Community College System

Student Financial Aid Programs
Fiscal Year 1994

June 1995

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Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

95-26

Centennial Office Building, Saint Paul, MN 55155 ● 612/296-4708

SUMMARY

State of Minnesota
Office of the Legislative Auditor
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Community College System

Student Financial Aid Programs
Fiscal Year 1994

Public Release Date: June 28, 1995 95-26

- Test compliance with certain finance-related legal provisions relating to selected federal student financial aid programs administered by the Community College System. We included the following federal programs: Federal Family Educational Loans (FFEL), Federal Perkins Loans, and Federal Pell Grants.
- Review significant internal control structure policies and procedures concerning federal student financial aid including: federal financial aid revenues and cash management, federal financial aid packaging and disbursements on selected community college campuses, as well as the systemwide Federal Perkins loan management and repayment process.

Conclusions:

We found 24 areas where community colleges had not complied with federal regulations and 9 areas where internal controls needed to be improved:

We found that **Anoka Ramsey Community College** had not adequately defined exceptional need for awarding Federal Perkins Loans and had not complied with certain federal cash management requirements.

We found that **Austin Community College** did not adequately safeguard incoming FFEL checks, did not make its Federal Perkins capital contribution in compliance with federal timelines, had inadequate controls over federal financial aid cash, and did not receive federal reimbursement for $4,356 in Federal Pell Grants.

We found that **Brainerd Community College** certified a Stafford Loan for more than the annual loan limit, did not adequately safeguard incoming FFEL checks, did not complete independent and timely reconciliations of the federal financial aid checking account, and did not receive federal reimbursement for $450 in Federal Pell Grants.

We found that **Cambridge Community College** did not have a satisfactory academic progress policy that met federal guidelines, had not adequately forecasted federal cash needs, and did not resolve conflicting information in three student files.

We found that **Minneapolis Community College** did not have exit counseling procedures for FFEL that met federal requirements, allowed certain of its employees to have unnecessary access to the Perkins Loan Management System, did not have adequate controls over its federal cash, and had not properly managed its Federal Perkins loan cash.

We found that **Worthington Community College** did not have a satisfactory academic progress policy that met federal guidelines, did not comply with federal cash management requirements, submitted inaccurate information on its federal reports, certified several FFEL loans using incorrect information, paid financial aid to an ineligible student, used unreasonable and inaccurate cost of attendance budgets in several areas of the federal aid awarding process, had not adequately defined exceptional need for awarding Federal Perkins Loans, did not comply with federal financial aid transcript requirements, did not receive federal reimbursement for $575 in Federal Pell Grants, and did not comply with Federal Pell Grant regulations concerning consortium agreements.

We also found that **Inver Hills Community College** paid an inappropriate Supplemental Loan for Students (SLS) to one student and that **Vermilion Community College** improperly posted a Federal Perkins loan payment to the college Federal Pell Grant account.

Contact the Financial Audit Division for additional information.
296-1235

STATE OF MINNESOTA
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Dr. Greg Braxton-Brown, Chancellor
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Audit Scope

We have completed a financial related audit of selected programs of the Community College System for the period July 1, 1993 to June 30, 1994. We emphasize that this has not been a complete audit of all programs within the Community College System, and that our audit was limited to only that portion of the financial operations as outlined below and as further discussed in the Introduction. The work conducted in the system is part of our statewide audit of the State of Minnesota's fiscal year 1994 financial statements and Single Audit. The Single Audit coverage satisfies the federal government's financial and compliance audit requirements for all federal programs administered by the department during fiscal year 1994. Specifically, for the Community College System, those programs were:

CFDA Number	Program
84.032	Federal Family Educational Loans
84.038	Federal Perkins Loans
84.063	Federal Pell Grants

As part of this audit, we tested samples of students who received federal financial aid through each of the federal programs listed above. Students from all colleges within the Community College System were included, as follows:

Austin Community College	Anoka Ramsey Community College
Brainerd Community College	Fergus Falls Community College
Hibbing Community College	Inver Hills Community College
Itasca Community College	Lakewood Community College
Mesabi Community College	Minneapolis Community College
Normandale Community College	North Hennepin Community College
Northland Community College	Rainy River Community College
Rochester Community College	Vermilion Community College
Willmar Community College	Worthington Community College

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we consider the internal control structure in order to plan our audit of the selected programs, and that we perform tests of the system's compliance with certain material provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on the internal control structure or on overall compliance with finance-related legal provisions.

Internal Control Structure

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

- Federal financial aid revenues and cash management
- Federal financial aid packaging and disbursements
- Federal Perkins loan management and repayment process

For 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 during fiscal year ended June 30, 1994, and we assessed control risk for Fergus Falls, Inver Hills, North Hennepin, Northland, Rochester, and Willmar Community Colleges. We reported the results of our fiscal year 1994 internal control review in a separate report titled *Community College System Student Federal Financial Aid Programs Management Letter Fiscal Year 1993 (Report Number 94-29)*. In addition, for the internal control structure in place during fiscal year 1995 for the categories listed above, we also obtained an understanding of the design of relevant policies and procedures and we assessed control risk for Anoka Ramsey, Austin, Brainerd, Cambridge, Minneapolis, and Worthington Community Colleges.

Management Responsibilities

Management of the Community College System is responsible for establishing and maintaining the 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 college accounting systems.

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 internal control 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.

Conclusions

The results of our tests indicated the following instances of noncompliance with legal requirements related to student federal financial aid for fiscal year 1994. Findings 12, 17, 22, 24. 25, 27, and 29 discuss noncompliance with general administrative and eligibility requirements. Findings 6, 10, 28, and 29 discuss noncompliance with Pell Grant specific regulations. Findings 4, 18, 19, and 26 discuss noncompliance with Perkins Loan specific requirements. Findings 7, 14, 15, and 23 discuss noncompliance with Federal Family Education Loan specific regulations.

The results of our tests indicated the following instances of noncompliance with legal requirements related to federal financial aid for fiscal year 1995. Findings 2, 11, 12, 13, 17, 20, 21, 22, 24, 25, and 27 discuss noncompliance with general administrative and eligibility requirements. Findings 1, 18, and 26 discuss noncompliance with Perkins Loan specific requirements. Findings 14, 15, and 23 discuss noncompliance with Federal Family Education Loan specific regulations.

Except for the issues discussed in the two preceding paragraphs, with respect to items tested, the Community College System 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 the Community College System has not complied, in all material respects, with those provisions.

Our audit disclosed the conditions discussed in findings 3, 7, 8, 9, 16, 17, 19, and 22 involving the internal control structure of the Community College System in place during fiscal year 1994. We consider these issues to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention related to significant deficiencies in the design and operation of the internal control structure that, in our judgment, could adversely effect the entity's ability to record, process, summarize, and report financial data.

Our audit also disclosed the conditions discussed in findings 3, 5, 8, 9, 16, 17, and 22 involving the internal control structure of the Community College System in place during fiscal year 1995. 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 related to significant deficiencies in the design and operation of the internal control structure that, in our judgment, could adversely effect 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. However, for the Community College System as a whole, we believe none of the reportable conditions described above are material weaknesses.

We also noted other matters involving the internal control structure and its operation that we reported to management of selected community colleges at various campus exit conferences.

This report is intended for the information of the Legislative Audit Commission and management of the Community College System. This restriction is not intended to limit the distribution of this report, which was released as a public document on June 28, 1995.

We thank the staff of the Community College System for their cooperation during this audit.

