

**HIBBING COMMUNITY COLLEGE  
FINANCIAL AUDIT  
FOR THE THREE YEARS ENDED JUNE 30, 1991**

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**OCTOBER 1992**

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**Financial Audit Division  
Office of the Legislative Auditor  
State of Minnesota**



# **HIBBING COMMUNITY COLLEGE**

## **FINANCIAL AUDIT FOR THE THREE YEARS ENDED JUNE 30, 1991**

Public Release Date: October 23, 1992

No. 92-79

### **OBJECTIVES:**

- EVALUATE INTERNAL CONTROL STRUCTURE: Tuition and fee revenues, federal revenues and cash management, bookstore revenues, employee payroll expenditures, and federal financial aid expenditures.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

### **CONCLUSIONS:**

We found eight areas where the internal control structure needed improvement:

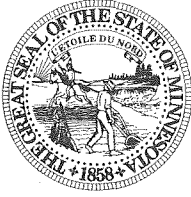
- Federal cash management at Hibbing Community College needs improvement.
- The college is not controlling access to the student information system.
- The college needs to segregate receipt processing functions.
- The college is not requiring prompt payment of tuition.
- The college needs to segregate bookstore receipts functions.
- The college needs to improve procedures for Perkins Loans.
- The college needs to improve controls over financial aid adjustments.
- The financial aid reconciliation process needs improvement.

We found seven areas where the college had not complied with finance-related legal provisions:

- Hibbing Community College has not complied with federal cash management regulations.
- The college is not requiring tuition deferments.
- The college is not in compliance with certain federal regulations for Perkins Loans.
- The college does not require students who withdraw from school to repay noninstitutional financial aid.
- The college uses an improper withdrawal date when calculating refunds.
- The college has not resolved conflicting information in student financial aid files.
- The financial aid office improperly completed a financial aid special condition form for one student.

Contact the Financial Audit Division for additional information.  
(612) 296-1730





STATE OF MINNESOTA

**OFFICE OF THE LEGISLATIVE AUDITOR**

CENTENNIAL BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Ann Rest, Chair  
Legislative Audit Commission

Members of the Legislative Audit Commission

Dr. Geraldine Evans, Chancellor  
Community College System

Members of the Community College Board

Dr. Philip J. Anderson, President  
Arrowhead Community College Region

Dr. Anthony Kuznik, Provost  
Hibbing Community College

## **Audit Scope**

We have conducted a financial related audit of Hibbing Community College as of and for the three years ended June 30, 1991. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of Hibbing Community College, as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of Hibbing Community College in effect as of March 1992.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transactions of Hibbing Community College are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of Hibbing Community 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.

## **Federal Financial Aid**

We performed tests on Hibbing Community College's federal financial aid programs in conjunction with our statewide audits of the State of Minnesota's annual financial statements and federal programs. We issued three separate management letters to the Community

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Page 2

College System concerning federal financial aid during the audit period. They were dated April 26, 1990, May 3, 1991, and April 29, 1992, and covered fiscal years 1989, 1990, and 1991 respectively. The fiscal year 1990 and 1991 systemwide management letters indicated that Hibbing Community College's satisfactory academic progress policy was inadequate. The fiscal year 1991 management letter also reported that Hibbing Community College overpaid one student because the college did not accurately complete the student's Stafford Loan application.

## **Management Responsibilities**

The management of Hibbing Community College is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. 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;
- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

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.

## **Internal Control Structure**

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

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Page 3

- tuition and fee revenues,
- federal revenues,
- bookstore revenues,
- employee payroll expenditures, and
- federal financial aid expenditures.

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.

## Conclusions

Our study and evaluation disclosed the conditions discussed in findings 1-6 and 9-10, involving the internal control structure of Hibbing Community College. We consider these conditions to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data.

A material weakness is a reportable condition in which the design or operation 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 activities being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe the reportable condition described in finding 1 is a material weakness.

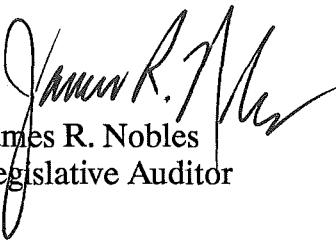
We also noted other matters involving the internal control structure and its operation that we reported to the management of Hibbing Community College in a meeting held on May 1, 1992.

