

**FINANCE COMMITTEE
TRUSTEES OF THE METROPOLITAN STATE COLLEGE OF DENVER**

Thursday, January 26, 2006

6:30 – 9:00 a.m.

**Administration Building, Conference Room 575
Auraria Campus**

I. CALL TO ORDER

II. APPROVAL OF MINUTES

November 30, 2005 Finance Committee Minutes

III. DISCUSSION ITEMS

A. Financial Statements as of December 31, 2005 - *See Attached*

B. Finance Committee Meeting Schedule for Remainder of FY2006

C. Internal Auditor Issues/Plans – *See Attached*

D. Unfunded Enrollment

Attached is the Excerpt from January 18th JBC FY06 Higher Education Supplemental

E. 5-Year Budget Model – *Will be Provided at Meeting*

IV. OTHER

V. ADJOURNMENT

**FINANCE COMMITTEE
TRUSTEES OF METROPOLITAN STATE COLLEGE OF DENVER**

**Wednesday, November 30, 2005
9:30 – 11:30 a.m.
CN 315, President's Conference Room
Auraria Campus**

I. CALL TO ORDER

Trustee Cranberg called the Finance Committee meeting to order at approximately 10:05 a.m.

Present: Trustee Alex Cranberg; Trustee Sean Tonner; Trustee Mark Martinez; President Stephen Jordan; Natalie Lutes, Vice President for Administration and Finance; Jinous Lari, Assistant Controller; Stephanie Moran, Interim Budget Director

II. APPROVAL OF MINUTES

A revision was made to Discussion Item D, number four. The "He" in the second sentence was changed to "Trustee Cranberg." A motion was made to approve the minutes from the September 30, 2005, Trustee Finance Committee meeting as amended. The motion was seconded and approved.

III. DISCUSSION ITEMS

A. FY2006 Revised Operating Budget

The committee reviewed the proposed changes to the FY2006 Operating Budget. There were no operating budget changes being presented other than to the Auxiliary budgets. The committee was informed that the Budget Office met with the Auxiliary fund managers and changes were made to their budgets based on known changes and forecasts of revenues and expenses to year-end.

B. Financial Statements as of September 30, 2005

The only area of note was that there were higher interest earnings due to COF and the timing of when state support dollars are received. Instead of receiving appropriation in 1/12 increments equally each month throughout the fiscal year, a large allocation is made shortly after the start of each semester.

C. 5-Year Revenue Model

An initial 5-Year Revenue Model was presented to the committee. The committee members felt the model was on the right track. However, Trustee Cranberg would like to see the expense side included on the

model. The staff will continue to work on the model and will present another version to the Finance Committee once it is completed.

D. Unfunded Enrollment

Unfunded enrollment was not discussed due to time restraints.

E. Other

IV. ADJOURNMENT

At approximately 11:30 a.m. a motion was made and seconded to adjourn the Finance Committee Meeting. The motion passed unanimously.



**Metropolitan State College of Denver
Unaudited Financial Statements
And Supporting Statements
As of December 31, 2005**

MSCD FISCAL YEAR 2006 SECOND QUARTER UNAUDITED FINANCIAL INFORMATION

Table of Contents	Page
Review of December 31, 2005 Operating Statements	
Summary of Changes in Statement of Revenues, Expenses, & Changes in Net Assets	1
Statement of Revenues, Expenses, and Changes in Net Assets	2
Summary of Changes in Statement of Net Assets	11
Statement of Net Assets	12

**Summary of Changes in
Statement of Revenues, Expenses, & Changes in Net Assets
December 31, 2005**

The Unaudited Statement of Revenues, Expenses & Changes in Net Assets as of December 31, 2005, is presented on the following pages. Below are the items of note as represented on the SRECNA.

1. Tuition & Fees show an increase of \$18 million primarily due to recording of the College Opportunity Fund (COF) as part of total tuition revenue. Total tuition revenue from COF alone as of December 31, 2005 for the Fall 2005 semester was \$16.5 million. In addition, Fall 2005 student FTE shows an increase of 1.9% in comparison to Fall 2004 as of census date, and there is a small increase in tuition charges.
2. The increase of \$315K under Scholarship Discounts & Allowances is due to the small increase in tuition charges and the number of students receiving financial aid.
3. Sales and Services of Educational Departments show an increase of \$198K, which is mainly due to an increase in revenue generated by the MST Program.
4. The increase of \$236K under Federal Grants and Contracts is primarily due to a \$472K increase in the new TQE grant and a \$164K decrease in Pell and a \$62K decrease in FSEOG and Federal Workstudy.
5. The decrease of \$2.2 million in State Grants and Contracts is largely due to the decrease of \$1.4 million due to Lookout Mountain and an additional decrease of \$168K from Montview. There were also a \$356K overall decrease in State Financial Aid and some timing issues.
6. The increase of \$367K in Instructional Operating Expenses is caused by several factors, including an increase of \$1.5 million in payroll expense and the decrease of \$1.4 million from Lookout Mountain and increases under the TQE grant discussed above. Overall, our labor expenditures show an increase of \$1 million as of the second quarter.
7. The increase of \$200K under Student Services expenditures is related to a \$130K overall increase in Foundation expenditure and a \$45K increase in payroll expenditures in the General Fund.
8. Under Operating Expenses, Institutional Support there is an increase of \$417K. This is the result of many factors: 1) a \$198K increase in payroll expense; 2) a \$145K increase in maintenance expense; 3) a \$98K increase in advertising; 4) a \$99K decrease in capital and non capital equipment; and 5) a \$55K increase in Dues and Memberships.
9. The \$446K decrease in Scholarships and Fellowships is a result of an overall decrease of \$356K of State Financial Aid. There is an additional decrease of \$164K in Pell due to timing of disbursement, as well as a \$47K decrease in FSEOG.

Statement of Revenue, Expenses, & Changes in Net Assets
As of December 31, 2005
Unaudited

	Current Appropriated	Current Auxiliary	Restricted	Loan	Plant	GASB 34/35 Adjustments	FY06 Combined	FY05 Combined	Difference
Operating Revenues									
Tuition & Fees ¹	38,387,638	6,260,050	-	-	-	-	44,647,688	26,470,357	18,177,331
Less: Scholarship Discounts & Allowances ²	(6,709,809)	(1,269,311)	-	-	-	-	(7,979,120)	(7,664,519)	(314,601)
Net Tuition & Fee Revenue	31,677,829	4,990,739	-	-	-	-	36,668,568	18,805,838	17,862,730
Sales & Services of Educational Departments ³	(166,462)	498,783	-	-	-	-	332,321	134,592	197,729
Sales & Services of Auxiliary Enterprises	-	1,206,861	-	-	-	-	1,206,861	1,143,193	63,667
Federal Grants and Contracts ⁴	-	60,049	8,815,530	-	-	-	8,875,579	8,639,167	236,413
State Grants and Contracts ⁵	-	-	3,258,977	-	-	-	3,258,977	5,477,923	(2,218,946)
Local Grants and Contracts	-	-	-	-	-	-	-	-	-
Private Grants and Contracts	-	-	24,781	-	-	-	24,781	33,334	(8,553)
Expended for Plant Facilities	-	-	-	-	34,732	-	34,732	20,127	14,604
Indirect Cost Recovery	109,466	-	-	-	-	-	109,466	79,835	29,631
Operating Interest Income	-	-	-	119,356	-	-	119,356	99,455	19,901
Other Operating Revenues	636,864	2,041,594	-	3,723	-	-	2,682,181	2,732,367	(50,186)
Total Operating Revenues	32,257,696	8,798,026	12,099,288	123,079	34,732	-	53,312,822	37,165,831	16,146,990
Operating Expenses									
Instruction ⁶	19,292,250	-	1,853,731	-	-	-	21,145,980	20,778,551	367,429
Public Service	630	-	142,927	-	-	-	143,557	212,080	(68,523)
Academic Support	3,909,242	-	151,079	-	-	-	4,060,321	4,171,548	(111,227)
Student Services ⁷	3,551,215	-	1,259,444	-	-	-	4,810,659	4,610,251	200,409
Institutional Support ⁸	4,738,785	-	204,622	96,414	-	-	5,039,821	4,622,390	417,430
Operation of Plant	2,686,101	-	-	-	-	-	2,686,101	2,755,797	(69,696)
Scholarships and Fellowships ⁹	888,718	-	9,512,096	-	-	-	10,400,814	10,846,954	(446,140)
Scholarship Discounts and Allowances ²	(6,709,809)	(1,269,311)	-	-	-	-	(7,979,120)	(7,664,519)	(314,601)
Auxiliary Enterprise Expenditures	-	9,121,607	-	-	-	-	9,121,607	9,011,870	109,736
Indirect Costs Recovered	-	-	109,466	-	-	-	109,466	79,835	29,631
Depreciation	-	-	-	-	499,842	-	499,842	477,957	21,885
Other Operating Expenses	-	-	-	135,665	-	-	135,665	220,344	(84,679)
Total Operating Expenses	28,357,131	7,852,295	13,233,365	232,079	499,842	-	50,174,712	50,123,058	51,654
Operating Income (Loss)	3,900,565	945,731	(1,134,077)	(108,999)	(465,110)	-	3,138,109	(12,957,227)	16,095,336
Non-operating Revenues (Expenses)									
State Appropriations, non-capital	-	-	-	-	-	-	-	17,930,585	(17,930,585)
Investment and Interest Income	58,674	360,443	1,149	-	-	-	420,266	293,790	126,475
Gain (Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	-	-	-
Non-Operating Gifts & Donations	-	-	1,122,929	-	-	-	1,122,929	1,171,255	(48,327)
Net Non-operating Revenue(Expenses)	58,674	360,443	1,124,077	-	-	-	1,543,194	19,395,631	(17,852,436)
Income (Loss) Before Other Items	3,959,239	1,306,174	(10,000)	(108,999)	(465,110)	-	4,681,304	6,438,404	(1,757,100)
Mandatory & Non-mandatory Transfers									
Transfers from (to) other Funds	(10,000)	-	10,000	-	-	-	-	-	-
Net Increase (Decrease) in Net Assets	3,949,239	1,306,174	0	(108,999)	(465,110)	-	4,681,304	6,438,404	(1,757,100)
Net Assets at Beginning of Year	3,735,644	7,305,628	-	9,333,564	5,195,056	(58,215)	25,511,677	23,214,327	2,297,350
Net Assets at End of Month	7,684,883	8,611,802	0	9,224,564	4,729,945	(58,215)	30,192,980	29,652,731	540,250