James R. Nobles	John Asmussen, CPA
Legislative Auditor	Deputy Legislative Auditor

End of Fieldwork: March 10, 1995

Report Signed On: June 20, 1995

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Audit Participation

The following members of the Office of the Legislative Auditor participated in the audit and prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Jeanine Leifeld, CPA	Audit Manager
Michael Hassing	Auditor-in-Charge
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Carl Otto, CPA	Senior Auditor
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Steve Johnson	Intern

Introduction

The Community College System awards both federal and state financial aid to needy students. Our audit was limited to those federal financial aid programs considered major programs according to the federal Single Audit Act. According to the provisions of the Act, the Federal Pell Grant Program, the Federal Perkins Loan Program, and the Federal Family Education Loan (FFEL) Program are considered to be major federal programs.

The Federal Pell Grant Program is the first source of financial assistance to students. It is a federally controlled entitlement program. For the fiscal year 1993-94 year, each student's cost of attendance budget and the expected family contribution (EFC) was the basis for the student's Pell grant award. A federal central processing system determined each student's EFC using information the student provided. The U.S. Department of Education does not limit Pell grant payments to the available funds at a particular college. Rather, it provides funds to each campus based on eligible students enrolled at the campus.

The Federal Perkins Loan Program provides low-interest loans to students. The college acts as a lender, using both federal funds and a state match for capital contributions. The Community College System manages Perkins loans through a systemwide loan management system. Individual campuses are responsible for awarding, disbursing, and entering loan amounts into the systemwide loan management system. The system office performs all loan collection duties. These duties include corresponding with students in repayment status, receiving all loan repayments, and pursuing delinquent loans.

The Federal Family Education Loan (FFEL) Program includes subsidized and unsubsidized federal Stafford loans and federal Supplemental Loans for Students (SLS). Private lenders provide the principal for these loans. The federal government guarantees FFEL loans by reimbursing the lender in the event of default or cancellation. The college certifies that the student is eligible for a specific loan amount on a loan application, which the college sends to a guarantee agency for approval. If the loan is guaranteed by the agency and the lender approves the loan, the lender sends the loan amount to the college. The college then releases the proceeds to the student. For subsidized federal Stafford loans, the federal government pays interest to the lender while the student is in school. For unsubsidized Stafford loans and SLS, the student pays all the interest that accrues on the loan. The federal government pays a special allowance to the lender for both subsidized and unsubsidized Stafford loans to make up the difference between the interest rate charged to the student and the prevailing market rate. The special allowance payments continue for the life of the loan.

According to campus records, during fiscal year 1994, the Community College System disbursed approximately $19,257,373 in Federal Pell Grants, $1,331,975 in new Federal Perkins loans, $19,464,140 in new subsidized Federal Stafford loans, and $2,415,236 in new unsubsidized Federal Stafford loans. The system collected $1,101,386 in Federal Perkins loan repayments during fiscal year 1994.

Current Findings and Recommendations

Anoka-Ramsey Community College

1. Anoka-Ramsey Community College has not adequately defined exceptional need for awarding Federal Perkins loans.

Anoka-Ramsey Community College's process for determining Federal Perkins loan eligibility in fiscal year 1995 did not give adequate priority to students with exceptional need, as required by Federal regulations. In addition, the college did not have a written Perkins awarding policy. Federal regulations require institutions to set up Federal Perkins loan awarding procedures in writing and to apply the procedures uniformly. A written policy, which defines exceptional need, would help ensure the college awards Federal Perkins loans uniformly.

Federal regulations allow individual institutions to define exceptional need. Since the Pell Grant Program is designated to reach the neediest students, we believe that it is a reasonable measure to indicate exceptional need. We found that the college had awarded Perkins loans to students with less need, as defined by the Pell Grant Program, while students with greater Pell Grant need did not receive a Perkins Loan.

Recommendation

- *Anoka-Ramsey Community College should define exceptional need in a written policy for awarding Federal Perkins loans.*

2. PRIOR FINDING NOT RESOLVED: Anoka-Ramsey Community College has not complied with certain federal cash management requirements.

Anoka-Ramsey Community College maintained excess cash in its federal student financial aid bank account. The college relied on the balance within its account ledgers to determine its cash needs. Because of timing differences, the account ledgers did not reflect actual cash within the college federal bank account. During the period from September 20 through November 29, 1994, the college's federal bank account balance never went below $88,000. During that period, the average balance within the federal bank account was $124,000. U.S. Treasury Circular 1075 requires that institutions limit federal cash advances to actual, immediate cash needs. Federal regulations define excess cash as funds not disbursed within three days of receipt.

In addition, the college federal bank account included a combination of federal and state financial aid. The checking account also included a $5,000 loan from the college bookstore, which had not been repaid. The college also routinely deposited its Federal Perkins loan collections into the account, which does not earn interest. The college only transferred Perkins funds to an interest-bearing savings account once between July and December 1994. On July 21, 1994, before the college transferred funds to the saving account, the federal checking account contained over $72,000 in Federal Perkins funds. Federal regulations require that colleges maintain their Perkins loan collections in an interest-bearing account. The college lost interest earnings that it could have used to provide additional loans to students.

Recommendations

- *Anoka-Ramsey Community College should determine federal cash needs before requesting federal funds and ensure that requests cover only immediate disbursements.*

- *Anoka-Ramsey Community College should repay the $5,000 financial aid loan from the bookstore.*

- *Anoka-Ramsey Community College should immediately deposit all Federal Perkins loan collections in an interest-bearing account until needed to make new loan disbursements.*

Austin Community College

3. Austin Community College does not adequately safeguard incoming Federal Family Education Loan checks.

Austin Community College is not adequately safeguarding incoming Federal Family Education Loan (FFEL) checks. The financial aid office is responsible for determining and documenting student FFEL loan eligibility. The financial aid office also receives incoming loan checks directly from the lenders. To improve internal controls and prevent potential misuse of FFEL funds, the college needs to ensure that employees who are able to certify loans do not receive loan checks. Since it is not possible to adequately separate duties within the financial aid office for receiving loan checks, the college should have the business office directly receive and distribute all loan checks.

Recommendation

- *Austin Community College should separate duties over Federal Family Education Loan checks.*

4. Austin Community College did not make its Federal Perkins capital contribution in compliance with federal timelines.

Austin Community College did not deposit the required Federal Perkins loan institutional capital contribution according to federal guidelines. Federal regulations requires the college to deposit its institutional match into the Federal Perkins loan account before or at the same time it deposits the federal capital contribution. The college drew the federal capital contribution amount during December 1993, March 1994, and June 1994, but did not deposit any fiscal year 1994 institutional match until the end of the fiscal year.

Recommendation

- *Austin Community College should deposit the required Federal Perkins loan institutional match in accordance with federal regulations.*

5. Austin Community College has inadequate controls over federal financial aid cash in two areas.

Austin Community College needs to improve controls over federal financial aid cash in two areas. First, the college officials sign blank financial aid checks in advance. In addition, the college does not reconcile its federal checking account to related program cash control accounts on a monthly basis.

The college officials sign blank financial aid checks before the business office fills in the payee and amounts on the checks. When the student comes to pick-up financial aid, the business office fills out the signed check and disburses it to the student. By signing checks in advance, the college has weakens its internal controls over the disbursement process and increased the risk of unauthorized financial aid disbursements.

Second, since August 1994, the college has not reconciled its federal checking account balance to the related program cash control accounts on a monthly basis. By not reconciling the accounting ledgers to the bank records each month, the college cannot find and correct errors on a timely basis.