The results of our tests indicate that, except for the issues discussed in the federal financial aid paragraph, and except for the issues discussed in findings 1, 4, 6-8, and 11-12, with respect to the items tested, Hibbing Community College complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that Hibbing Community College had not complied, in all material respects, with those provisions.

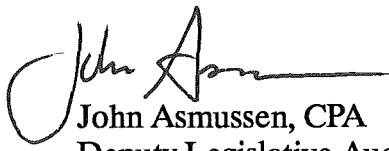
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Page 4

This report is intended for the information of the Legislative Audit Commission and management of Hibbing Community College. This restriction is not intended to limit the distribution of this report, which was released as a public document on October 23, 1992.

We would like to thank the Hibbing Community College staff for their cooperation during this audit.



James R. Nobles  
Legislative Auditor



John Asmussen, CPA  
Deputy Legislative Auditor

End of Fieldwork: May 1, 1992

Report Signed On: October 16, 1992



# Hibbing Community College

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## Table of Contents

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	Page
Introduction	1
Current Findings and Recommendations	2
Agency Response	9
[The agency's response included several attachments which are not presented in this report. These attachments are available upon request.]	

### Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Jeanine Leifeld, CPA	Audit Manager
Tony Toscano	Auditor-in-Charge
Joan Haskin, CPA	Auditor
Mark Johnson	Auditor

### Exit Conference

The findings and recommendations in this report were discussed with the following officials of the Hibbing Community College and the Arrowhead Community College Region at an exit conference on May 1, 1992:

Dr. Anthony Kuznik	Provost
Ron Blakesley	Director of College Services
Duane Erickson	Financial Aid Director
Bill Maki	Administrative Services Director, Arrowhead Community College Region



# Hibbing Community College

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## Introduction

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Hibbing Community College is a part of the Arrowhead Community College Region. The region office consolidated the management of the five community colleges in Northeastern Minnesota. The college provost, Dr. Anthony Kuznik, reports to the president of the Arrowhead Community College Region.

Operations of Hibbing Community College are financed mainly by student tuition and fees and state appropriations from the General Fund. The college accounts for its instructional and operating activities on the statewide accounting system. Other activities, such as federal financial aid and bookstore transactions are accounted for through manual records and local bank accounts. These local accounts are exempt from Department of Finance budgeting and accounting requirements. Community college board policies govern the use of these funds.

According to Community College System records, Hibbing Community College collected and spent the following amounts during the audit period:

	<u>Fiscal Year Ended June 30</u>		
	<u>1991</u>	<u>1990</u>	<u>1989</u>
Revenues:			
Tuition and Fees	\$1,018,158	\$1,040,135	\$1,181,466
Federal Financial Aid	1,149,087*	1,152,399*	730,319*
Bookstore	375,386	337,362	220,058
Other	<u>284,452</u>	<u>279,145</u>	<u>201,527</u>
Total Revenues	<u>\$2,827,083</u>	<u>\$2,809,041</u>	<u>\$2,333,370</u>
Expenditures:			
Employee Payroll	\$3,052,800	\$2,895,473	\$3,168,027
Pell Grants	1,058,179*	1,042,760*	756,480*
Perkins (new loans)	72,082	76,565	52,424
Other	<u>776,376</u>	<u>704,427</u>	<u>694,441</u>
Total Expenditures	<u>\$4,923,255</u>	<u>\$4,435,545</u>	<u>\$3,924,623</u>

\* Includes federal financial aid activity for the Duluth Community College Center.

Sources: Manager's Financial Reports for fiscal years 1991, 1990, and 1989 as of the closing date. Community College System revenue spreadsheet for fiscal years 1991, 1990, and 1989. Hibbing Community College's statements of representation for fiscal years 1991, 1990, and 1989.

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## Current Findings and Recommendations

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### **1. PRIOR FINDING NOT RESOLVED: Federal cash management at Hibbing Community College needs improvement.**

Cash management over federal receipts needs improvement in three areas. The college has not adequately calculated its federal cash needs. It used Perkins Loan funds for unauthorized purposes. In addition, the college has not properly separated duties over the federal receipts process.