METROPOLITAN STATE COLLEGE OF DENVER
Current Unrestricted Fund - State Appropriated
SRECNA
As of December 31, 2005
Unaudited

Date: 1/9/06

Workpaper Reference	Description	YTD Prior Year	YTD This Year	Difference
Operating Revenues and Additions				
APSC1	Tuition and Fees	20,550,406.02	38,387,637.90	17,837,231.88
APSC2	Scholarship Discounts and Allowances (Revenue)	(6,108,809.21)	(6,709,809.08)	(600,999.87)
APSC3	Sales & Services of Educational Departments	(139,193.05)	(166,462.35)	(27,269.30)
APSC9	Indirect Costs Recovered	79,835.03	109,466.27	29,631.24
APSC11	Other Operating Revenue	619,813.94	636,863.65	17,049.71
Total Operating Revenues		15,002,052.73	32,257,696.39	17,255,643.66
Operating Expenses and Deductions				
APSC12	Instruction	17,819,897.01	19,292,249.56	1,472,352.55
APSC13	Public Service	0.00	630.00	630.00
APSC14	Academic Support	3,847,300.19	3,909,242.03	61,941.84
APSC15	Student Services	3,462,501.10	3,551,214.95	88,713.85
APSC16	Institutional Support	4,258,893.77	4,738,784.56	479,890.79
APSC17	Operation of Plant	2,755,796.66	2,686,101.09	(69,695.57)
APSC18	Scholarships & Fellowships	532,157.78	888,717.93	356,560.15
APSC19	Scholarship Discounts and Allowances (Expense)	(6,108,809.22)	(6,709,809.08)	(600,999.86)
Total Operating Expenses		26,567,737.29	28,357,131.04	1,789,393.75
Non-Operating Revenues (Expenses)				
APSC24	State Appropriation	17,930,585.00	0.00	(17,930,585.00)
APSC25	Interest	76,719.32	58,673.68	(18,045.64)
Total Non-Operating Revenues (Expenses)		18,007,304.32	58,673.68	(17,948,630.64)
Transfers Among Funds - Additions (Deductions)				
APSC28	Internal Transfers	(9,622.00)	(10,000.00)	(378.00)
APSC29	External Transfers	0.00	0.00	0.00
Total Transfers		(9,622.00)	(10,000.00)	(378.00)
Net Increase (Decrease) in Net Assets				
Net Assets - Beginning of Year		6,431,997.76	3,949,239.03	(2,482,758.73)
Net Assets - End of Month		1,595,861.85	3,735,644.15	2,139,782.30
Net Assets - End of Month		8,027,859.61	7,684,883.18	(342,976.43)

METROPOLITAN STATE COLLEGE OF DENVER
Current Unrestricted Fund - Auxiliary
SRECNA
As of December 31, 2005
Unaudited

Date: 1/9/06

Workpaper Reference	Description	YTD Prior Year	YTD This Year	Difference
Operating Revenues and Additions				
AXSC1	Tuition and Fees	5,919,951.13	6,260,050.35	340,099.22
AXSC2	Scholarship Discounts and Allowances (Revenue)	(1,555,709.70)	(1,269,311.11)	286,398.59
AXSC3	Sales & Services of Educational Departments	273,784.60	498,783.19	224,998.59
AXSC4	Sales & Services of Auxiliary Enterprises	1,143,193.27	1,206,860.61	63,667.34
AXSC5	Federal Grants & Contracts	96,301.41	60,049.31	(36,252.10)
AXSC11	Other Sources	1,923,079.19	2,041,593.99	118,514.80
	Total Operating Revenues	7,800,599.90	8,798,026.34	997,426.44
Operating Expenses and Deductions				
AXSC19	Scholarship Discounts and Allowances (Expense)	(1,555,709.69)	(1,269,311.11)	286,398.58
AXSC20	Auxiliary Enterprises	9,011,870.42	9,121,606.57	109,736.15
	Total Operating Expenses	7,456,160.73	7,852,295.46	396,134.73
Non-Operating Revenues (Expenses)				
AXSC25	Interest Income	216,198.50	360,443.30	144,244.80
		216,198.50	360,443.30	144,244.80
Transfers Among Funds - Additions (Deductions)				
AXSC28	Internal Transfers	0.00	0.00	0.00
	Total Transfers	0.00	0.00	0.00
	Net Increase (Decrease) in Net Assets	560,637.67	1,306,174.18	745,536.51
	Net Assets - Beginning of Year	6,497,280.92	7,305,628.28	808,347.36
	Net Assets - End of Month	7,057,918.59	8,611,802.46	1,553,883.87

METROPOLITAN STATE COLLEGE OF DENVER
Current Restricted Fund
SRECNA
As of December 31, 2005
Unaudited

Date: 1/9/06

Workpaper Reference	Description	YTD Prior Year	YTD This Year	Difference
Revenues and Other Additions				
CRSC5	Federal Grants & Contracts	8,542,865.31	8,815,530.14	272,664.83
CRSC6	State Grants & Contracts	5,477,922.65	3,258,976.79	(2,218,945.86)
CRSC7	Local Grants & Contracts	0.00	0.00	0.00
CRSC8	Private Grants & Contracts	33,333.98	24,781.21	(8,552.77)
CRSC11	Other Operating Revenue	816.00	0.00	(816.00)
Total Revenues		14,054,937.94	12,099,288.14	(1,955,649.80)
Expenditures and Other Deductions				
CRSC12	Instruction	2,849,259.80	1,853,730.65	(995,529.15)
CRSC13	Public Service	212,079.87	142,926.78	(69,153.09)
CRSC14	Academic Support	324,247.96	151,079.31	(173,168.65)
CRSC15	Student Services	1,147,749.40	1,259,444.36	111,694.96
CRSC16	Institutional Support	250,426.41	204,622.40	(45,804.01)
CRSC18	Scholarships & Fellowships	10,314,796.16	9,512,095.61	(802,700.55)
CRSC19	Scholarship Discounts and Allowances (Contra-Exp)	0.00	0.00	0.00
CRSC21	Indirect Costs Recovered	79,835.03	109,466.27	29,631.24
Total Expenditures and Other Deductions		15,178,394.63	13,233,365.38	(1,945,029.25)
Non-Operating Revenues (Expenses)				
CRSC25	Interest Income	872.35	1,148.67	276.32
CRSC27	Non-Operating Gift & Donations	1,171,255.34	1,122,928.57	(48,326.77)
Total Non-Operating Revenues (Expenses)		1,172,127.69	1,124,077.24	(48,050.45)
Transfers Among Funds - Additions (Deductions)				
CRSC28	Internal Transfers	(48,671.00)	10,000.00	58,671.00
Total Transfers		(48,671.00)	10,000.00	58,671.00
Net Increase (Decrease) in Net Assets		(0.00)	(0.00)	0.00
Net Assets - Beginning of Year		0.00	0.00	0.00
Net Assets - End of Month		(0.00)	(0.00)	0.00

**Statement of Expenses by Natural Classification
For All Current Funds
As of December 31, 2005
Unaudited**

	Personnel					Travel	Materials & Supplies	Equipment	Scholarships	Total FY06
	Faculty & Administrators	Support Staff	Hourly	Benefits						
All Current Funds: Operating Expenses										
Instruction	14,671,814	1,296,473	429,918	3,037,245	203,243	1,273,245	234,043	-	-	21,145,980
Public Service	1,260	-	141,424	769	-	104	-	-	-	143,557
Academic Support	937,811	571,865	176,810	306,216	9,912	2,046,112	11,594	-	-	4,060,321
Student Services	1,613,100	985,730	677,513	517,968	20,964	930,856	64,528	-	-	4,810,659
Institutional Support	1,016,943	1,038,242	211,768	399,223	46,372	2,179,641	51,217	-	-	4,943,407
Operation and Maintenance of Plant	28,534	10,939	-	7,642	-	2,638,987	-	-	-	2,686,101
Scholarships and Fellowships	-	-	-	-	-	-	-	-	10,400,814	10,400,814
Scholarship Allowance	-	-	-	-	-	-	-	-	(7,979,120)	(7,979,120)
Auxiliary Enterprise Expenditures	2,155,479	1,320,173	623,091	652,328	325,654	3,430,369	451,099	163,413	-	9,121,607
Indirect Costs Recovered	-	-	-	-	-	109,466	-	-	-	109,466
Total Operating Expenses	20,424,942	5,223,423	2,260,523	4,921,392	606,144	12,608,781	812,482	2,585,106		49,442,792
									BELOW	49,442,792
									SRECNA	49,442,792