Recommendations

- *Austin Community College staff should not sign blank federal financial aid checks in advance.*

- *Austin Community College should reconcile its accounting records to bank balances on a timely basis.*

6. Austin Community College did not receive federal reimbursement for $4,356 in Federal Pell Grants.

Austin Community College did not receive federal reimbursement of $4,356 in Federal Pell Grants for the 1993-94 award year. The college disbursed three Federal Pell Grants totaling $4,356 to eligible students during the year but did not receive the proper federal reimbursement. Federal regulations require institutions to submit payment information to the U.S. Department of Education to receive funding authorization for eligible Federal Pell Grant payments. The U.S. Department of Education rejected the reported disbursements after the September 30, 1994 reporting deadline. Therefore, the college was unable to take corrective action to resolve the rejected disbursements with the U.S. Department of Education. We reviewed the student files and determined that the students were eligible for the Federal Pell Grant disbursements totaling $4,356.

Recommendation

- *Austin Community College should work with the U.S. Department of Education to increase its 1993-94 Federal Pell authorization by $4,356.*

Brainerd Community College

7. Brainerd Community College certified a Stafford Loan for more than the annual loan limit.

Brainerd Community College exceeded the annual Stafford Loan limit for one student. Federal regulations limit the amount of Stafford Loans a student can receive in one award year. According to the regulations, undergraduate students in their second year of study were eligible for Stafford Loans up to an annual maximum of $3,500 during the fiscal year 1993-94 award year. One student received a total of $3,604 in Federal Stafford loans for the school year, which exceeded the annual loan limit by $104.

Recommendation

- *Brainerd Community College should work with the U.S. Department of Education to remedy the $104 Federal Stafford loan overpayment.*

8. Brainerd Community College does not adequately safeguard incoming Federal Family Education Loan checks.

Brainerd Community College is not adequately safeguarding incoming Federal Family Education Loan (FFEL) checks. The financial aid office is responsible for determining and documenting student FFEL loan eligibility. The financial aid office also receives incoming loan checks directly from the lenders. To improve internal controls and prevent potential misuse of FFEL funds, the college needs to ensure that employees who are able to certify loans do not receive loan checks. Since it is not possible to adequately separate duties within the financial aid office for receiving loan checks, the college should have the business office directly receive and distribute all loan checks.

Recommendation

- *Brainerd Community College should separate duties over Federal Family Education Loan checks.*

9. Brainerd Community College does not complete independent and timely reconciliations of the federal financial aid checking account.

Brainerd Community College does not reconcile its federal financial aid bank account in an independent and timely manner. This reconciliation verifies that the college has properly recorded all federal financial aid activity. The accountant who completes the bank reconciliation also maintains the federal financial aid checking account and the general ledger. An independent person, other than someone who maintains the federal financial aid checking account and general ledger, should either perform or review the reconciliation.

The college also has not reconciled the federal financial aid checking account timely. As of January 9, 1995, the college had not completed the October through December 1994 bank reconciliations. By not reconciling the bank account each month, the college cannot find and correct errors on a timely basis.

Recommendation

- *Brainerd Community College should complete independent and timely reconciliations of the federal financial aid checking account.*

10. Brainerd Community College did not receive federal reimbursement for $450 in Federal Pell Grants.

Brainerd Community College did not receive federal reimbursement of $450 in Federal Pell Grants for the 1993-94 award year. The college disbursed one Federal Pell Grant of $450 to an eligible student during the year but did not receive the proper federal reimbursement. Federal regulations require institutions to submit payment information to the U.S. Department of Education to receive funding authorization for eligible Federal Pell Grant payments. The U.S. Department of Education rejected the reported disbursement after the September 30, 1994 reporting deadline. Therefore, the college was unable to take corrective action to resolve the rejected disbursement with the U.S. Department of Education. We reviewed the student file and determined the student was eligible for the Federal Pell Grant disbursement totaling $450.

Recommendation

- *Brainerd Community College should work with the U.S. Department of Education to increase its 1993-94 Federal Pell authorization by $450.*

Cambridge Community College

11. Cambridge Community College's satisfactory academic progress policy does not meet federal guidelines.

Cambridge Community College's satisfactory academic progress policy does not include an element required by federal guidelines. The policy does not explain how repeated courses and incomplete courses affect the student's progress. Federal regulations require institutions participating in federal financial aid programs to establish, publish, and apply reasonable standards for measuring academic progress. The U.S. Department of Education considers an institution's standards to be reasonable if they include all elements specified in the federal regulations.

Recommendation

- *Cambridge Community College should ensure that its satisfactory academic progress policy complies with the minimum federal guidelines.*

12. PRIOR FINDING NOT RESOLVED: Cambridge Community College has not adequately forecasted its federal cash needs.

Cambridge Community College's procedures for estimating federal cash are inadequate. The college does not directly request federal funds. Rather, Anoka Ramsey Community College requests the federal cash of its behalf and sends a check to Cambridge. During fiscal year 1994, it took anywhere from 1 to 29 days for the federal funds to be deposited to Cambridge's federal account. This lag, along with inadequate forecasting of cash needs by the college, resulted in Cambridge having excess cash and cash shortages in its federal student financial aid account through fiscal years 1994 and 1995. For example, the college returned $36,555 in federal cash to Anoka Ramsey on October 17, 1994 because college staff had not properly estimated its cash needs. In contrast, the college had negative bank balances during both September 1993 and March 1994. These deficit cash balances resulted in overdraft charges totaling $60. U.S. Treasury Circular 1075 requires institutions to limit federal cash advances to actual, immediate cash needs. Federal regulations define excess cash as funds not disbursed within three days.

Recommendation

- *Cambridge Community College Center should develop cash forecasting procedures to provide for sufficient, but not excessive, federal cash.*

- *Cambridge Community College Center should work with Anoka Ramsey Community College to eliminate the lag in receiving its federal cash.*

13. Cambridge Community College did not resolve conflicting information in three student files.

Cambridge Community College did not resolve conflicting information in three student files we tested before disbursing aid. In all three cases, although the students were selected for verification, the college did not properly verify the students' incomes. One student reported approximately $23,000 of untaxable income on the financial aid application. The financial aid office did not obtain supporting documentation for this verifiable item. In another case, a student indicated filing a tax return on the application for financial aid. However, the student indicated a non-filing status on the verification worksheet.

In a third case, a student reported a separated marital status and income of $12,000 in child support on the verification worksheet. However, on the 1993 joint tax return, the student reported joint adjusted gross income of approximately $44,000. This income appeared to be attributable to a business held jointly by the student and spouse. The college did not resolve this conflicting information. According to applicable verification guidelines, any interest or business income or loss earned on joint accounts or investments should be allocated at fifty percent. Following that guideline, the student should have reported adjusted gross income of $22,000 along with the $12,000 in child support. For fall quarter 1994, the student received a $767 Federal Pell Grant and a $50 Minnesota Higher Educational Scholarship Grant. These aid amounts could be affected if the college adjusted the student's total income.

Recommendation

- *Cambridge Community College should resolve the conflicting information in the three student files and adjust the financial aid amounts, if necessary.*

Inver Hills Community College

14. Inver Hills Community College paid an inappropriate Supplemental Loan for Students (SLS) to one student.

Inver Hills Community College provided a student with $2,000 more in Supplemental Loan for Students (SLS) than the student was eligible to receive. Federal regulations allow a college to certify only one SLS loan to a student during any seven month period. The student received a maximum SLS loan of $4,000 for the period from January 3, 1994 through June 18, 1994. The college certified the first loan on February 11, 1994. The college certified a second loan of $2,000 on June 30, 1994 for the period from June 20, 1994 through September 2, 1994. Therefore, a period of only four and one-half months elapsed between loan certification dates.