First, the college does not have an adequate process in place for calculating the amount and timing of federal cash needs. Hibbing Community College deposits all federal receipts into a single bank account. This account includes financial aid and non-financial federal grants both for Hibbing Community College and for the Arrowhead Community College Region. The Hibbing campus services director only records cash transactions in the federal program ledgers quarterly and, therefore, cannot monitor the account balances daily. Daily monitoring is necessary in order to comply with the federal requirement to limit federal cash to no more than three days. The federal cash control account for Hibbing Community College had a negative balance for five of the fifteen quarters during the audit period.

The college inappropriately used Perkins loan funds to finance the activities of the other financial aid programs. The college combines Perkins Loan funds and other federal financial aid funds into one checking account. The college routinely uses Perkins Loan proceeds on hand to cover deficits in other financial aid programs. In five of the fifteen bank statements we reviewed, the bank account balance was below that of the Perkins account cash balance. Federal regulations only allow the college to use Perkins Loan funds for Perkins Loan uses. Federal regulations require institutions to either place Perkins funds in a separate account or to use an accounting system which identifies the cash balance of the loan fund as if it were in a separate bank account.

Finally, the college needs to separate duties over federal receipts. The campus services director requests the federal receipts and posts cash transactions to the financial aid program ledgers. The campus services director also has the authority to write financial aid checks, reconciles the ledgers to the bank balance, and oversees the student workers who reconcile the monthly bank account. In order to ensure a proper separation of duties, a separate person should either perform or review these reconciliations.

Federal cash management requirements are changing. On March 23, 1992, the U.S. Department of Treasury proposed regulations to implement the federal Cash Management Act of 1990. These proposed rules provide states with several options to manage transfers of funds from the federal government for federal programs. Some options involve establishing check clearance patterns and/or incurring interest on federal fund balances. The

## Hibbing Community College

Minnesota Department of Finance is currently working with state agencies to determine the specific funding techniques agencies will use and to negotiate a state/federal cash management agreement.

### *Recommendations*

- *The college should comply with federal cash management regulations.*
- *The college should use Perkins Loan funds only for authorized purposes.*
- *The college should separate the duties over federal receipts.*

### **2. Hibbing Community College is not controlling access to the student information system.**

Access controls over the student information system need to be improved in two areas. The college uses the system to register students for classes, record tuition payments and deferments, and to post grades.

First, the college has not given the business office student worker a unique cashier identification number. Instead, the student shares a permanent employee access code. The cashier access code identifies the employee entering the tuition payment into the student information system. Sharing cashier codes diminishes the effectiveness of the internal control.

Secondly, an accounting clerk has access to both the registration and cashier functions of the student information system. This allows the clerk to affect both a student's tuition assessment and payment status. Giving employees access to perform unnecessary functions breaks down the college's separation of duties. Allowing employees incompatible access increases the risk of errors or irregularities occurring and remaining undetected.

### *Recommendation*

- *Hibbing Community College should strengthen access controls over the student information system by prohibiting employees from sharing access codes and by limiting employee access to only those functions necessary to perform their job responsibilities.*

### **3. PRIOR FINDING NOT RESOLVED: Hibbing Community College needs to segregate receipt processing functions.**

One college business office accounting clerk performs all receipt processing duties. The clerk collects tuition payments, closes out the cash register, and reconciles receipts to the

## Hibbing Community College

cash register totals. This employee also reconciles tuition receipts to the student information system daily totals. Segregation of duties provides a necessary control to prevent unintentional errors and to provide an independent check of the work done. To improve controls, an independent person should either reconcile or review the reconciliation of the daily cash report to the student information system.

### *Recommendation*

- *The person independent of receipt processing should prepare or review the daily cash reports and cash reconciliations.*

#### **4. PRIOR FINDING NOT RESOLVED: Hibbing Community College is not requiring prompt payment of tuition.**

Hibbing Community College allows students without valid deferments to remain in registration status on the student information system without paying their tuition. The Community College System Chancellor has given the Arrowhead Community College Region campuses the authority to grant administrative tuition deferments to students. However, the college has allowed unpaid students to remain registered and attend classes even if no deferment has been granted.