**Statement of Expenses by Natural Classification
For All Current Funds
As of December 31, 2005**

Current Unrestricted - Appropriated:							Materials &		Scholarships	Total FY06
	Faculty & Administrators	Support Staff	Hourly	Benefits	Travel	Supplies	Equipment			
Instruction	14,023,491	1,259,671	64,611	2,897,213	119,172	784,650	143,441	-	19,292,250	
Public Service	-	-	630	-	-	-	-	-	630	
Academic Support	902,643	571,865	108,061	291,667	8,851	2,014,561	11,594	-	3,909,242	
Student Services	1,311,405	960,446	84,440	452,584	9,492	677,376	55,473	-	3,551,215	
Institutional Support	953,683	1,027,160	114,344	384,388	45,900	2,162,092	51,217	-	4,738,785	
Operation and Maintenance of Plant	28,534	10,939	-	7,642	-	2,638,987	-	-	2,686,101	
Scholarships and Fellowships	-	-	-	-	-	-	-	888,718	888,718	
Scholarship Allowance	-	-	-	-	-	-	-	(6,709,809)	(6,709,809)	
Total 31x Operating Expense	17,219,756	3,830,080	372,086	4,033,494	183,415	8,277,666	261,726	(5,821,091)	28,357,131	
								SRECNA	28,357,131	
Current Unrestricted - Auxiliary:							Materials &		Scholarships	Total FY06
	Faculty & Administrators	Support Staff	Hourly	Benefits	Travel	Supplies	Equipment			
Auxiliary Enterprise	2,155,479	1,320,173	623,091	652,328	325,654	3,430,369	451,099	163,413	9,121,607	
Scholarship Allowance	-	-	-	-	-	-	-	(1,269,311)	(1,269,311)	
Total 32 x Operating Expense	2,155,479	1,320,173	623,091	652,328	325,654	3,430,369	451,099	(1,105,898)	7,852,295	
								SRECNA	7,852,295	
Current Restricted:							Materials &		Scholarships	Total FY06
	Faculty & Administrators	Support Staff	Hourly	Benefits	Travel	Supplies	Equipment			
Instruction	648,323	36,802	365,307	140,032	84,070	488,595	90,602	-	1,853,731	
Public Service	1,260	-	140,794	769	-	104	-	-	142,927	
Academic Support	35,169	-	68,749	14,550	1,061	31,551	-	-	151,079	
Student Services	301,695	25,284	593,073	65,384	11,472	253,480	9,055	-	1,259,444	
Institutional Support	63,260	11,083	97,424	14,835	471	17,550	-	-	204,622	
Indirect Costs Recovered	-	-	-	-	-	109,466	-	-	109,466	
Scholarships and Fellowships	-	-	-	-	-	-	-	9,512,096	9,512,096	
Other	-	-	-	-	-	-	-	-	-	
Total 33 x Operating Expense	1,049,707	73,169	1,265,347	235,569	97,075	900,746	99,657	9,512,096	13,233,365	
								SRECNA	13,233,365	

METROPOLITAN STATE COLLEGE OF DENVER

Date: 1/9/06

Loan Fund

SRECNA

As of December 31, 2005

Unaudited

Workpaper Reference	Description	YTD Prior Year	YTD This Year	Difference
Revenues and Other Additions				
LNSC10	Operating Interest Income	99,455.45	119,356.17	19,900.72
LNSC11	Other Operating Revenue	188,658.23	3,723.25	(184,934.98)
	Total Operating Revenues	288,113.68	123,079.42	(165,034.26)
Expenditures and Other Deductions				
LNSC16AD	Administrative & Collection Costs	43,265.72	36,314.22	(6,951.50)
LNSC16B	Bank Charges	381.40	394.09	12.69
LNSC16LC	Loan Cancellations & Write-Offs	69,423.10	59,705.54	(9,717.56)
LNSC23RE	Refunded to Grantors	220,344.23	135,664.87	(84,679.36)
	Total Expenditures and Other Deductions	333,414.45	232,078.72	(101,335.73)
Transfers Among Funds - Additions (Deductions)				
LNSC28	Internal Transfers	58,293.00	0.00	(58,293.00)
	Total Transfers	58,293.00	0.00	(58,293.00)
	Net Increase (Decrease) in Net Assets	12,992.23	(108,999.30)	(121,991.53)
	Net Assets - Beginning of Year	9,459,758.09	9,333,563.70	(126,194.39)
	Net Assets - End of Month	9,472,750.32	9,224,564.40	(248,185.92)

METROPOLITAN STATE COLLEGE OF DENVER
Plant Fund
SRECNA
As of December 31, 2005
Unaudited

Date: 1/9/06

Workpaper Reference	Description	YTD Prior Year	YTD This Year	Difference
	Revenues and Other Additions			
PLSC8	Expended for Plant Facilities	20,127.15	34,731.50	14,604.35
	Total Revenues	20,127.15	34,731.50	14,604.35
	Expenditures and Other Deductions			
PLSC12	Instruction	109,394.55	0.00	(109,394.55)
PLSC22	Depreciation	477,956.68	499,841.89	21,885.21
	Total Expenditures and Other Deductions	587,351.23	499,841.89	(87,509.34)
	Non-Operating Revenues (Expenses)			
PLSC26	Gain (Loss) on Disposal of Fixed Assets	0.00	0.00	0.00
	Total Non-Operating Revenues (Expenses)	0.00	0.00	0.00
	Transfers Among Funds - Additions (Deductions)			
PLSC28	Internal Transfers	0.00	0.00	0.00
	Total Transfers	0.00	0.00	0.00
	Net Increase (Decrease) in Net Assets	(567,224.08)	(465,110.39)	102,113.69
	Net Assets - Beginning of Year	5,548,241.55	5,195,055.84	(353,185.71)
	Net Assets - End of Month	4,981,017.47	4,729,945.45	(251,072.02)

METROPOLITAN STATE COLLEGE OF DENVER
GASB 34/35 Adjustments
SRECNA
As of December 31, 2005
Unaudited

Date: 1/9/06

Workpaper Reference	Description	YTD Prior Year	YTD This Year	Difference
	Operating Revenues and Other Additions			
	Total Operating Revenues	0.00	0.00	0.00
	Operating Expenses & Deductions			
	Total Operating Expenses	0.00	0.00	0.00
	Non-Operating Revenues (Expenses)			
	Total Non-Operating Revenues (Expenses)	0.00	0.00	0.00
	Net Increase (Decrease) in Net Assets	0.00	0.00	0.00
	Net Assets - Beginning of Year	113,185.00	(58,215.00)	(171,400.00)
	Net Assets - End of Month	113,185.00	(58,215.00)	(171,400.00)

**Summary of Changes
Statement of Net Assets
December 31, 2005**

Following is a brief summary of significant changes/items in the Statement of Net Assets for the period ending December 31, 2005. The statements are unaudited and subject to change.

1. The \$3.5 million increase under Cash & Cash Equivalents is timing issues related to cash balance under Auxiliary, Restricted, and Plant Funds as well as Stafford loans under Agency Funds.
2. The increase of \$17 million under Accounts Receivable-Students is mainly due to increases in our tuition revenue under the College Opportunity Fund (COF). As of the second quarter of fiscal year 2006, for Spring 2006 semester, we have \$14 million in receivables under COF stipends alone.
3. The decrease of \$1.5 million under Accounts Receivable-Other is mainly related to the Restricted Funds. Because of Lookout Mountain and Montview, in total we have \$627K less receivables. In addition, our receivable from the Foundation has improved by \$534K, and there are small timing issues related to health insurance adjustments.
4. The decrease of \$529K under Loans Receivable is a timing issue related to assignments and cancellations of Loan Funds. This line will show a better reflection of activities under this fund by year end.
5. The decrease of \$613K under Equipment is the net effect of purchasing, less capitalized equipment, and recording more depreciation compared to the previous fiscal year.
6. The increase of \$573K under Accounts Payable is a timing issue related mainly to accruing \$806K for second quarter Auraria Library and less liability under Restricted Fund.
7. The increase of \$280K under Accrued Payroll is a timing issue related to payroll liabilities and deferred payroll.
8. The increase of \$14.9 million under Deferred Revenue is mainly due to an increase in reporting of total tuition revenue, which accounts for the College Opportunity Fund as part of the total tuition. The total amount of revenue as of December 31, 2005 for the Spring 2006 semester was almost \$34.6 million, of which 100% has been deferred.
9. An increase of \$1.2 million under Due to Students is a timing issue related to the application of the payment process and timing issues related to Stafford loans.
10. The increase of \$250K under Deposits held in Custody for Others is a timing issue related to the total transactions under Agency Fund.

Statement of Net Assets
As of December 31, 2005
Unaudited

	Current Appropriated	Current Auxiliary	Restricted	Student Loan	Plant	Agency	GASB 34/35 Adjustments	Combined FY06	Combined FY05	Difference
ASSETS										
Current Assets										
Cash & Cash Equivalents ¹	4,714,764	7,233,002	2,671,165	857,622	2,815,335	5,565,318	(58,215)	23,798,991	20,248,948	3,550,043
Accounts Receivable-Student ²	37,081,548	4,524,568	-	-	-	1,667,305	-	43,273,421	26,141,833	17,131,587
Accounts Receivable-Other ³	(138,544)	338,428	917,084	2,709	-	1	-	1,119,678	2,623,991	(1,504,313)
Loans Receivable	-	43,554	-	953,066	-	-	-	996,620	1,068,750	(72,130)
Prepaid Expense	-	-	-	-	-	-	-	-	28,314	(28,314)
Total Current Assets	41,657,769	12,139,552	3,588,248	1,813,397	2,815,335	7,232,623	(58,215)	69,188,709	50,111,835	19,076,874
Non-Current Assets										
Investments	-	190,634	-	-	-	-	-	190,634	190,634	-
Loans Receivable ⁴	-	-	-	7,428,186	-	-	-	7,428,186	7,957,513	(529,327)
Equipment, (Net of Depreciation) ⁵	-	-	-	-	1,914,611	-	-	1,914,611	2,527,452	(612,841)
Total Non-Current Assets	-	190,634	-	7,428,186	1,914,611	-	-	9,533,431	10,675,599	(1,142,169)
TOTAL ASSETS	41,657,769	12,330,186	3,588,248	9,241,583	4,729,945	7,232,623	(58,215)	78,722,140	60,787,435	17,934,705
LIABILITIES										
Current Liabilities										
Accounts Payable ⁶	807,861	11,909	370	-	-	1,193	-	821,333	247,917	573,416
Accrued Payroll ⁷	-	-	-	-	-	835,423	-	835,423	555,403	280,021
Deferred Revenue ⁸	30,983,588	3,703,377	3,379,824	-	-	-	-	38,066,790	23,141,197	14,925,593
Compensated Absences	248,367	-	-	-	-	-	-	248,367	222,429	25,938
Due to Students ⁹	94,768	3,097	208,054	17,018	-	852,405	-	1,175,342	(43,672)	1,219,015
Deposits Held in Custody for Others ¹⁰	-	-	-	-	-	5,543,602	-	5,543,602	5,293,982	249,621
Total Current Liabilities	32,134,584	3,718,383	3,588,248	17,018	-	7,232,623	-	46,690,858	29,417,255	17,273,603
Non-Current Liabilities										
Compensated Absences	1,838,301	-	-	-	-	-	-	1,838,301	1,717,448	120,853
Total Non-Current Liabilities	1,838,301	-	-	-	-	-	-	1,838,301	1,717,448	120,853
TOTAL LIABILITIES	33,972,886	3,718,383	3,588,248	17,018	-	7,232,623	-	48,529,159	31,134,704	17,394,455
NET ASSETS										
Invested in Capital Assets ⁵	-	-	-	-	1,914,611	-	-	1,914,611	2,527,452	(612,841)
Restricted for Expendable Purposes	-	-	-	9,224,564	-	-	-	9,224,564	9,472,750	(248,186)
Unrestricted	7,684,883	8,611,802	-	-	2,815,335	-	(58,215)	19,053,805	17,652,529	1,401,277
TOTAL NET ASSETS	7,684,883	8,611,802	-	9,224,564	4,729,945	-	(58,215)	30,192,980	29,652,731	540,250
TOTAL LIABILITIES AND NET ASSETS	41,657,769	12,330,186	3,588,248	9,241,583	4,729,945	7,232,623	(58,215)	78,722,140	60,787,435	17,934,705