Recommendation

- *Inver Hills Community College should work with the U.S. Department of Education to remedy the $2,000 SLS loan overpayment.*

Minneapolis Community College

15. Minneapolis Community College's Federal Family Education Loan Program exit counseling procedures do not meet federal requirements.

Minneapolis Community College does not meet federal requirements for Federal Family Education Loan Program (FFEL) loan counseling. Federal regulations require schools to conduct in-person exit counseling sessions with each borrower shortly before the borrower ceases to be at least a half-time student at the school. The regulations allow for a school to mail exit materials if a student withdraws without the school's prior knowledge or if the student fails to attend a scheduled exit counseling session. Our review showed that the college routinely mails all exit counseling materials to students and did not attempt to hold any in-person counseling sessions.

Recommendation

- *Minneapolis Community College should attempt to perform in-person exit counseling for the Federal Family Education Loan Program, before mailing exit materials.*

16. Some Minneapolis Community College employees have unnecessary access to the Perkins Loan Management System.

Five Minneapolis Community College employees have unnecessary access to the Community College System Perkins loan management system. Colleges use the loan management system to record Perkins loan disbursements. The system office is responsible for tracking and collecting Perkins loan repayments for the entire Community College System. Since Minneapolis Community College no longer awards Federal Perkins loans, college employees no longer need access to the system. Two employees have access to award Federal Perkins loans and three employees have access to disburse the loans. To prevent misuse, the college should discontinue employee access to the system.

Recommendation

- *Minneapolis Community College should discontinue employees' access to the loan management system.*

17. Minneapolis Community College does not have adequate controls over federal cash.

Minneapolis Community College needs to improve controls over its federal financial aid receipts and ensure compliance with federal cash management regulations. We found the following weaknesses in the college's cash management:

- the college had not reconciled the federal student financial aid checking account since July 1993;
- the college had not established adequate accounting records to track federal awards and cash receipts by individual program;
- the college had not sufficiently limited federal cash to immediate needs, and;
- the college has not adequately separated duties over federal receipts and disbursements.

As of December 1994, the college did not reconcile the federal student financial aid checking account since July 1993, an 18-month period. By not reconciling the bank statement to the accounting records each month, the college cannot find and correct errors on a timely basis.

In addition, the college has not established sufficient accounting records to track federal awards, cash receipts, and disbursements on an individual program basis. The college needs to be able to track institutional awards, authorizations, obligations, unobligated balances, assets, expenditures, cash disbursements and income for each of its federal programs. Without sufficient program information, the college cannot readily determine the amount and timing of its federal cash requests.

Minneapolis Community College had maintained excess cash in its federal student financial aid checking account. For example, the lowest balances in April, May and June 1994 were $93,321, $115,233 and $84,962, respectively. The lowest balance in October 1994 was $81,526. U.S. Treasury Circular 1075 requires institutions to limit federal cash advances to actual, immediate cash needs. Federal regulations define excess cash as funds not disbursed within three days.

Finally, the college has not adequately separated the duties over federal financial aid receipts and disbursements. One person is responsible for performing all the significant duties relating to federal cash management, including requesting federal funds, posting cash receipts, receiving payment rosters, distributing checks and reconciling the federal bank account. To prevent and detect errors and irregularities, the college should separate these key cash management duties.

Recommendations

- *Minneapolis Community College should immediately reconcile the federal student financial aid account. In the future, the college should reconcile the federal student financial aid account each month.*
- *Minneapolis Community College should maintain accounting records to track federal financial aid at the individual program level.*
- *Minneapolis Community College should limit its requests for federal funds to immediate cash needs.*
- *Minneapolis Community College should reassign some of the responsibilities related to the federal student financial aid account to ensure an adequate separation of duties.*

18. PRIOR FINDING NOT RESOLVED: Minneapolis Community College has not properly managed its Federal Perkins loan cash.

Minneapolis Community College had not properly managed cash within its Federal Perkins loan account. The college discontinued awarding and disbursing Federal Perkins loans to students in fiscal year 1992. However, the college continues to accumulate Federal Perkins cash through loan repayments. Currently, the college has Perkins loan cash both in the federal financial aid checking account and in a Perkins savings account. As of June 30, 1994, the Perkins savings account bank balance was $11,634.69. The college has received monthly loan repayments through the system office since that time. The college deposited most of those payments into its federal checking account. It also made sporadic transfers to the Perkins savings account. The college has not been able to determine exactly how much Perkins cash remains in the federal financial aid checking account. Federal guidelines require institutions to return excess federal funds to the U.S. Department of Education. Since the college does not intend to use these funds for future Perkins loan awards, the college should return these funds to the U.S. Department of Education. However, the college has continued to accumulate Perkins funds and does not know exactly how much money it must return.

Additionally, the college reported an inaccurate Federal Perkins cash balance on the Federal Fiscal Operations Report and Application (FISAP) for the period ending June 30, 1994. The college reported only the Perkins savings account balance and did not include amounts held in the federal student financial aid account.

Recommendations

- *Minneapolis Community College should determine the current balance of the Federal Perkins loan program and return these funds to the U.S. Department of Education.*

- *Minneapolis Community College should return any future loan repayments to the U.S. Department of Education.*

Vermilion Community College

19. Vermilion Community College improperly posted a Federal Perkins loan payment to the college Federal Pell Grant account.

Vermilion Community College disbursed a Federal Perkins loan to a student but erroneously posted the payment to its Pell Grant account. The student involved qualified for a $1,000 Federal Perkins loan for the 1993-94 school year. The college awarded the loan and scheduled three equal quarterly loan payments. The college properly posted the first two disbursements totaling $667 to its Federal Perkins account. The college improperly posted the last Perkins loan disbursement of $333 to its Pell Grant account. The student was not eligible to receive Federal Pell Grant assistance. As a result of this misposting, the subsequent repayment of this loan is in doubt. The promissory note the student signed, as well as the systemwide loan management system, only recognized $667 in Perkins loans.

Recommendation

- *Vermilion Community college should correct its posting of the $333 Perkins loan payment and initiate procedures to attempt to collect the loan.*

Worthington Community College

20. Worthington Community College's satisfactory academic progress policy does not meet federal guidelines.

Worthington Community College's satisfactory academic progress policy does not include some of the elements required by federal guidelines. The policy does not explain how repeated courses, noncredit remedial coursework, and incomplete courses affect a student's progress. In addition, the policy does not define the maximum time frame in which a student is expected to finish the program of study. Federal regulations require institutions participating in federal financial aid programs to establish, publish, and apply reasonable standards for measuring academic progress. The U.S. Department of Education considers an institution's standards to be reasonable if they include all elements specified in the federal regulations

Recommendation

- *Worthington Community College should ensure that its satisfactory academic progress policy complies with the minimum federal guidelines.*

21. Worthington Community College does not comply with federal cash management requirements.

Worthington Community College maintains excess cash in its federal student financial aid account. The college does not have an adequate method of estimating its cash needs and requests federal cash too far in advance. Throughout fiscal year 1994, the college received federal cash advances up to eight working days before making any financial aid disbursements. The business office did not base the cash requests on specific amounts awarded by the financial aid officer. U.S. Treasury Circular 1075 requires institutions to limit advances of federal cash to actual, immediate cash needs. Federal regulations define excess cash as funds not expended within three days.