Allowing students to continue class without paying tuition or getting a deferment increases the risk of uncollectible tuition and fees. Each quarter, the student information system generates balance due reports, showing enrolled students who have not paid. Currently the college has outstanding tuition accounts receivable dating back as far as 1985. The college should review the balance due reports and pursue collection of outstanding tuition accounts receivable. It should write off any uncollectible accounts pursuant to Minn. Stat. Section 10.12.

### *Recommendations*

- *The college should process administrative tuition deferments, when appropriate.*
- *The college should complete a timely review of the balance due reports and take appropriate action on delinquent accounts.*

#### **5. Hibbing Community College needs to segregate bookstore receipts functions.**

The bookstore manager performs nearly all of the bookstore receipts functions. The employee operates and closes out the cash register, counts the cash, approves voids, reconciles receipts to the cash register totals, and prepares the deposits. Strong internal controls re-

## Hibbing Community College

quire separation of duties to ensure that no one person is responsible for an entire process. In order to achieve the proper separation of duties, someone independent of the bookstore operation should reconcile the daily receipts to the cash register totals, including a review of all significant voided transactions.

### *Recommendation*

- *The college should take the necessary to ensure that there is an appropriate separation of duties in the bookstore.*

### **6. The college needs to improve procedures for Perkins Loans.**

Hibbing Community College needs to improve its Perkins Loan procedures in three areas. First, the college has not promptly updated the central loan repayment system for Perkins loans disbursed. The business office enters loans on the system only once each year, at the completion of the school year in June. The college must enter this information promptly since the Community College System Office uses it as a basis for initiating repayments of Perkins Loans.

In addition, the college is not complying with federal regulations which require the college to give priority to students with exceptional financial need. We noted several students who had not received Perkins Loans even though they appeared to have greater need than others who received loans. For example, one student who reported parents' adjusted gross income of \$40,618 received a Perkins Loan of \$1,500. Other students, who had adjusted gross incomes under \$10,000 and received AFDC support, did not obtain Perkins Loans. The college does not have a written policy for the Perkins award process. Federal regulations require the college to define exceptional need and develop procedures for implementing that priority. The regulations also require the procedures to be written, uniformly applied, and maintained in the college's files.

Finally, the college is not in compliance with federal regulations governing the state match for the Perkins program. The college did not deposit the required state match for Perkins before or at the same time as it received the federal capital contribution, as required. For example, during fiscal year 1991, the college received portions of its federal contribution on August 27, 1990, November 28, 1990, and March 4, 1991. However, the college did not deposit the state match until March 27, 1991.

## Hibbing Community College

### *Recommendations*

- *The college should update the central Perkins Loan repayment system in a timely manner.*
- *The college should develop written procedures for selecting Perkins borrowers, as required by federal regulations.*
- *The college should deposit the Perkins Loan state match before or at the same time as it receives the federal contribution.*

#### **7. PRIOR FINDING NOT RESOLVED: Hibbing Community College does not require students who withdraw from school to repay noninstitutional financial aid.**

The college is not complying with federal regulations which require students to repay a portion of their noninstitutional federal financial aid award when they withdraw from school. Some students receive financial aid for noninstitutional costs, such as books, rent, and other living expenses. The college pays this aid directly to the student. The college does not require repayment of this aid when the student withdraws from school. Federal regulations require the school to determine the amount to be repaid by subtracting from total noninstitutional costs a portion for reasonable expenses incurred while the student was enrolled. The college should determine the enrollment period by referring to the last recorded day of class attendance. If the school is unable to document the last day of attendance, any cash disbursed to the student must be considered an overpayment.