METROPOLITAN STATE COLLEGE OF DENVER
Current Unrestricted Fund - Appropriated
SNA
As of December 31, 2005
Unaudited

Date: 1/9/06

Workpaper Reference	Description	YTD Prior Year	YTD This Year	Difference Year	This Year
Assets					
Current					
APBS1	Cash & Cash Equivalents	5,959,441.13	4,714,764.45	(1,244,676.68)	
APBS2	Accounts Receivable-Student	20,492,800.38	37,081,548.22	16,588,747.84	
APBS3	Accounts Receivable-Other	8,179.94	(138,543.87)	(146,723.81)	
APBS5	Prepaid Expenses	0.00	0.00	0.00	
	Total Current Assets	26,460,421.45	41,657,768.80	15,197,347.35	
	Total Assets	26,460,421.45	41,657,768.80	15,197,347.35	
Liabilities and Fund Balance					
Current					
APBS9	Accounts Payable	84,833.85	807,861.10	723,027.25	
APBS10	Accrued Payroll	0.00	0.00	0.00	
APBS11	Deferred Revenue	16,397,972.09	30,983,588.24	14,585,616.15	
APBS12	Compensated Absences-Current	222,428.64	248,366.76	25,938.12	
APBS13	Due to Students	9,878.79	94,768.24	84,889.45	
	Total Current Liabilities	16,715,113.37	32,134,584.34	15,419,470.97	
Non-Current					
APBS15	Compensated Absences Liability	1,717,448.47	1,838,301.28	120,852.81	
	Total Non-Current Liabilities	1,717,448.47	1,838,301.28	120,852.81	
Net Assets					
APBS18	Unallocated Net Assets	8,027,859.61	7,684,883.18	(342,976.43)	
	Total Fund Balance	8,027,859.61	7,684,883.18	(342,976.43)	
	Total Liabilities and Net Assets	26,460,421.45	41,657,768.80	15,197,347.35	

METROPOLITAN STATE COLLEGE OF DENVER
Current Unrestricted Fund - Auxiliary Enterprises
SNA
As of December 31, 2005
Unaudited

Date: 1/9/06

Workpaper Reference	Description	YTD Prior Year	YTD This Year	Difference Year	This
Assets					
Current					
AXBS1	Cash & Cash Equivalents	5,782,968.28	7,233,001.82	1,450,033.54	
AXBS2	Accounts Receivable-Student	4,108,168.96	4,524,567.94	416,398.98	
AXBS3	Accounts Receivable-Other	424,268.16	338,428.13	(85,840.03)	
AXBS4	Loans Receivable	43,711.97	43,554.00	(157.97)	
AXBS5	Prepaid Expenses	28,314.00	0.00	(28,314.00)	
	Total Current Assets	10,387,431.37	12,139,551.89	1,752,120.52	
Non-Current					
AXBS6	Investments	190,634.00	190,634.00	0.00	
	Total Non-Current Assets	190,634.00	190,634.00	0.00	
	Total Assets	10,578,065.37	12,330,185.89	1,752,120.52	
Liabilities and Fund Balance					
Current					
AXBS9	Accounts Payable	14,451.90	11,909.25	(2,542.65)	
AXBS11	Deferred Revenue	3,508,413.58	3,703,377.43	194,963.85	
AXBS13	Due to Students	(2,718.70)	3,096.75	5,815.45	
	Total Current Liabilities	3,520,146.78	3,718,383.43	198,236.65	
Net Assets					
AXBS18	Unrestricted Net Assets	7,057,918.59	8,611,802.46	1,553,883.87	
	Total Net Assets	7,057,918.59	8,611,802.46	1,553,883.87	
	Total Liabilities and Net Assets	10,578,065.37	12,330,185.89	1,752,120.52	

METROPOLITAN STATE COLLEGE OF DENVER
Current Restricted Fund
SNA
As of December 31, 2005
Unaudited

Date: 1/9/06

Workpaper Reference	Description	YTD Prior Year	YTD This Year	Difference This Year
Assets				
Current				
CRBS1	Cash & Cash Equivalents	1,159,789.88	2,671,164.81	1,511,374.93
CRBS2	Accounts Receivable-Student	0.00	0.00	0.00
CRBS3	Accounts Receivable-Other	2,194,248.51	917,083.64	(1,277,164.87)
CRBS5	Prepaid Expenses	0.00	0.00	0.00
	Total Current Assets	3,354,038.39	3,588,248.45	234,210.06
	Total Assets	3,354,038.39	3,588,248.45	234,210.06
Liabilities and Net Assets				
Current				
CRBS9	Accounts Payable	147,963.58	369.97	(147,593.61)
CRBS10	Accrued Payroll	0.00	0.00	0.00
CRBS11	Deferred Revenue	3,234,811.38	3,379,824.20	145,012.82
CRBS13	Due to Students	(28,736.57)	208,054.28	236,790.85
	Total Current Liabilities	3,354,038.39	3,588,248.45	234,210.06
Net Assets				
CRBS18	Unrestricted Net Assets	0.00	0.00	0.00
	Total Net Assets	0.00	0.00	0.00
	Total Liabilities and Net Assets	3,354,038.39	3,588,248.45	234,210.06

METROPOLITAN STATE COLLEGE OF DENVER

Date: 1/9/06

Loan Fund

SNA

As of December 31, 2005

Unaudited

Workpaper Reference	Description	YTD Prior Year	YTD This Year	Difference This Year
Assets				
Current				
LNBS1	Cash & Cash Equivalents	485,961.45	857,622.20	371,660.75
LNBS3	Accounts Receivable-Other	(2,706.04)	2,709.03	5,415.07
LNBS4	Loans Receivable	1,025,037.88	953,065.59	(71,972.29)
	Total Current Assets	1,508,293.29	1,813,396.82	305,103.53
Non-Current				
LNBS7	Loans Receivable	7,957,513.45	7,428,186.00	(529,327.45)
	Total Non-Current Assets	7,957,513.45	7,428,186.00	(529,327.45)
	Total Assets	9,465,806.74	9,241,582.82	(224,223.92)
Liabilities and Net Assets				
Current				
LNBS9	Accounts Payable	0.00	0.00	0.00
LNBS13	Due to Students	(6,943.58)	17,018.42	23,962.00
	Total Current Liabilities	(6,943.58)	17,018.42	23,962.00
Net Assets				
LNBS17	Net Assets Restricted for Expendable Purposes	9,472,750.32	9,224,564.40	(248,185.92)
	Total Net Assets	9,472,750.32	9,224,564.40	(248,185.92)
	Total Liabilities and Net Assets	9,465,806.74	9,241,582.82	(224,223.92)

METROPOLITAN STATE COLLEGE OF DENVER
Plant Fund
SNA
As of December 31, 2005
Unaudited

Date: 1/9/06

Workpaper Reference	Description	YTD Prior Year	YTD This Year	Difference This Year
Assets				
PLBS1	Cash and Cash Equivalents	2,453,565.43	2,815,334.72	361,769.29
PLBS8	Equipment (net of depreciation)	2,527,452.04	1,914,610.73	(612,841.31)
	Total Assets	4,981,017.47	4,729,945.45	(251,072.02)

Liabilities and Net Assets

PLBS16	Investment in Capital Assets	2,527,452.04	1,914,610.73	(612,841.31)
PLBS18	Unrestricted Net Assets	2,453,565.43	2,815,334.72	361,769.29
	Total Liabilities and Net Assets	4,981,017.47	4,729,945.45	(251,072.02)

METROPOLITAN STATE COLLEGE OF DENVER

Date: 1/9/06

Agency Fund

SNA

As of December 31, 2005

Unaudited

Workpaper Reference	Description	YTD Prior Year	YTD This Year	Difference This Year
Assets				
AGBS1	Cash and Cash Equivalents	4,294,036.50	5,565,318.04	1,271,281.54
AGBS2	Accounts Receivable-Student	1,540,863.89	1,667,304.55	126,440.66
AGBS3	Accounts Receivable-Other	0.00	0.78	0.78
AGBS5	Prepaid Expense	0.00	0.00	0.00
	Total Assets	5,834,900.39	7,232,623.37	1,397,722.98