Recommendation

- *Worthington Community College should develop adequate cash forecasting procedures and only request federal cash advances to coincide with the college's immediate needs.*

22. Worthington Community College submitted inaccurate information on its federal reports.

Worthington Community College submitted federal reports that contained numerous inaccuracies and incorrect information within the Perkins loan reporting section. The college's fiscal year 1994 Federal Fiscal Operations Report and Application (FISAP) contained several instances of inconsistent information concerning Federal Perkins loan activity. Most of the errors consisted of discrepancies between the FISAP, and the college accounting records and loan activity reports generated through the systemwide loan management system. We also found at least three areas where the college reported conflicting information on its fiscal year 1993 FISAP.

Second, we noted that the college reported inaccurate Federal Pell Grant expenditures on its December 1, 1994 Institutional Payment Summary. The college erroneously reported anticipated Federal Pell Grant awards of $5,159 as actual payments. Federal regulations require that institutions report only actual account information. The college may report anticipated Federal Pell Grant payments only according to other specific federal procedures.

Recommendations

- *The college should make corrections to its fiscal year 1993 and 1994 FISAP reports and resubmit them as needed.*

- *Worthington Community College should complete federal reports with actual account information.*

23. Worthington Community College certified several Federal Family Education Loans using incorrect information.

Worthington Community College did not use correct data when certifying Federal Family Education Loan (FFEL) applications for several students that we tested. The college certified and disbursed four Stafford loans in excess of annual loan limits. The college did not prorate annual loan limits for students enrolled in the Practical Nursing program, which as a duration of less than two academic years in length. Federal regulations require that the college prorate loan limits for this program. As a result, the college overawarded and disbursed loans to four students that exceeded loan limits by a total of $3,701.

The college also certified one loan based on incomplete information. In certifying the loan, the college did not consider $5,529 of non-federal aid as student resources. Federal regulations require schools to certify complete and accurate information on loan applications. This includes reporting all financial resources the student receives. If an institution becomes aware of additional resources after it has certified a loan, the institution must apply procedures to prevent an overpayment of financial aid. The college did not adjust the award based on additional information, and thus, the student received $1,998 of FFEL loans in excess of the student's need.

Our testing also revealed that the college certified some student loans using inaccurate and inconsistent cost of attendance budgets. In one case, the college certified a 10-month cost of attendance budget with a 9-month expected family contribution for a 9-month loan period. In another case, the college certified a cost of attendance budget for a dependent student that was not consistent with the college's established budget. For the three students we identified where the college made cost of attendance errors, the students received $2,636 in FFEL loans that exceeded their need.

Recommendations

- *Worthington Community College should work with the U.S. Department of Education to remedy the FFEL overpayments of $8,335.*
- *Worthington Community College should take precautions to certify accurate information on loan applications. This includes identifying all student resources, prorating budgets when necessary, and comparing financial need with anticipated disbursements. The college should adjust future disbursements when it expects potential overawards.*
- *Worthington Community College should use consistent and accurate cost of attendance budgets.*

24. Worthington Community College paid financial aid to an ineligible student.

Worthington Community College paid $13,532 of financial aid to an ineligible student. The student was not in compliance with the school's academic progress policy, which states that a student may only continue to receive aid through 145 attempted credits.

We found that the student had attempted 147 joint-program credits as of the end of winter quarter 1994. Despite this, the student continued to receive financial aid from Worthington Community College through winter quarter 1995. The student earned a total of 185 credits. The college did not consider credits attempted at another institution under a consortium agreement when analyzing academic progress for financial aid. We believe that, according to the college academic progress policy, the student was ineligible for $13,532 of financial aid received between spring quarter 1994 and winter quarter 1995. The $13,532 total consisted of $1,982 in Pell grants; $749 in Minnesota Higher Educational Scholarship Grants; $600 in Federal Supplemental Educational Opportunity Grants (FSEOG); $1,030 in Federal Perkins loans; $4,375 in Federal Subsidized Stafford loans; $796 in Federal Unsubsidized Stafford loans; and $4,000 in Supplemental Loans to Students (SLS).

Recommendations

- *Worthington Community College should repay the Federal Pell grant, FSEOG, and Federal Perkins loan accounts $1,982, $600 and $1,030 respectively. In addition, the college should work with the U.S. Department of Education to resolve the $5,171 Federal Stafford and $4,000 Federal SLS loan overpayments.*
- *Worthington Community College should include courses taken under consortium agreements in its monitoring of academic progress.*

25. Worthington Community College used unreasonable and inaccurate cost of attendance budgets in several areas of the financial aid awarding process.

We believe that Worthington Community College had not used reasonable and accurate cost of attendance budgets in several areas of the financial aid awarding process. First, the college used the maximum maintenance amount from a consumer expenditure survey for independent students, rather than determining a more realistic estimate. Federal regulations allow colleges to use the survey results if the college is unable to determine maintenance amounts for selected categories of students. However, the table is only a guideline which should be adjusted for local conditions. We do not feel the maintenance amount used by the college for independent students reflects realistic costs for students in the area. Worthington's cost of attendance for independent residents for fiscal year 1994 was $11,402, as compared to a $8,590 average for the six metropolitan community colleges. Higher cost of attendance budgets mean higher unmet needs for students, which results in more financial aid.

Second, the college did not use the correct tuition component in the cost of attendance budgets for some students. The college consistently overstated the tuition component by $1,536 for all nonresident students. Federal regulations require institutions to set standard tuition costs for its students. For nonresident students attending Worthington Community College, actual tuition cost for 48 credits should have been $4,008. However, the college used $5,544 as the tuition component for the cost of attendance budgets for nonresident students. Because of the incorrect tuition component, nonresident students may have received up to $1,536 in additional, unnecessary financial aid.

Third, the college used inconsistent cost of attendance budget amounts for books and supplies for resident versus nonresident students. The college allowed resident students $450 and nonresident students $500 for books and supplies. Federal regulations require institutions to base the books and supplies component on typical costs. We do not believe that differences exist between the costs of books and supplies for resident and nonresident students. Therefore, the budgeted amount for books and supplies should be the same for both resident and nonresident students.

Finally, the college used the wrong cost of attendance when certifying four Federal Stafford loans that we tested. Federal regulations require schools to use the federal financial aid cost of attendance budget when certifying Federal Stafford Loans. The college erroneously used the budget for the Minnesota Higher Educational Scholarship Grant instead, when certifying these Stafford loans. The larger state budget provided a greater unmet need and the potential for higher federal financial aid. For these four students, however, using the incorrect cost of attendance budget did not result in an overaward of federal financial aid. The potential for overawards of federal financial aid increases when the college uses the incorrect cost of attendance budget when certifying Federal Family Education Loans (FFEL).

Recommendations

- *Worthington Community College should base the maintenance component for cost of attendance budgets on reasonable expenses for residents in the area.*
- *Worthington Community College should base the nonresident tuition and fees component of the cost of attendance budgets on the tuition and fees normally assessed a nonresident student carrying the same academic workload.*
- *Worthington Community College should have a single books and supplies cost of attendance budget component for all students.*
- *Worthington Community College should use the federal financial aid cost of attendance budgets when certifying FFEL loan applications.*

26. PRIOR FINDING NOT RESOLVED: Worthington Community College has not adequately defined exceptional need for awarding Federal Perkins loans.

Worthington Community College's process for determining Federal Perkins loan eligibility did not give adequate priority to students with exceptional need. In addition, the college did not have a written Perkins awarding policy. Federal regulations require institutions to set up Federal Perkins loan awarding procedures in writing and to apply the procedures uniformly. A written policy, which defines exceptional need, would help ensure the college awards Federal Perkins loans uniformly.