### *Recommendation*

- *The college's financial aid repayment policy should include the repayment of the noninstitutional portion of financial aid, when required.*

#### **8. PRIOR FINDING NOT RESOLVED: The college uses an improper withdrawal date when calculating refunds.**

The college does not properly determine withdrawal dates when calculating financial aid refunds. Federal regulations require that the college use the last day of attendance to calculate the refund. Students withdrawing from the college complete a request for withdrawal form. Since the college uses the date on the request form to calculate refunds, there is no way for the college to determine whether the refunds are correctly calculated. Using the withdrawal date instead of the last day of attendance may cause a large difference in the refund to the financial aid account. The college must determine the student's last day of class attendance as a basis for calculating refunds. If the college cannot determine the last day of class attendance, the federal regulations require the college to conclude that the student



## Hibbing Community College

dropped out before the first day of class. In that case, all financial aid funds paid to the student are an overpayment, and the college must return the funds to the respective financial aid programs.

### *Recommendation*

- *The college should use the student's last day of class attendance as the withdrawal date for calculating refunds to the financial aid account.*

## **9. The college needs to improve controls over financial aid adjustments.**

Hibbing Community College does not require the business office to inform the financial aid office of changes made to financial aid awards. A business office employee responsible for preparing financial aid checks reviews each student's enrollment status and makes any necessary changes to the financial aid award. However, the financial aid office is not informed of the changes made to the awards and, therefore, cannot verify the accuracy of the changes. To provide adequate internal controls, authorizing and disbursing federal financial aid should be separate functions. Without a separation of duties, improper adjustments resulting in over or underpayments could occur and remain undetected.

### *Recommendation*

- *The financial aid office should review and approve all adjustments to financial aid awards.*

## **10. The financial aid reconciliation process needs improvement.**

The college needs to improve the reconciliation of financial aid awards to financial aid disbursements. Although we were told that the business manager and the financial aid director perform a yearly reconciliation, they do not maintain any formal documentation or any written explanations for reconciling items. The purpose of the reconciliation is to ensure that the amount of financial aid disbursed by the business office matches the amount awarded by the financial aid office. It is important that the reconciliation is done and documented to support resulting adjustments to the business office records.

### *Recommendation*

- *The college should formally document the financial aid reconciliations in writing. It should review and document the reconciliations for the past three years to substantiate their accuracy.*

## Hibbing Community College

### **11. The college has not resolved conflicting information in student financial aid files.**

We found unresolved conflicting information in eight of fifteen financial aid files we reviewed during the audit. Federal regulations require institutions to resolve discrepancies in financial aid information received from different sources.

Hibbing Community College gathers evidence from a variety of sources to verify information reported by financial aid applicants. Applicants must submit copies of tax returns, as well as documentation of nontaxable income, such as social security or welfare benefits, from appropriate agencies. In the eight cases we cited, supporting documentation from outside sources did not agree with the information on the student's comprehensive financial aid report. For example, one student reported an adjusted gross income of \$829 on the comprehensive financial aid report while the student's tax return showed \$1,279 for adjusted gross income. In other instances, the amounts shown as AFDC benefits on the comprehensive financial aid report did not match the amounts reported by the county disbursing the benefits. Although none of the students' financial aid awards would have been affected, there is no indication in the students' financial aid files that the financial aid office resolved the conflicts or performed any recalculations to determine if the award should have been adjusted.

By not resolving conflicting information in student files the college increases the risk that it will have to repay financial aid fund to the federal government. Federal regulations state that the college is responsible for any overpayments of aid resulting from school error.

#### *Recommendation*

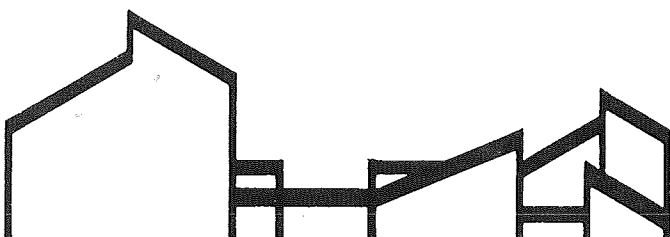
- *The financial aid office should resolve conflicting information in student files before disbursing financial aid. The financial aid files should document the resolution of the conflicting data.*

### **12. The financial aid office improperly completed a special condition form for one student.**

The financial aid office overpaid a student \$374 by improperly completing a special condition form. Federal regulations outline special conditions affecting a student's expected family contribution. Special conditions for dependent students include parental loss of employment for at least ten weeks, separation, divorce, or death of the student's parent. The student's situation did not meet the definition of a special condition. Documentation in the financial aid file indicated that at the time the financial aid office completed the special condition form, there had been a reduction in family income, but neither parent had been laid off yet. Despite this, the special condition form indicated that the student's parent had been unemployed for at least ten weeks during 1991. The special condition allowed the student to receive a higher Pell grant, resulting in an overpayment of \$374.