Liabilities and Net Assets

AGBS9	Accounts Payable	668.00	1,193.00	525.00
AGBS10	Accrued Payroll	555,402.70	835,423.29	280,020.59
AGBS13	Due to Students	(15,151.99)	852,404.77	867,556.76
AGBS14DEP	Deposits Held in Custody for Others	3,270,406.03	3,258,549.01	(11,857.02)
AGBS14NA	Net Assets	2,023,575.65	2,285,053.30	261,477.65
	Total Liabilities and Net Assets	5,834,900.39	7,232,623.37	1,397,722.98

METROPOLITAN STATE COLLEGE OF DENVER
GASB 34/35 Adjustments
SNA
As of December 31, 2005
Unaudited

Date: 1/9/06

Workpaper Reference	Description	YTD Prior Year	YTD This Year	Difference This Year
Assets				
Current				
PRBS1	Cash & Cash Equivalents	113,185.00	(58,215.00)	(171,400.00)
	Total Current Assets	113,185.00	(58,215.00)	(171,400.00)
Liabilities and Net Assets				
Net Assets				
PRBS18	Unrestricted Net Assets	113,185.00	(58,215.00)	(171,400.00)
	Total Net Assets	113,185.00	(58,215.00)	(171,400.00)
	Total Liabilities and Net Assets	113,185.00	(58,215.00)	(171,400.00)

TO: Vice Presidents, Deans, Department Chairs & Directors

FROM: Stephen M. Jordan, President

DATE: January 19, 2006

SUBJECT: *Access and Authority of Internal Audit*

Recent public-sector concerns and related legislative initiatives (e.g., the Sarbanes-Oxley Act of 2002) serve as reminders of our institutional responsibility to maintain proper corporate governance. The College's corporate governance includes an annual statutory financial audit, as well as independent assurance services provided by the College's internal audit function (i.e., Internal Audit Department). As a new function for the College, this is an appropriate time to introduce the mission and responsibilities of the College's internal audit function to all departments and administrators.

The Internal Auditor reports directly to the President and the Board of Trustees. The Internal Auditor is charged with the responsibility to conduct a comprehensive program of internal auditing that encompasses all College operations and academic programs. The Internal Auditor is further authorized to have unrestricted access to all College records, resources, properties and personnel in order to conduct its audits thoroughly and effectively. The fiduciary responsibilities assigned to the Internal Auditor include (but are not limited to) the following:

- Evaluating the accuracy and adequacy of the College's internal control structure;
- Assessing compliance with policies, plans, procedures, laws and regulations;
- Verifying the existence of assets and ensuring that they are properly accounted for and safeguarded from losses of all kinds;
- Conducting special examinations and reviews, including investigating reported occurrences of fraud, embezzlement and theft in collaboration with the Office of President, as well as recommending controls to prevent or detect such occurrences. Moreover, all instances or concerns of financial irregularities, theft and fraud are required to be reported to the Internal Auditor, regardless of materiality;
- Evaluating the economy and efficiency with which College resources are employed and recommending improvements in operations;
- Evaluating the reliability and integrity of Management's information by reviewing the general control structure and security protocol associated with the College's information systems;
- Determining the extent to which the established mission and objectives of the College's business units and academic programs are being accomplished;
- Coordinating and assisting the College's external auditors, with their annual internal control assessment and financial statement audit procedures.

The Internal Auditor is responsible for managing all confidential information in a sensitive manner and exercising due professional care in the performance of each audit engagement. Individually and collectively, The Internal Auditor is accountable for conducting himself properly and prudently while acting within the department's authority.

The Internal Auditor will develop an enterprise-wide risk assessment survey, which will be distributed to select College officers and administrators. This survey requests responses regarding risk factors relative to respective operations and functions of the College. In the future, if you or a member of your staff receives a risk assessment survey, please ensure that candid and timely responses are provided by the appropriate individual. Your assistance and cooperation with regard to this matter is appreciated.

Finally, all significant issues identified by the Internal Auditor are formally communicated to auditees, along with the risks associated with such observations and recommended action plans. All auditees are expected to provide responses to the Internal Auditor's observations and recommendations for inclusion in the final audit report distributed to select College management. In the future, if the Internal Auditor is conducting an audit of your operation, please ensure that management responses are provided within 10 business days following receipt of the draft audit report. Thank you in advance for your assistance with this process.

Please communicate or distribute this memorandum to the faculty and staff in your respective departments. You may direct any questions regarding the Internal Audit function or the risk assessment survey to Steve Gonzales (2-4453), Internal Auditor.

cc: Members,BoardofTrustees

StevenLGonzales,InternalAuditUnit

MISSION & CHARTER

MISSION

The Internal Audit Unit is dedicated to improving Metropolitan State College of Denver's operations by providing independent, objective assurance and consulting services with respect to evaluating and mitigating risk management, control, and governance processes. By monitoring areas of potential vulnerability and pursuing preventive measures, the Unit assists all members of the college community to comply with policies and procedures and uphold the highest standards of business conduct.

CHARTER

Role

The Auditing Unit serves as an independent and objective resource to examine and evaluate the College's activities as a service to the Board of Trustees and the President of Metropolitan State College of Denver.

Responsibility

The Auditing Unit is responsible for conducting internal audits and evaluating the College's risk management, control, and governance processes. The audits include assessments of the reliability of departmental financial information, compliance with College policies and procedures, compliance with laws and regulations, safeguarding assets, and the effectiveness and efficiency of operations. In addition, the Auditing Unit may provide consulting services related to internal controls, special investigations, and other areas of interest and concern.

Independence

The Auditing Unit has no direct operating responsibility or authority for management processes, internal controls, and any of the activities or operations they review; thereby, maintaining a spirit of independence and objectivity.

Reporting Relationship and Authority

The Auditing Unit has a direct reporting relationship to the Board of Trustees and the President of the College. The Internal Auditor administratively reports to the Vice President of Administration and Finance. The Auditing Unit is authorized by the Board of Trustees and the President to perform audits approved by the Trustees and President and to engage in other independent reviews and consulting activities as required in support of the College mission.

Risk Assessment

In developing an audit plan for each fiscal year, the Internal Audit Unit will utilize an instrument known as a Risk Assessment Model. This Risk Assessment Model is a survey designed to determine, through quantitative means, those auditable entities within the College that pose the highest degree of relative risk.

With the assistance of the College's Vice Presidents and their staffs, values are subjectively assigned to the entities' operations using such weighted ranking criteria as:

- Prior audit history
- Regulatory compliance and public scrutiny
- Reliance upon information technology
- Dollar value and liquidity of assets
- Organizational change and economic transition within the unit

Using this survey, auditable areas are scored and ranked from those perceived to pose the greatest risk to those representing a lower degree of risk exposure. In addition, the Internal Audit Unit will perform special audits, projects, and investigations as warranted by the needs of the College community.

A tentative audit plan is developed by the Internal Audit Unit. The finalized audit plan for the fiscal year incorporates the results of the survey with special requests and recommendations from the College President and the Board of Trustee's. This final audit plan is then approved by the College President and the Board of Trustee's.

STANDARD INTERNAL AUDIT OPERATING PROCEDURES

Outlined below are the procedures that will normally be followed for conducting internal audits at Metropolitan State College. Note that these procedures may not be followed for special projects for management, projects requested by the College President and or Trustee's, and for financial irregularity audits.

1. Prepare Annual Internal Audit Plan

- In cooperation with the senior and line management, conduct a preliminary risk assessment sessions utilizing a facilitated group interview.
- Gather top management input on the preliminary risk assessment.
- Prepare a Draft Annual Internal Audit Plan based upon the results of the risk assessment process.
- Obtain input from the Board of Trustees and the President on Audit comments and formal approval.

This plan will be subject to quarterly reviews to ensure that focus continues to be on the higher risk areas, given changes in the College's environment. In addition, the need to conduct reviews of alleged irregularities or special projects for management or counsel may require the deferral of planned audits.

2. Communicate Annual Internal Audit Plan

- Distribute the Annual Internal Audit Plan to senior and line managers.
- Keep senior and line managers informed of any changes to the Annual Internal Audit Plan.
- Ensure that appropriate senior and line managers are informed at least a month prior to each planned audit.

Note that reviews of alleged irregularities or special projects for counsel may require different procedures involving little or no notification to involved management.

3. Conduct Internal Audit Planning and Notification

- Contact department management at least two weeks in advance of scheduled audit date to discuss risk considerations that led to the audit being on the annual plan, expected scope of the audit, and current management concerns.
- Develop preliminary audit plan outlining anticipated scope, risk assessment, procedures, schedule, audit staffing.
- Hold Opening Conference with department management and staff, and other stakeholders as appropriate, to go over and finalize the audit plan, obtain documents, schedule interviews, shape expectations for audit deliverables.

4. Perform Audit Fieldwork

- Carry out fieldwork as indicated in the audit plan.
- Obtain cooperation from the line management and department staff as necessary in identifying and obtaining documentation, conducting interviews, etc.
- Conduct fieldwork with minimal disruption to department operations; for example, whenever possible, obtain information from central sources rather than from departmental staff or line management.

5. Report Results

- In general, share important and sensitive findings with responsible managers immediately upon verification by the audit staff; short memo reports may be used in this process.
- Prepare a first draft final report and discuss it with responsible managers immediately following the fieldwork.

6. Wrap Up Audit

- Schedule a Closing Conference after responsible managers have received the first draft report; this conference will provide the opportunity for responsible managers to discuss findings, conclusions, and recommendations with the Internal Auditor.
- During or immediately after the Closing Conference, ask responsible managers to provide their responses to the auditor's findings and recommendations, either in writing or in sufficient detail for the auditors to capture them and reduce them to writing in the final draft report.

7. Review Final Report

- Send final draft report to responsible managers and discuss suggested changes.
- After processing changes, issue the final report to the distribution indicated on the cover of the final draft.

Note: All reports will contain an executive summary which summarizes the primary observations, management responses, and auditor's conclusion.

8. Disseminate Report

- Provide the President of the college and the Board of Trustee's with copies of all reports. Provide the Controller with copies of any reports with

financial system findings. Provide the appropriate Vice President with a copy of the audit report.