Federal regulations allow individual institutions to define exceptional need. Since the Pell Grant Program is designated to reach the neediest students, we believe that it is a reasonable measure to indicate exceptional need.

Recommendation

- *Worthington Community College should specifically define exceptional need in its policy for awarding Federal Perkins loans.*

27. PRIOR FINDING NOT RESOLVED: Worthington Community College did not comply with federal financial aid transcript requirements.

Worthington Community College did not obtain financial aid transcripts for all transfer students. Federal regulations require institutions to request a financial aid transcript from all previous institutions attended by transferring students. The college needs the information from financial aid transcripts to monitor two aspects of student eligibility for aid. First, transcripts disclose how much financial aid transfer students received from other institutions. This information is essential for preventing overawards. Second, financial aid transcripts identify students who are in default or owe repayments on grants or loans. Students who are in default or owe repayments are ineligible for additional financial aid.

We identified two transfer students that did not have financial aid transcripts from previous institutions on file. The college has since requested and received the transcripts for the students. In these cases, there was no impact on the financial aid awards.

Recommendation

- *Worthington Community College should obtain financial aid transcripts for all incoming transfer students.*

28. Worthington Community College did not receive federal reimbursement for $575 in Federal Pell Grants.

Worthington Community College did not receive federal reimbursement of $575 in Federal Pell Grants for the 1993-94 award year. The college disbursed Federal Pell Grant payments to an eligible student for spring and summer quarters of 1994 totaling $575. The college did not receive federal reimbursement. Federal regulations require institutions to submit payment information to the U.S. Department of Education to receive funding authorization for eligible Federal Pell Grant payments. The U.S. Department of Education rejected the reported disbursements after the September 30, 1994 reporting deadline. Therefore, the college was unable to take corrective action to resolve the rejected disbursements with the U.S. Department of Education. We reviewed the student file and determined the student was eligible for the Federal Pell Grant disbursements totaling $575.

Recommendation

- *Worthington Community College should work with the U.S. Department of Education to increase its 1993-94 Federal Pell authorization by $575.*

29. Worthington Community College did not comply with Federal Pell Grant regulations concerning consortium agreements.

Worthington Community College did not comply with the provisions of the Federal Pell Grant regulations related to a student who are attending more than one institution. First, Worthington Community College did not enter into a consortium agreement with another institution, even though it was aware that the student attended both institutions. As a result, both schools disbursed Federal Pell grants to the student in proportion of credits taken at each institution. Although the total of Federal Pell grants disbursed did not exceed the authorized award for the student, federal regulations require institutions to set up consortium agreements to determine which campus is responsible for disbursing financial aid. Federal regulations prohibit a student from receiving a Federal Pell grant from more than one institution at the same time.

Second, for winter quarter 1994, the college paid a $191 Federal Pell grant to the same student based on registered credits at Worthington Community College. For this quarter, the college had a consortium agreement with a different institution the student was jointly attending. The consortium agreement identified the other institution as the institution responsible for disbursing aid and monitoring student eligibility. The other institution paid a $767 Federal Pell grant to this student for winter quarter, based on total credits at both schools. As a result of Worthington Community College's Federal Pell grant payment, the student's award exceeded eligibility by $191.

Finally, for both of these quarters, Worthington Community College did not properly account for these Federal Pell grant transactions. The college made the disbursements out of the federal student financial aid account. The college did not receive federal reimbursement for these transactions, and may not be eligible for reimbursement of all of the payments. Therefore, the college should reimburse the federal student financial aid account with $383 of institutional funds until the issue is resolved with the U.S. Department of Education.

Recommendation

- *Worthington Community College should repay the federal student financial aid account $383. In addition, the college should work with the U.S. Department of Education to resolve the fall quarter 1993 Federal Pell grant payment and federal reimbursement.*

AnokaRamsey Community College

Campuses in Coon Rapids and Cambridge

Office of the President
Coon Rapids Campus

June 15, 1995

Ms. Jeanine Leifeld
Office of the Legislative Auditor
Centennial Building
St. Paul, MN 55155

Dear Ms. Leifeld:

REGARDING: Audit Findings 1, 2, 11, 12, and 13; 1993-94 Audit

The following is our response to findings 1, 2, 11, 12 and 13:

FINDING #1: Anoka-Ramsey Community College has not adequately defined exceptional need for awarding Federal Perkins loans.

RESPONSE: Although ARCC did not have a written Perkins awarding policy for fiscal year 1995, ARCC had adopted procedures to award Perkins only to Pell grant recipients with unmet need who met the priority deadline date of June 1.

ARCC has since written and implemented policy effective fiscal year 1996 that allows Perkins loans to be awarded only to Pell recipients, who have met the priority deadline date, who have an EFC of 0 (zero). Since Federal regulations and Federal methodology define students with low EFCs as those with highest need, the zero EFC policy should ensure that only the neediest of students receive a Perkins loan.

FINDING #2: PRIOR FINDING NOT RESOLVED: Anoka-Ramsey Community College has not complied with certain federal cash management requirements.

RESPONSE: During the period examined (September through November 1994) we were writing our financial aid checks in advance of the pick up date. Orders of Federal Cash were based on checks written for students eligible to pick up their awards on a particular day. We interpreted "funds disbursed" as being checks that were written and available for a particular day and we adhered to the three day limit. We have no control over when a student actually deposits the check.

The actual cash balance is misleading since it includes outstanding checks, nursing loan cash, Perkins cash and HECB money. The bookstore loan has been repaid.

We are now writing checks at the time the student comes to the counter, checking the bank balance daily and attempting to keep tighter control.

Coon Rapids Campus
11200 Mississippi Blvd., NW
Coon Rapids, MN 55433–3470
Telephone 612 422-3436/Fax 612 422-3341

Cambridge Campus
151 SW County Road 70
Cambridge, MN 55008
Telephone 612 689-1536/Fax Ext. 319

FINDINGS #11: Cambridge Community College Center's satisfactory academic progress policy does not meet federal guidelines.

RESPONSE: The college submitted an outdated academic progress policy for the initial audit. The college later submitted to the auditor the current policy which is in compliance with federal guidelines.

FINDINGS #12: PRIOR FINDING NOT RESOLVED: Cambridge Community College Center has not adequately forecasted its federal cash needs.

RESPONSE: Cambridge Community College Center will designate an individual to daily review federal cash needs in an attempt to provide Anoka-Ramsey campus with accurate cash requirements

Cash request will be phoned to Anoka-Ramsey campus with follow up documentation in writing.

Barb Cooper, Clerk Stenographer IV in the Business Office, will be responsible for resolution of this finding by June 26, 1995.

FINDING #13: Cambridge Community College Center did not resolve conflicting information in three student files.

RESPONSE: The college will review the three student files cited, resolve any conflicting information and adjust the financial aid amounts, if necessary.

Sincerely,

Patrick M. Johns
President

ls

c: Bonnie Anderson, Dean of Administration
Karen Baltes, Director of Financial Aid
Carlyle Davidsen, Dean of Cambridge Community College Center

Austin Community College

Office of the President

June 14, 1995

Jeanine Leifeld, CPA
Audit Manager
Office of the Legislative Auditor
Centennial Building
St. Paul, MN 55155

Dear Jeanine:

In response to the Legislative Auditors' findings and recommendations contained in the federal financial aid audit report for Austin Community College for the year ended June 30, 1994, the following actions will be taken:

FINDING 3: Austin Community College does not adequately safeguard incoming Federal Family Education Loan checks.