#### *Recommendation*

- *The college should repay its Pell Grant account \$374 for the overpayment.*



# Hibbing Community College

Arrowhead Region

1515 East 25th Street • Hibbing, MN 55746 • 218-262-6700

October 8, 1992

Jeannine Leifeld  
Audit Manager  
Office of Legislative Auditor  
Centennial Building  
St. Paul, MN 55155

Dear Ms. Leifeld:

The following is Hibbing Community College's response to the findings and recommendations by your staff for the audit of the three years ending June 30, 1991. Included in each response is the person or persons responsible and the date of completion. If further clarification or information is needed, please call.

1. PRIOR FINDING NOT RESOLVED: Federal cash management at Hibbing Community College needs improvement.

## RECOMMENDATIONS

- \* The college should comply with federal cash management regulations.
- \* The college should use Perkins Loan funds only for authorized purposes.
- \* The college should separate the duties over federal receipts.

Hibbing Community College has purchased QuickBooks software to use, beginning fall quarter 1992, in the preparation of checks and the recording of transactions. The new software will enable the college to immediately determine the cash balance in the federal grants account. Also cash disbursements are automatically posted to the journals by computer. Arrowhead cash, as of October 1, will no longer be deposited in Hibbing's account, as it is now managed by Arrowhead personnel. Hibbing Community College can more easily manage its federal cash.

Perkins Loan funds have been placed in a separate interest-bearing bank account, effective September 1. As of the date of this letter, no Perkins Loan funds will be used to cover deficits in other funds.

The college services director will continue to request federal receipts and post end of month ledger entries. The college will separate duties by having the account clerk reconcile ledgers to bank balance, and the account clerk will oversee student workers who reconcile monthly bank accounts.

The above is currently in place. The college services director will be responsible for overseeing these changes.

2. Hibbing Community College is not controlling access to the student information system.

#### RECOMMENDATION

- \* Hibbing Community College should strengthen access controls over the student information system by prohibiting employees from sharing access codes and by limiting employee access to only those functions necessary to perform their job responsibilities.

As of the date of this letter, business office student workers will have a unique cashier identification number.

On March 10, 1992, all user ID's were changed and the SRGP function was eliminated from the account clerk's user identification number.

The college service director will review all staff functions on computer and change user and cashier identification numbers at least once a year.

3. PRIOR FINDING NOT RESOLVED: Hibbing Community College needs to segregate receipt processing functions.

#### RECOMMENDATION

- \* The person independent of receipt processing should prepare or review the daily cash reports and cash reconciliations.

The bookstore coordinator, independent from business office, has been reconciling the daily cash reports to the receipts entered on the student information system. This change occurred in April, 1992. The Director of College Services will oversee this operation.

4. PRIOR FINDING NOT RESOLVED: Hibbing Community College is not requiring prompt payment of tuition.

#### RECOMMENDATIONS

- \* The college should process administrative tuition deferments, when appropriate.
- \* The college should complete a timely review of the balance due reports and take appropriate action on delinquent accounts.

The college will be processing administrative deferments in accordance with Community College Board policy and will be using standard deferment codes as established by the system office. As of October 19, all students currently registered will only be allowed to remain in classes if they have a deferment. Business office personnel will review all students for deferment codes and allow only those who have deferments to remain in classes for future quarters. During fiscal year 1993, the college services director will work with the internal auditor, Jim Harris, in reviewing all past balance due lists to determine which accounts should be pursued further for collection and which accounts should be written off as uncollectible.

5. Hibbing Community College needs to segregate bookstore receipts functions.

#### RECOMMENDATION

- \* The college should take the necessary (action) to ensure that there is an appropriate separation of duties in the bookstore.