- Provide copies to the Board Trustee's with periodic summaries of audit findings, with access to summaries or full reports if requested.

9. Evaluate and Follow Up

- At the completion of each audit, the Internal Auditor will send an evaluation survey form to the primary clients of the audit. These should be completed and returned to the Internal Auditor, in order to ensure continuous improvement of these procedures and the internal audit function.
- Approximately six months following completion of each audit, the internal audit staff will conduct a follow up review to verify the completion of agreed-upon management actions and ascertain the status of open recommendations. A follow up report will be generated annually for distribution to Senior Management and the Audit Committee.

Business Practices Assessment Checklist

A “yes” answer suggests an appropriate level of control is in place. A “no” answer suggests that there is an internal control concern that may require correction or improvement. Call the Internal Auditor at 303.352.4453 if you have any questions or need assistance in completing this checklist. Not all categories may be applicable to your operations.

- [General Financial](#)
- [Cash Handling](#)
- [Payroll](#)
- [General Expenditures](#)
- [Safeguarding Assets](#)
- [Change and Petty Cash Funds](#)
- [Accounts Receivable](#)
- [Miscellaneous Department Operations](#)
- [Information Technology Management](#)

General Financial

YES NO

- ___ ___ Departmental staff are familiar with Metropolitan State College of Denver’s Business Policies and Procedures.
- ___ ___ Department staff have access to departmental policies and procedures.
- ___ ___ The Department has documented department-specific policies and procedures.
- ___ ___ Department policies and procedures are communicated to staff consistently and on a recurring basis.
- ___ ___ The Department designates a specific individual to reconcile monthly financial reports to supporting revenue and expenditure documentation.
Who? _____
- ___ ___ The monthly financial reconciliation is documented. How?

- ___ ___ At least one specific individual is designated to review and approve departmental financial transactions. Who?

- ___ ___ The individual who reviews and approves financial transactions is someone other than the individual who reconciles the monthly financial reports.

___ ___ At least one specific individual is designated to monitor actual expenditures with budgeted amounts. Who?

___ ___ The Department has an organized filing system in place for financial documents and required supporting documentation to assure easy retrieval.

___ ___ Documents are retained for the appropriate time period as prescribed by College policy?

___ ___ The Department maintains a central file location for the required documentation related to grants (matching expenditures, time & effort reporting, P-card documentation, etc)?

Cash Handling

YES NO

___ ___ The Department issues standard College receipts (or approved alternative receipt forms) when funds are collected by/received for the College.

___ ___ Receipts are pre-numbered and used in sequential order.

___ ___ The Department immediately prepares receipts when funds are collected.

___ ___ A restrictive endorsement is placed on incoming checks and money orders when they are received.

___ ___ Receipts are regularly reconciled to assure all receipts are accounted for.

___ ___ Sales registers or point-of-sale-terminals record receipts from cash sales.

___ ___ All funds collected are deposited with the College Cashier's Office.

___ ___ An employee who does not have access to cash verifies daily totals from cash registers/POS terminals.

___ ___ Collected funds are secured until deposited.

___ ___ Funds collected are deposited in accordance with College deposit policies (generally the next business day).

___ ___ Duties of opening mail, processing cash received by mail, and account reconciliation are separated among several individuals (i.e., one individual is not responsible for two or more of these activities).

- Duties of collecting cash, preparing receipts, and account reconciliation are separated among several individuals (i.e., one individual is not responsible for two or more of these activities).
- Individuals primarily responsible for handling cash take at least five consecutive days of leave (i.e., vacation) annually.
- Safe combinations and keys to cash boxes or files are restricted to a limited number of essential employees.
- Safe combinations and locks to files are changed periodically, and after turnover in personnel assigned direct responsibility for the combinations or locks.
- All external bank accounts are established only through the College Controller.

Payroll

YES NO

- An employee's supervisor or another individual designated by the Department, *who has specific knowledge regarding the hours worked by the employee*, signs time sheets.
- Hourly totals on time sheets are recalculated for accuracy by the employee's supervisor or other designated individual.
- Estimating time worked is prohibited (i.e., entering the hours worked on a time sheet before these hours are actually worked).
- Employees prepare leave slips whenever they are absent from work.
- Each employee's supervisor approves leave slips.
- Employee leave records are balanced and verified by the employee and the appropriate departmental representative on a monthly basis.
- A designated individual is responsible for maintaining payroll documents (e.g., time sheets, leave records, etc.) for the required retention period.
- Departmental payroll documents are maintained in a secure location.
- Individuals are not allowed to supervise, or be supervised, by a relative.
- Personnel Action forms for employee terminations and transfers are

processed prior to the effective date of termination or transfer, if practical.

General Expenditures

YES NO

- Department employees are not allowed to make personal long-distance phone calls.
- Monthly telephone bills are reviewed for accuracy and possible unauthorized personal long-distance phone calls.
- Staff members reimburse, by personal check payable to the College, any personal long distance calls made on College-provided phones.
- The traveler requesting reimbursement signs travel vouchers.
- Travel vouchers are submitted within 5 days of the conclusion of reimbursable travel.
- Travel vouchers reflect only authorized business travel expenditures.
- Staff members who are assigned College purchasing cards secure the card to prevent unauthorized use.
- Purchasing card supporting documentation is reviewed before purchasing card transactions are approved for payment by department reconcilers.
- Purchases using College funds are made only for business purposes.
- All purchases using College funds are delivered directly to the department or Central Receiving (e.g., no purchases are delivered to addresses other than the College).
- Cell phone bills are reviewed monthly for appropriateness and business applicability of calls made.

Safeguarding Assets

YES NO

- A designated individual in the Department is assigned property control responsibilities.
- The property control individual is responsible for ensuring that each piece of equipment has an inventory control tag, if applicable, and may be

found in its designated location.

- The Department safeguards College assets through use of appropriate security measures.
- The property control individual documents College equipment (e.g., type, quality, condition, etc.) removed from the department for off-campus work-related activities.
- A checklist is completed by a departmental individual to ensure that all College property on loan to an employee (e.g., keys, credit/purchasing cards, computers, cameras, cell phones, etc.) is returned prior to the employee's termination date or before transferring to another department.
- The property control manager periodically performs an inventory of equipment indicated on the College's inventory listing for the unit.

Change and Petty Cash Funds

YES NO

- Change funds are balanced daily to ensure cash equals the fund balance.
- Change funds are audited on a regular, unannounced basis by an individual other than the fund custodian.
- Employees are prohibited from using change funds to make loans (IOU's), or to cash personal or payroll checks.
- The change fund custodian reimburses the fund on at least a monthly basis through the College cashier for any 'overs' or 'shorts' accumulated during the month.
- Change funds are kept locked in a secure location except when being used to accept funds or transact business (i.e., a locked drawer out of public view during business hours).
- The change fund authorized balance is assessed at least annually for the appropriateness of the assigned fund (e.g., not too large or too small.)

Accounts Receivable

YES NO

- The Department has documented accounts receivable policies and procedures.
- The Accounting department and Controller's Office have approved the Department policies, practices, and procedures for accounts receivable.
- Accounts receivable collection and accounts receivable recording duties are performed by different individuals.
- A summary of total cash received is reconciled to total cash posted on a daily basis.
- Someone other than the accounts receivable clerk/processor approves credit memos or adjustments to accounts.
- An edit report of all non-cash adjustments to accounts receivable is produced and reviewed monthly by someone other than the accounts receivable clerk/processor.
- Accounts receivable are billed at least monthly.
- An aging of accounts receivable is prepared at least monthly.
- Follow-up actions and collection policies and procedures for delinquent accounts are documented.
- The Department has a documented policy for managing the write-off of delinquent accounts.
- Accounts receivable referred to collection agencies are written off the active accounts receivable at the time of referral.
- Write-offs of accounts receivable are approved by someone other than accounts receivable clerk/processor.

Miscellaneous Department Operations

YES NO

- The Department has an up-to-date organizational chart that depicts employees' current responsibilities and reporting relationships.

- ___ ___ The Department has a policy detailing the delegation of duties when employees are absent.
- ___ ___ The Department maintains written job descriptions for each staff member and updates them as needed.
- ___ ___ The Department has processes in place to ensure that staff receive the training necessary to do their job to the best of their ability.
- ___ ___ The Department has periodic staff meetings in which relevant information is communicated within the unit.

Information Technology Management

YES **NO**

- ___ ___ Each person in the Department with system access is assigned a unique (not shared) user ID.
- ___ ___ Staff members in the department keep their computer log-in I.D.'s and passwords secret.
- ___ ___ Staff members log in to secure systems only under their own, unique I.D. and/or password.
- ___ ___ Staff members change their passwords on a regular basis?
- ___ ___ Files on personal computers in the Department are backed-up on a regular basis.
- ___ ___ The Department, if applicable, maintains the appropriate individual/site licenses for each piece of program software that is installed or used on Department personal computers.

AUDIT PLANNING RISK MODEL

AUDIT HISTORY

Value Weight = 30%

Includes elements known to the auditor and auditor opinions based upon past audit involvement such as:

- Time since last audit
- Evaluation of Internal Controls during prior audit
- Prior audit observations and management's response to audit recommendations

Subjective Judgement Factors that the auditor may wish to consider:

1. *Recently reviewed; no significant audit observations related to internal controls; management highly responsive to audit comments*
2. *Recently reviewed; some audit observations made related to needed improvements in internal control; management generally responsive to audit recommendations*
3. *Recently reviewed; several minor audit observations related to internal controls; management generally responsive to audit recommendations but no evidence that corrective action has been taken to implement audit recommendations*
4. *Not recently reviewed; or, if recently reviewed, during prior review, several audit observations were made indicating lack of strong internal controls; audit knowledge of internal controls is not current; management resistant to prior audit recommendations; no evidence that corrective actions have been taken on prior audit recommendations*
5. *Not recently reviewed; known fraudulent activity in the past year; no current audit knowledge of internal controls*

REGULATORY COMPLIANCE AND PUBLIC SCRUTINY

Value Weight = 20%

Combination of public interest and degree of regulatory compliance requirements (including compliance with policies and procedures as provided by Board of Regents, State government, Federal government, and sponsors). For example, financial aid and sponsored research are heavily regulated areas carrying considerable financial exposure and, therefore, higher risk. Public interest may be influenced by media coverage and/or events which could negatively affect public confidence in the College.