Recommendation:
Austin Community College should separate duties over Federal Family Education Loan checks.

Response:
As of April 17, 1995, Austin Community College has Federal Family Education Loan checks sent directly to the Business Office. The Business Office then makes a copy of the check, indicates on the Financial Aid Office loan log that a check has arrived, disburses the check and then returns all loan information to the Financial Aid Office at the end of the year.

Person Responsible: Brad Doss, Business Manager
Implementation of Recommendation: April 17, 1995

FINDING 4: Austin Community College did not make its Federal Perkins capital contribution in compliance with federal timelines.

Recommendation:
Austin Community College should deposit the required Federal Perkins loan institutional match in accordance with federal regulations.

1600 8th Ave. NW ♦ Austin, Minnesota ♦ 55912-1470 ♦ (507) 433-0509

Response:
The FY 95 Federal Perkins loan institutional capital contribution was deposited on May 9, 1995. For FY 96 Austin Community College will deposit the institutional match at the same time that we deposit the federal capital contribution.

Person Responsible: Brad Doss, Business Manager
Implementation of Recommendation: At the time of fall quarter finanical aid disbursement, October 1995.

FINDING 5: Austin Community College has inadequate controls over federal financial aid cash in two areas.

Recommendations:
A. Austin Community College staff should not sign blank federal financial aid checks in advance.

B. Austin Community College should reconcile its accounting records to bank balances on a timely basis.

Response:
A. A signature stamp will be used to sign federal financial aid checks. The stamp will be applied by Business Office staff at the time of check disbursement. When not in use the stamp will be locked in our safe.

B. The Business Office has modified its automated bank reconciliation process and is now able to reconcile the banks month end cash balance to the accounting ledger month end cash balance.

Responsible Person: Brad Doss, Business Manager
Implementation of Recommendations: Immediately

FINDING 6: Austin Community College did not receive federal reimbursement for $ 4,356 in Federal Pell Grants.

Recommendation:
Austin Community College should work with the U.S. Department of Education to increase its 1993-94 Federal Pell authorization by $ 4, 356.

Response:
During the Exit Interview, Austin Community College requested from the Office of the Legislative Auditor assistance in this matter. In February 1995 , we received a list of items that your office needed to assist us in recovering these funds.

Austin Community College has completed the necessary forms and submitted them to the Office of the Legislative Auditor. Our Financial Aid Office has discussed this with one of your associates and it appears that a majority of these funds will be recovered and we are waiting for a response for the U. S. Department of Education.

Person Responsible: Mark Holland, Financial Aid Director
Implementation of Recommendation: April 1995

Sincerely,

Dr. Vicky Smith
President

Brainerd.
Community
College

June 12, 1995

Jeanine Leifeld, Audit Manager
Office of the Legislative Auditor
Centennial Bldg., St. Paul, MN 55155

Dear Jeanine,

In response to the draft audit report which Brainerd Community College received on June 6, 1995, Brainerd Community College will respond as follows:

Finding 7: Mike Barnaby, Director of Financial Aid, has spoken with the U.S. Department of Education and Brainerd Community College was requested to send back $104 to the lender. By July 1, 1995, Brainerd Community College will send back $104 of Federal Subsidized Stafford Loan overpayment to the lender. Mike Barnaby, Director of Financial Aid, will be the responsible party for this finding.

Finding 8: Brainerd Community College will separate duties over Federal Family Education Loan checks. By July 1, 1995, Central Lakes College will request all Guarantors to send all loan checks directly to the Business Office (instead of the financial aid office). Mike Barnaby, Director of Financial Aid, will be the responsible party for this finding.

Finding 9: The Federal Financial Aid checking account will be reconciliated in a timely manner. Effective July 1, 1995, Central Lakes College Assistant Director of Business Services will review the reconciliations. Clyde Oliver, Director of Business Services, will be the responsible party for this finding.

Finding 10: Brainerd Community College in conjunction with the Legislative Auditor's office will work with the Department of Education to increase its 1993 - 94 Federal Pell Grant Authorization by $450. Mike Barnaby, Director of Financial Aid, will be the responsible party for this finding.

Sincerely,

Sally Ihne

Sally Ihne, President

501 West College Drive
Brainerd, Minnesota 56401
1-218-828-2525 ■ 1-800-933-0346

INVER HILLS
Community College
2500 80th Street East • Inver Grove Heights, MN 55076-3224

June 13, 1995

Ms. Jeanine Leifeld, CPA
Audit Manager
State of Minnesota
Office of the Legislature Auditor
Centennial Building
St. Paul, MN 55155

Dear Ms. Leifeld:

The audit exception (item 14) from the Legislative Audit is listed below along with Inver Hills Community College response to the item. John M. Pogue, Director, Office of Financial Aid is responsible to see that the response is immediately implemented.

Finding 14

Inver Hills Community College paid an inappropriate Supplemental Loan for Students (SLS) to one student.

Response

The college concurs that it did process a SLS for a student before the 211 days had elapsed. The Office of Financial Aid contacted the student in question after the initial visit by the auditors and indicated that the student may be in an overaward situation. The Office of Financial Aid will contact the student and the Department of Education to remedy the loan overpayment.

If my staff or I can be of further assistance, please contact me.

Sincerely,

Steven Wallace

Dr. Steven Wallace
President

bl

Minneapolis Community College

1501 Hennepin Avenue
Minneapolis, MN 55403-1779
612/341-7000 FAX 612/341-7075

June 14, 1995

Jeanine Leifeld, Audit Manager
Office of the Legislative Auditor
Centennial Office Building
658 Cedar Street
St. Paul, MN 55155

Dear Ms. Leifeld:

Below are Minneapolis Community College's responses to the results of the federal financial aid audit of Minneapolis Community College for the year ended June 30, 1994.

FINDING #15

Minneapolis Community College's Federal Family Education Loan Program exit counseling procedures do not meet federal requirements.

Due to poor attendance at past Federal Family Loan Exit Counseling sessions, Minneapolis Community College has been reviewing its Loan Exit Counseling process to find a more effective way to reach students. We have recently implemented a new Federal Family Loan Exit Counseling session policy that will not only meet federal requirements, but also be more effective at informing students of their rights and responsibilities as they leave Minneapolis Community College.

It is our new policy to track student loan recipients by graduation date. In the quarter prior to the student's last quarter of attendance, we notify students of the need to attend an exit counseling session. Students are required to attend an exit counseling session prior to receiving their final loan disbursement. Students who withdraw without notifying MCC are mailed, within 30 days of the withdrawal date, exit counseling materials and requested to make a personal appointment with us. Students who withdraw are of most concern to us; that is why we intend to have individual, rather than group, counseling sessions with them.

FINDING #16

Some Minneapolis Community College employees have unnecessary access to the Perkins Loan Management System.

We have restricted access to the loan management system to those in the financial aid office on a "view only" basis. Financial aid office employees need access to the system to assist former students who call about their Perkins Loans. In addition; no Minneapolis Community College employee has access to award or disburse Perkins Loans. Awarding or disbursing a Perkins Loan requires "mirror" funds to be created on our financial aid software and our accounts receivable system. As "mirror" funds have not been created since we decided to cease awarding Perkins Loans, there is no risk of misuse of Perkins funds.

FINDING # 17

Minneapolis Community College does not have adequate controls over federal cash.