The business office staff, as of April, 1992, has been reconciling all bookstore daily cash receipts to the cash register totals and reviewing all voids. The college services director is responsible for this practice.

6. The college needs to improve procedures for Perkins Loans.

#### RECOMMENDATIONS

- \* The college should update the central Perkins Loan repayment system in a timely manner.

The college should develop written procedures for selecting Perkins borrowers, as required by federal regulations.

- \* The college should deposit the Perkins Loan state match before or at the same time as it receives the federal contribution.

The business office account clerk is responsible for entering all Perkins Loans on the central loan repayment system once each quarter. This is currently being done.

Hibbing Community College has limited Perkins Loan funds available. We have adopted the following policy for awarding Perkins Loans: Loans shall be awarded to students who request loans on a first come basis until funds are exhausted.

The college services director received the 1/9 state Perkins match prior to drawing down federal capital contributions for fiscal year '92. He will be responsible for depositing these funds prior to receiving federal funds for future years.

7. PRIOR FINDING NOT RESOLVED: Hibbing Community College does not require students who withdraw from school to repay noninstitutional financial aid.

#### RECOMMENDATION

- \* The college's financial aid repayment policy should include the repayment of the noninstitutional portion of financial aid, when required.

The college has recently adopted a repayment policy. Please see the enclosed. The Financial Aid Director will institute this policy beginning fall quarter, 1992.

8. PRIOR FINDING NOT RESOLVED: The college uses an improper withdrawal date when calculating refunds.

#### RECOMMENDATION

- \* The college should use the student's last day of class attendance as the withdrawal date for calculating refunds to the financial aid account.

The college now requests from the student the last date of attendance. That date is used as the withdrawal date. Please see the enclosed. The Financial Aid Director will institute this policy beginning fall quarter, 1992.

9. The college needs to improve controls over financial aid adjustments.

#### RECOMMENDATION

- \* The financial aid office should review and approve all adjustments to financial aid awards.

The financial aid office now approves all adjustments made to student awards because of enrollment status changes. The Financial Aid Director will be responsible for this policy beginning Fall Quarter, 1992.

10. The financial aid reconciliation process needs improvement.

#### RECOMMENDATION

- \* The college should formally document the financial aid reconciliations in writing. It should review and document the reconciliations for the past three years to substantiate their accuracy.

Hibbing Community College financial aid director and director of college services reconcile the awards to the disbursements each year. Formal documentation has begun, starting with the year ending June 30, 1992, and will continue. The two officials just listed above are responsible for the reconciliation.

11. The college has not resolved conflicting information in student financial aid files.

#### RECOMMENDATION

- \* The financial aid office should resolve conflicting information in student files before disbursing financial aid. The financial aid files should document the resolution of the conflicting data.

Starting with the current processing year (1992-93), the financial aid office is now resolving all conflicting information in student files, including those which have no effect on changing eligibility status for any Federal or State program. The Financial Aid Director is responsible to see that this is accomplished.

12. The financial aid office improperly completed a special condition form for one student.

# RECOMMENDATION

- \* The college should repay its Pell Grant account \$374 for the overpayment.

The financial aid office made an error when they did not wait the ten weeks. However, we do not agree with the repayment of \$374 in Pell Grant. The parent was laid off from his job (see the enclosed) and the award was correct had we waited the full ten weeks.

In the future, the financial aid office will not process special conditions until ten weeks have passed. The Financial Aid Director is responsible for processing all Special Condition applications.

Sincerely,



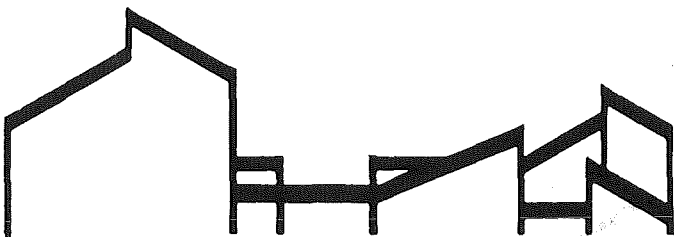
Anthony E. Kuznik  
Provost  
Hibbing Community College

AEK:ss

cc: Dr. Geraldine Evans  
Chancellor, MCCA

Dr. Cynthia Heelan  
Acting President, ACCR





# Hibbing Community College

Arrowhead Region

1515 East 25th Street • Hibbing, MN 55746 • 218-262-6700

Name: \_\_\_\_\_

Date: \_\_\_\_\_

## REPAYMENT POLICY

If a financial aid recipient makes a total withdrawal during a given quarter, HCC will determine whether a repayment is required.