Assignment of Subjective Judgement Factor is the sum of point values of the following:

Degree of Regulatory Requirements

- | | |
|-----------------|--|
| <i>1 point</i> | <i>Few regulations, relatively simple guidance</i> |
| <i>2 points</i> | <i>Moderate degree of regulations, relatively complex provisions</i> |
| <i>3 points</i> | <i>High degree of regulations, complex provisions, significant penalty exposures</i> |

Degree of Public Scrutiny and Interest

- | | |
|-----------------|---|
| <i>1 point</i> | <i>medium degree of public interest</i> |
| <i>2 points</i> | <i>high degree of public interest</i> |

RELIANCE UPON INFORMATION TECHNOLOGY

Value Weight = 20%

Heavy reliance upon information technology presents challenges and different risk factors to the unit. While IT provides opportunities for significant improvements in efficiencies, it is coupled with greater potential for loss of asset control and information. Factors that impact the degree of risk include:

- Whether information systems have been purchased **commercially or internally created** (the latter may be better tailored to the business needs of the unit but may present other challenges such as lack of full documentation; possibly not having been thoroughly tested prior to being placed into production; potential of having difficulty providing support for the system if key employees terminate);
- **Business Continuity Program** (the unit's ability to resume IS operations in the event of interruption from natural causes and disasters, human error or sabotage, or technical malfunction)
- **Information processed** (e.g., higher risk associated with systems that process confidential or critical information, liquid assets, or that which could have a large impact on the College's financial position and results of operations)

Subjective Judgement Factors that the auditor may wish to consider:

1. *Information system purchased commercially, widely accepted and time-tested without significant business interruptions; Business continuity plan for unit in place and well documented; information processed not mission critical*
2. *Information system purchased commercially, widely accepted and time-tested without significant business interruptions; Business continuity plan generally understood by key employees but not fully documented and tested; information processed is important but not mission critical*
3. *Information system purchased commercially and subsequently modified and tailored to the unit, generally accepted and with only minor business interruptions; Business continuity plan generally understood by key employees but not fully documented and tested; information processed is important but not mission critical with potential impact on the unit but no significant impact on the College's financial statements*
4. *Information system developed internally to meet specific needs of the unit, not widely used, little support beyond a few key employees, unit has experienced some business interruptions; Business continuity plan generally understood by key employees but not fully documented and tested; information processed is important and could have an impact on the College's financial statements*
5. *Information system developed internally or purchased commercially with significant modifications to meet specific needs of the unit, little support beyond a few key employees, unit has experienced some business interruptions; no business continuity plan in place; information processed is mission critical and/or could have a significant impact on the College's financial statements.*

DOLLAR VOLUME & LIQUIDITY

Value Weight = 15%

Large dollar volume flowing through a system or committed to an activity or project. Consideration should be given to revenue from all sources (e.g., State revenue or other earned revenue)

Larger potential losses are normally associated with larger-size activities as indicated by revenues and expenditures.

Liquid assets are active; mobile resources and are attractive targets for defalcations. Consideration should be given to all assets including cash, moveable equipment, receivables, etc.

Assignment of Subjective Judgement Factor is the sum of point values of the following:

Dollar volume

	4 year schools	
<i>1 point</i>	< \$500K	
<i>2 points</i>	> \$500K and <= \$2M	
<i>3 points</i>	> \$2M	

Liquidity of Assets

0 points low liquidity
1 point medium liquidity
2 points high liquidity

ORGANIZATIONAL CHANGE & ECONOMIC TRANSITION OF THE UNIT

Value Weight = 15%

Lack of continuity in personnel may mean the control system is less effective than in previous periods.

College moves from transactional and procedural controls to more innovative and diagnostic controls associated with paperless processing and downsizing.

Subjective Judgement Factors that the auditor may wish to consider:

- 1. Stable organization, no increase or decline in budget*
- 2. Limited management change or personnel turnover, little change in budget*
- 3. Turnover in key personnel, average change in prior year budget*
- 4. Significant change in transaction processing, downsizing, early retirements, turnover in key personnel, substantial change in budget*
- 5. High turnover, major system changes, significant re-engineering, significant change in prior year budget*

Risk Assessment Worksheet for FY 2007 Audit Plan							
Metropolitan State College of Denver							
FY2006 RISK ASSESSMENT UPDATED FOR FY 2007 AUDIT PLAN							
AUDITABLE ENTITIES/AREAS	Date Entity Last Audited	30%	20%	20%	15%	15%	
	Composite Risk	Audit History	Regulatory Compliance Public Scrutiny	Reliance on Information Technology	Dollar Volume & Liquidity	Organization Change & Economic Transition	
Payroll	550	4	2	2	4	1	
Development	530	3	3	2	3	2	
Cashiering	490	4	2	2	2	1	
Accounts Payable	450	4	1	2	2	1	
Budget Office	390	3	1	2	2	1	
Academic Affairs							
Academic Technology, Center for (CAT)							
Access Center for Disability Accommodations & Adaptive Technology							
Accounting - School of Business							
Accounting Services							
Addition Studies, Center for							
Administration & Finance							
Admissions							
African American Studies							
Alumni Relations							
An adventure of the American Mind							
Application Processing							
Art							
Assessment & Testing							
Aviation & Aerospace Testing							
Avionics Lab							
Biology							
Business Services							
Business, School of							
Campus Recreation							
Career Services							
Chemistry							
Chicano Studies							
Civil Engineering Technology							
Classified Staff Council Executive Board							
CMSEE							
College Assistance Migrant Program							
College Communications							
Colorado Alliance for Science							
Communication, Arts & Science							
Computer Information Systems							
COOL (Service Learning)							
Coop Education/Service Learning							
Counseling Center							
Criminal Justice & Criminology							
Earth & Atmospheric Sciences							
Economics							
Electrical Engineering Technology							

SAMPLE

SAMPLE

Risk Assessment Worksheet for FY 2007 Audit Plan							
Metropolitan State College of Denver							
FY2006 RISK ASSESSMENT UPDATED FOR FY 2007 AUDIT PLAN							
AUDITABLE ENTITIES/AREAS	Date Entity Last Audited	Composite Risk	Audit History	30% Regulatory Compliance Public Scrutiny	20% Reliance on Information Technology	15% Dollar Volume & Liquidity	15% Organization Change & Economic Transition
English							
Environmental Ed Resource Center							
Equal Opportunity							
ESL/Immigrant Services							
Event Programming, Co-Curr							
Extended Campus - Metro Ed Ventures							
Faculty & Staff Club							
Faculty Senate							
Family Center							
Family Literacy Program							
Finance							
Financial Aid							
First Year Program							
Foundation, Metro State							
Gay, Lesbian, Bisexual, Transgender Student Services @ Auraria							
Gerontology							
Golda Meir Center							
Graduation Evaluation							
Heath Center at Auraria							
Health Professions							
Help Desk							
High Risk Youth Studies							
High School Upward Bound							
History							
Honors Program							
Hospitality Meeting & Travel Administration							
Human Performance & Sport							
Human Resources							
Human Services							
Individualized Learning, Center for							
Industrial Design							
Information Technology Administration							
Institutional Advancement							
Institutional Research							
Insurance							
Intercollegiate Athletics							
International Admissions							
Intramural/Club Sport Program							
Journalism							
Language & Cultural Institute							
Leadership Education Program							
Letters Arts & Sciences							
Management							

SAMPLE

SAMPLE

Risk Assessment Worksheet for FY 2007 Audit Plan							
Metropolitan State College of Denver							
FY2006 RISK ASSESSMENT UPDATED FOR FY 2007 AUDIT PLAN							
AUDITABLE ENTITIES/AREAS	Date Entity Last Audited	Composite Risk	Audit History	30% Regulatory Compliance Public Scrutiny	20% Reliance on Information Technology	15% Dollar Volume & Liquidity	15% Organization Change & Economic Transition
Marketing (Academic)							
Math and Computer Science							
Mechanical Engineering Technology							
Media Relations							
Met Radio							
Metro Bridge Program							
Metrosphere							
Modern Language							
Multi-Media Learning Center							
Music							
Native American Studies							
New Student Orientation							
Nonprofit Org Administration, Center for							
Nursing Orientation							
Outdoor Adventure Program							
Outdoor Equipment Rental							
Pacesetter Student Program							
Peer Advising							
Perkins Loan							
Philosophy							
Physically Challenged Program							
Physics							
Political Science							
Pre-Law Advising							
President's Office							
Professional Studies							
Psychology							
Registrar							
Scholarship Center							
Social Work Department							
Sociology, Anthropology & Behavioral Science							
Speech							
Sponsored Programs							
Student Accounts							
Student Activities							
Student Government Assembly							
Student Intervention Services							
Student Life							
Student Media							
Student Organization Services							
Student Services							
Student Success Program							
Student Support Services							

SAMPLE

SAMPLE

Risk Assessment Worksheet for FY 2007 Audit Plan							
Metropolitan State College of Denver							
FY2006 RISK ASSESSMENT UPDATED FOR FY 2007 AUDIT PLAN							
AUDITABLE ENTITIES/AREAS	Date Entity Last Audited	Composite Risk	Audit History	30% Regulatory Compliance Public Scrutiny	20% Reliance on Information Technology	20% Dollar Volume & Liquidity	15% Organization Change & Economic Transition
Student Travel Program							
Sun Microsystems Grant							
Teacher Education Department							
Teacher In Residence Program							
Technical Communication & Media Production							
The Center for Effective Interventions							
The Metropolitan							
TQE Grant							
Transcript Evaluation							
Transcripts							
Transfer Services							
Tuition Classification							
Tutoring Center							
Verifications							
Veterans' Services							
Veterans' Upward Bound							
Visiting Scientist Program							
Visual Art, Center for							
Women's Studies & Services, Institute for							
Writing Center							
Academic Advising Center							

SAMPLE

Metropolitan State College of Denver

AUDITABLE AREAS - RISK EVALUATION PROPOSED FY 2007 AUDIT PLAN

AUDITABLE AREA / NAME OF AUDIT:	COMPOSITE RISK SCORE	RELATIVE RISK FACTOR	ESTIMATED AUDIT HOURS	PROPOSED AUDIT COVERAGE	
				INTERNAL AUDIT UNIT	OTHER
Payroll	550	High	120	Yes	
Development	530	High	120	Yes	
Cashiering	490	High	120	Yes	
Accounts Payable	450	High	120	Yes	
Budget Office	390	Moderate	120	Yes	
Special Project					
Special Project					

SAMPLE

600

Total Audit Hours-Risk Based

High Risk designated as falling within top 10% of weighted ranking from College's updated FY2006 Risk Assessment survey instrument.

