeliness of report submission to an acceptable level. The University will continue to closely monitor the JD Edwards reports on timeliness and will work to remedy the underlying causes for late submission, whether within SFR or other University departments.

FINDING 03-01:

Campus/Program:

Morris/Tuition Reciprocity

Questioned Costs:

Indeterminable

Statement of Condition:

In 4 of 15 students tested, students' cost of attendance with their primary residence being in Wisconsin was calculated using the higher residency rate. This is in violation of the MHESO reciprocity rules which state, per the MHESO Audit Guide Subsection IID, Page 2, that financial aid budgets need to reflect actual tuition charged.

Criteria:

Violation of the MHESO reciprocity rules which state, per the MHESO Audit Guide Subsection IID, Page 2, that financial aid budgets need to reflect actual tuition charged.

Effect:

The students may not have received need-based aid for which they were eligible.

Cause:

The campus did not adjust the rates in the system.

Recommendation:

The campus should review the system and implement changes as necessary to correct the calculations. The campus should adjust the rates in the system annually to coincide with the changes in the reciprocity rate.

Update to Management's Corrective Action Plan:

This error occurred due to an oversight by the staff member who creates budgets for the Morris campus. To prevent this error from occurring again, a second staff member checks the budgets before they are sent to the Twin Cities campus to be entered into PeopleSoft.

FINDING 03-02:

Campus/Program:

Crookston/Student Educational Loan Fund ("SELF")

Questioned Costs:

None

Statement of Condition:

In 1 of 15 instances, the amount of credits earned by a student did not correspond to the grade level used in classifying the student for SELF loan aid.

Criteria:

The SELF loan award amount is based on the student's grade level. Therefore, the student's grade level in the file must be accurate.

Effect:

Students may receive incorrect levels of funding.

Cause:

The PeopleSoft system was not updated to reflect the student's current grade level.

Recommendation:

The University should take appropriate steps to ensure that PeopleSoft is updated on a regular basis to reflect a student's current grade level.

Update to Management's Corrective Action Plan:

A computer program (FA term) runs nightly that updates grade level for all campuses. This specific incident may have been the result of a manual packaging error, timing (e.g., award posted in afternoon correctly and grade level updated that night), or other non-systemic cause. Discrepancies of this kind are rare and should be identified and corrected through error reports. The issue has been reviewed with staff and additional training completed if required.

FINDING 03-02 - TWIN CITIES CAMPUS

Program Name:	Health Professions Loans
CFDA:	93.342
Questioned Cost:	\$10,000
Criteria or Specific Requirement	Loan Collection Procedures

Condition/Context:

In 1 of 40 instances, the University could not provide D&T the original signed and executed promissory notes. In accordance with Title 42 CFR 57.208 (a) of the Federal Register, "each health professions student loan must be evidenced by a properly executed promissory note in a form approved by the Secretary. The school must safeguard the promissory note against fire, theft, and tampering."

Effect:

Collectability of loan may be impaired.

Cause:

The promissory note has not been signed by the student.

Recommendation:

The University should work to ensure that each student loan be evidenced by a properly executed promissory note and should safeguard the note against fire, theft, and tampering.

Update to Management's Corrective Action Plan:

The University contacted the borrower in June 2003 and executed a new promissory note to replace the original. It has been signed and placed in our files.

The Office of Student Finance (Student Financial Collections and Loans) has tightened procedures to ensure student borrowers sign promissory notes. Promissory notes are now imaged to prevent loss or tampering.

FINDING 03-03 - TWIN CITIES CAMPUS

Program Name:	Student Financial Assistance Programs
CFDA:	Various
Questioned Cost:	Not applicable
Criteria or Specific Requirement	Timeframe for the return of title IV funds

Condition/Context:

34 CFR 668.22(j)(1) states an institution must return the amount of title IV funds for which it is responsible as soon as possible but no later than 30 days after the date of the institution's determination that the student withdrew. In 12 of 25 instances, refunds were calculated and returns were necessary; however, the University did not return the funds to the proper program within the 30 day timeframe.

Effect:

The University did not disburse refunds on a timely basis to student financial assistance programs in accordance with 34 CFR 668.22(j)(1).

Cause:

Systems problems contributed to the delay in timely disbursement of refunds per 34 CFR 688.22(j)(1).

Recommendation:

The University should review its procedures in relation to 34 CFR 668.22(j)(1) to ensure refunds are remitted timely. These procedures should include alternative remittance plans in the event of system failures occur.

Update to Management's Corrective Action Plan:

Management has refined the report used for identifying students where a return of Title IV funds is required. Student information is now directly loaded in to the PeopleSoft system nightly. This has eliminated much of the manual process and ensures more timely completion of the Title IV calculation.

FINDING 03-04 - DULUTH CAMPUS

Program Name:	Health Professions Loans
CFDA:	93.342
Questioned Cost:	\$10,206
Criteria or Specific Requirement	Loan Collection Procedures

Condition/Context:

42 CFR 57.208(c)(2) states that the institution shall, prior to the borrower's completion or termination of studies at the institution, provide certain loan information to the student including each amount borrowed, total amount borrowed and a schedule of repayment. In 1 of 25 students tested, the student file did not contain a copy of the amortization schedule or exit interview documentation.

Effect:

The student may be unaware of the repayment terms or other pertinent loan information.

Cause:

The documentation may not have been received by the University or may have been misfiled.

Recommendation:

The University should send exit materials via certified mail and retain copies of the amortization schedule in the file. Additionally, the University should revisit loan procedures to ensure all

required loan information is provided to students at the completion or termination of their studies at the institution.

Update to Management's Corrective Action Plan:

We have reviewed our procedures for conducting exit interviews and are taking all necessary steps to conduct exit interviews on time and to gather all necessary documentation. We believe that the repayment schedule has been misfiled. The borrower has followed the terms of their promissory note and has been consistently making payments since February 2001. This borrower also has a Perkins Federal loan in addition to the PCL loan. We conduct all of our exit interviews with Medical students in person. We have the repayment schedule in the borrowers file for the Perkins loan and believe that we did conduct the exit interview for the PCL loan. On January 30, 2004 we mailed a repayment schedule via certified mail to the borrower. The borrower returned the signed repayment schedule on May 3, 2004.