In determining an overpayment, the following will be considered:

- A. Financial aid disbursed minus loan and work funds
- B. Student's date of withdrawal
- C. Tuition and fees paid
- D. Cost of books and supplies
- E. Average maintenance costs for the quarter

### Calculation of Repayment:

Financial aid received after tuition paid \$ \_\_\_\_\_  
(Loan and Work are excluded - except Perkins)

\_\_\_\_\_

Minus the cost of books = \$ \_\_\_\_\_

Balance = \$ \_\_\_\_\_

Minus maintenance costs per week (\$121) x \_\_\_\_\_ weeks = \$ \_\_\_\_\_

Balance = \$ \_\_\_\_\_

The balance above will be repaid by the student to each program on the same proportional share as the Title IV refund policy dictates. Below listed are the amounts the student must repay and the financial aid programs for each dollar amount.

_____	\$ _____
_____	\$ _____
_____	\$ _____
TOTAL	\$ _____

MINNESOTA COMMUNITY COLLEGE SYSTEM  
REQUEST FOR REFUND

Hibbing Community College  
Hibbing, MN 55746

PLEASE PRINT Student I.D.# \_\_\_\_\_ Student Mailbox# \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ Date: \_\_\_\_\_

I request a refund of my tuition payment for the following reason:

Check one of the areas below:

☐

I made a complete withdrawal from college because:

☐

Other \_\_\_\_\_

☐

I was advised by a faculty member (or the college) to make a change in my schedule because \_\_\_\_\_

☐

I dropped the following class(es) before the first class session:

\_\_\_\_\_  
(Course) (Course No.) How many credits?

\_\_\_\_\_  
(Course) (Course No.) How many credits?

AND I added the following class(es)

\_\_\_\_\_  
(Course) (Course No.) How many credits?

\_\_\_\_\_  
(Course) (Course No.) How many credits?

I should be entitled to a refund of \_\_\_\_\_ credits.  
Special fees \_\_\_\_\_

Are you receiving financial aid? \_\_\_\_\_ Yes \_\_\_\_\_ No

The last day I attended classes was \_\_\_\_\_

\_\_\_\_\_  
Signature of Student

DO NOT WRITE BELOW LINE:

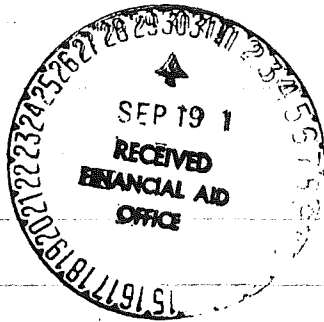
Date tuition was paid _____	Approval _____	<input type="checkbox"/> % Refund
General Fees Received \$ _____	Date _____	<input type="checkbox"/> Denied Refund
Special Fees _____	Gen. Fees Refund \$ _____	
	Spec. Fees _____	
Sent to Business Off. _____	Total \$ _____	

9-25-91

Dear Sirs;

Since my last communication with you, [REDACTED] was laid off (Aug. 31<sup>st</sup>) and is receiving unemployment benefits at this time; lowering the family income again. Thank you in advance for reconsidering my SAR.

Sincerely,



[REDACTED]  
[REDACTED]  
[REDACTED]

November 6, 1991

To Whom It May Concern:

Due to reduction in the work force at [REDACTED]  
Company, [REDACTED] was laid off on September 2, 1991.  
As of this time, we have no anticipated time of recall.

If you have any further questions regarding this matter,  
please feel free to contact me.

Sincerely,

[REDACTED]  
Human Resource Manager  
[REDACTED]  
  
[REDACTED]