Report an Issue to the Internal Audit Unit

You may use the form at the bottom of this page to report an issue to Internal Audit Unit. We welcome your input. We rely on your knowledge of activities within the College to help us assess whether the controls established by College management are effective in promoting the goals and objectives of the College. If you wish to remain anonymous, please leave the name, address, and telephone number fields blank. Be sure to provide us with enough detailed information regarding the issue so we may conduct an inquiry. We will only investigate legitimate College issues concerning misuse of College assets, failure to comply with College policies, etc.

Examples of issues to be reported on this form:

- Suspected fraud
- Suspected use of College property for non-College activities or personal gain
- Departments depositing money into their own checking account rather than through the College's Cash Receipts Transmittal
- Suspected expenditures of departmental funds for personal use or other non-allowable expenses
- Suspected failure to comply with College policies and procedures, or state or federal laws and regulations

Examples of issues NOT to be reported on this form:

- Sexual harassment (please report this directly to the Human Resource Department 303.556.3120).
- Crime (please report this directly to the Auraria Campus Police Department (303) 556.3271 or call 911 for an emergency).
- Personal grievances with other employees or superiors (please report this directly to the Human Resource Department 303.556.3120).

Name (Optional)

Campus Address or Dept (optional)

Telephone (optional)

Your Report

The Internal Audit Unit will request the reporting individual to provide their name and telephone number (optional). This information is very important in order to follow-up on concerns and request additional information, if necessary. It is especially important if the perceived fraudulent

acts are later determined to be errors or mistakes. The Internal Audit Unit can then get back to the reporting individual to help him/her understand why the perceived fraudulent acts are not fraudulent. It is the Internal Audit Unit's policy to not reveal the reporting individual's identity, except as required by law.

As an alternative, you can report fiscal misconduct to the State of Colorado's fraud hotline at 303-866-6234. These calls are fielded by the State of Colorado's Controller's Office. For more information go to:

<http://www.colorado.gov/dpa/dfp/sco/fhotline.htm>

If you are an employee of the State of Colorado, including its institutions of higher education, you have protections under Title 24, Article 50.5 of the Colorado Revised Statutes against disciplinary action or any retaliation for good faith reporting of fraud, waste, and abuse. If you would like more information please contact the State Personnel Board at 303-894-2136, the State Controllers Office at 303-866-2634 or 1-888-895-6698 or our office.

SAMPLE

**DEPARTMENT OF HIGHER EDUCATION
 FY 2005-06 SUPPLEMENTAL RECOMMENDATION
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Staff Recommendation:

Staff recommends approval of the request. The transfer is consistent with the statutory direction that assistance for the dependents of fire firefighters, law enforcement officers, POWs, and veterans is the first priority of any appropriated financial aid funds. It is arguable that statutes already allow, and in fact require, CCHE to make the proposed transfer. However, there is also a statute (Section 23-3.3-102 (7), C.R.S.) that states that expenditures for any financial aid program shall not exceed the allocation for that program by more than 10 percent. This transfer would increase the allocation for dependent tuition assistance by more than 10 percent. Approving the requested supplemental adjustment would eliminate any ambiguity about CCHE's authority to make the transfer.

#4 - Unfunded Enrollment

Applicable Criteria:

- An Emergency or Act of God
- A Technical Error in Calculating the Original Appropriation
- Data Which Was Not Available When the Original Appropriation Was Made
- An Unforeseen Contingency

COLLEGE OPPORTUNITY FUND PROGRAM

Line Item Name: Fee-for-service Contracts with State Institutions

	FY 2004-05 Actual	FY 2005-06 Appropriated	Year-to-Date 11/30/05	Supplemental Request	Staff Recommendation
TOTAL	\$ 0	\$ 208,221,542	\$ 96,493,668	\$ 74,182,929	\$ 0
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	0	208,221,542	96,493,668	74,182,929	0
Cash Funds	0	0	0	0	0
Cash Funds Exempt	0	0	0	0	0
Federal Funds	0	0	0	0	0

**DEPARTMENT OF HIGHER EDUCATION
 FY 2005-06 SUPPLEMENTAL RECOMMENDATION
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

GOVERNING BOARDS

Line Item Name: Fee-for-service Contracts Cash Funds Exempt Spending Authority

	FY 2004-05 Actual	FY 2005-06 Appropriated	Year-to-Date 11/30/05	Supplemental Request	Staff Recommendation
TOTAL	\$ 0	\$ 208,221,542	\$ 96,493,668	\$ 74,182,929	\$ 0
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	0	0		0	0
Cash Funds	0	0	0	0	0
Cash Funds Exempt	0	208,221,542	96,493,668	74,182,929	0
Federal Funds	0	0	0	0	0

The Governor DID NOT submit a supplemental request for unfunded enrollment, but the Colorado Commission on Higher Education DID, exercising its statutory authority to submit an independent budget request. Staff has listed the CCHE request after the first three items submitted by the Governor, but it should be noted that CCHE ranked the request for unfunded enrollment as the number one priority for funding.

Senate Bill 04-189 included a provision (Section 23-5-129 (8), C.R.S.) requiring CCHE to calculate the amount of unfunded enrollment growth, and permitting the Commission to request, as part of the annual budget cycle, a General Fund appropriation for each governing board for the amount of unfunded enrollment growth. The statute did not establish any parameters for what period of time should be used to measure unfunded enrollment, or what the base enrollment funding per student should be. CCHE indicates that in consulting with the governing boards (another requirement of the statute) they encountered a wide range of views about how to calculate the unfunded enrollment, with outputs ranging from \$17.0 million to \$106.0 million. There were two dominant approaches, however. One used a base rate of \$2,400 General Fund per student FTE and estimated the unfunded enrollment at \$50.0 million. The other used a variable General Fund base rate for each school, derived from the average funding per student, and estimated the unfunded enrollment at \$71.0 million. According to the Department, "All institutions agreed that the unfunded enrollment base should be \$71.0m. They however disagreed on how it should be distributed." CCHE averaged the percentage share of total funds each school received under the two dominant methodologies for calculating the unfunded enrollment in order to come up with the requested funding for each school.

CCHE also made what they described as technical adjustments to the distribution formula. They added \$1,810,333 for the University of Colorado for nursing students. They added \$546,611 for the schools formerly part of the State College system (\$136,653 for Adams, \$284,238 for Mesa, and \$125,720 for Western) for reductions that, "probably should not have occurred." Presumably, CCHE thinks these reductions should not have occurred because of the floor funding legislation for these three schools. Finally, CCHE added \$743,696 for the Colorado School of Mines, because CCHE's averaging of the two unfunded

**DEPARTMENT OF HIGHER EDUCATION
 FY 2005-06 SUPPLEMENTAL RECOMMENDATION
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

enrollment methodologies resulted in a significantly larger reduction from the most favorable model for the Colorado School of Mines than the reduction for any other school.

Distribution of Supplemental Request by Governing Board						
	FY 2005-06 Base Appropriation			Supplemental Request		Percent Increase on Base
	Stipends at \$2,400 per 30 Credit Hrs	Fee-for-service contracts	Total FY 2005-06	Dollars	Percent of New Dollars	
Adams	\$3,508,800	\$7,607,831	\$11,116,631	\$483,749	0.7%	4.4%
Mesa	10,173,600	7,136,695	17,310,295	2,381,447	3.2%	13.8%
Metro	36,184,800	0	36,184,800	8,622,537	11.6%	23.8%
Western	3,724,800	4,536,918	8,261,718	538,600	0.7%	6.5%
CSU System	47,064,000	62,119,992	109,183,992	8,820,084	11.9%	8.1%
Fort Lewis	6,228,000	1,207,161	7,435,161	223,062	0.3%	3.0%
CU Regents	64,648,800	86,024,041	150,672,841	19,421,361	26.2%	12.9%
Mines	5,952,000	11,235,980	17,187,980	3,902,438	5.3%	22.7%
UNC	21,871,200	11,719,709	33,590,909	2,976,495	4.0%	8.9%
Community Colleges	89,308,800	16,633,215	105,942,015	26,813,156	36.1%	25.3%
TOTAL	\$288,664,800	\$208,221,542	\$496,886,342	\$74,182,929	100.0%	14.9%

The Department proposes adding these funds to the schools through the fee-for-service contracts. The request assumes that the increase in fee-for-service contracts would be permanent and carry forward as part of the base into FY 2006-07.

Staff Recommendation:

Staff recommends denying the request. The request does not meet the JBC's supplemental criteria. It was known when the FY 2005-06 budget was set that the Department had experienced enrollment growth without commensurate increases in state funding.

Further, the Department has not quantified any benefit that will accrue to the state as a result of funding the request. Enrollment has increased and General Fund has decreased or remained the same, but the Department has not identified any services that are no longer being offered, or services that are being offered at a substandard level, that will be restored if this supplemental is approved. This lack of specificity is particularly problematic given that the request is for fee-for-service contract dollars. What additional service is the state purchasing?