1. The College had not reconciled the federal student financial aid checking account since July 1993.

   The Executive Team met on this finding and agreed that it was very important to get this checking account reconciled. It was agreed upon that the College would provide funds to the Business Office to hire a temporary employee to reconcile this checking account. It is anticipated that this individual would start the second week in July. The reconciling of this account will be overseen by the Business Officer with a projected completion date of November 30, 1995. The account will be reconciled monthly thereafter.

2. The College had not established adequate accounting records to track federal awards and cash receipts by individual programs.

   The College is tracking federal awards and cash receipts by individual programs. In July of 1993, the Business Office purchased the software package "QuickBooks". Separate income accounts and expense accounts were set up for each federal program. To receipt in money or make a payment in QuickBooks an account number must be assigned to the transaction before the program will accept the entry. In addition, on at least a monthly basis the Business Officer is provided a report on all federal financial aid disbursed for the month. By program these figures are reported to the Department of Education along with our cumulative expenditures and our awards.

3. The College had not sufficiently limited federal cash to immediate needs.

   It is and has been the practice of the college to draw down funds based upon the needs of the college. On a monthly basis the college electronically reports its cash on hand to the Department of Education via the Federal Cash Transaction Report. The cash on hand balance is a cumulative figure for all nine of our federal grants with the Department of Education. For the time period 8-01-93 to 6-30-94 the average actual cash on hand reported to the Department of Education was a negative $21,301.82. Four of the eleven months the college did report a cash on hand of $50,000 or more to the Department of Education. Cash for the nine programs is maintained in two separate bank accounts, the state treasury and a local bank account. When determining cash on hand both accounts have to be analyzed. In order to keep our local bank account the College must maintain a balance in it, therefore, always having some cash on hand. In addition, because it is difficult to accurately project expenditures for all nine of these programs, the College would rather over-estimate the amount of cash needed to fund these projects rather than have a check returned for non-sufficient funds.

4. The College has not adequately separated duties over federal receipts and disbursements.

   The following controls have been in place or will be put in place to limit any risk the College might incur.

   a) At the end of fiscal year 1994 the Dean of Administrative Services converted the data in "QuickBooks" into an Excel spreadsheet and created a report for the Financial Aid Director (this is currently being done by the Director of Computer Services). All discrepancies between the Business Office report and the report generated from SAFE were identified and the documented. For fiscal year 1995 the Business Office will reconcile with the Financial Aid Office at the end of the year. For fiscal year 1996 we will reconcile twice a year and for each fiscal year after that we will reconcile at the end of each quarter.

b) The Business Officer will review and approve the bank reconciliations for the federal financial aid checking account.

c) Effective October 24, 1994, the Account Clerk Senior no longer produces federal financial aid checks from QuickBooks. A new student system (CCIS) was installed at the College. The system credits the student's account by the amount of the student's financial aid and it will produce a balance check for the student. Therefore, to generate a check off of the system an individual has to be enrolled in classes and awarded financial aid.

FINDING #18

Minneapolis Community College has not properly managed its Federal Perkins loan cash.

On April 26, 1995, $20,000 was taken out of our Perkins savings account and returned to the U.S. Department of Education. The next step in determining the current balance of the Federal Perkins Loan program is to get our federal checking account reconciled (see finding #17 item 1 above). Once this checking account is reconciled we can then complete the reconciling of the Perkins account and return any remaining balance to the U.S. Department of Education.

If you have any questions or concerns please call me at 341-7055.

Sincerely,

Mary E Retterer

Mary E. Retterer, Ph.D
Interim President

C:\FAAUDIT

V E R M I L I O N

C O M M U N I T Y C O L L E G E

June 14, 1995

To: Jeanine Leifeld, CPA
Audit Manager
Office of the Legislative Auditor
Centennial Building
St. Paul, MN 55155

From: Ross Petersen
Director of Fiscal Services
Vermilion Community College

Subject: Response to finding 19 of the federal financial aid audit for the year ended June 30, 1994.

Vermilion agrees with the finding of the legislative auditor and will take the actions recommended by the legislative auditor. Ross Petersen will be the person responsible for resolution on Vermilion's campus. The posting will be corrected by 6/30/95. The collection process will also be initiated at least by 7/14/95.

1900 E. CAMPSTREET ELY, MN 55731 218/365-7200 1/800-657-3608 TDD: 218/365-7292

worthington
community college

1450 COLLEGEWAY ■ WORTHINGTON, MN 56187-3024 ■ 507-372-2107
1-800-657-3966 ■ FAX 507-372-5801 ■ TDD 507-372-2107
Quality Educational Opportunity For Over a Half Century

June 14, 1995

Ms. Jeanine Leifeld, CPA
Audit Manager
Office of the Legislative Auditor
Centennial Building
St. Paul, MN 55155

Dear Jeanine,

I would like to take this opportunity to thank you for your cooperation and assistance shown by yourself and the audit team during the recent audit.

Enclosed are the responses from Worthington Community College. We appreciate the opportunity to respond to the findings.

If you would need any additional information or need any assistance, please feel free to contact me.

Sincerely,

Michael Fury

Michael Fury
Director of Financial Aid

20. Worthington Community College's satisfactory academic policy, as of fall quarter 1994, is now part of the new system policy. It does comply with minimum federal guidelines.
Person responsible for resolution: Michael Fury
Date of Implementation: Immediately

21. With the addition of the new on-line disbursement of financial aid, difficulties were encountered with the disbursing of aid in a timely manner. Since then, these problems have been alleviated. Worthington Community college has developed procedures that forecast federal cash advances accurately.
Person responsible for resolution: Faith Drent
Date of Implementation: Immediately

22. Corrections and updates occur on a continual basis with the reporting and completion of the FISAP report. WCC is working with the System office and the Department of Education to correct any previous errors and to submit accurate reports in the future.

Anticipated Pell Grant expenditures are no longer reported on the IPS reports. Only funds that have actually been spent are reported. Beginning in the 1995-96 year, IPS reporting will be done electronically, which will be a more accurate reporting method.
Person responsible for resolution: Michael Fury
Date of Implementation: Immediately

23. Many of the students enrolled in the Practical Nursing Program present unique and different budget and enrollment situations. The Financial Aid Office attempts to address and assist these students in every manner to accommodate their needs. In some cases their enrollment status not only encompasses the Practical Nursing Program, but also, regular college classes. When this occurs, they become "dually" enrolled in nursing and regular college classes. It then becomes difficult to determine which budget these students should be included in. It is the policy of the FAO to use the budget which is of greater benefit to the student.

Worthington Community College will review the FFEL overpayments with the Department of Education.

The FAO makes every attempt to certify and approve student loans according to Federal regulations.

The cost of attendance budgets for Worthington Community College have been adjusted for the upcoming year and will be accurately reviewed on the SAFE financial aid system.
Person responsible for resolution: Michael Fury
Date of Implementation: Immediately

24. Worthington Community College is of the opinion that the student was eligible to receive the financial aid awarded to them. As of this date, the student has completed 144 credits at Worthington Community College. The 67 credits earned at Southwestern Technical College were not included in the initial determination of academic level.

In addition, the student also changed programs while attending WCC. In doing so, the student's total credits increased.

Worthington Community College does monitor SAP with consortium agreements. The above-mentioned student has an exemplary academic record.
Person responsible for resolution: Michael Fury
Date of Implementation: Immediately

25. The budget figures used for independent students were taken from the ACT Budget and Service Questionnaire's Independent Student Allowance figures which are based on the Consumer Expenditure Survey lower living standard expenditures, updated for actual and estimated changes in the Consumer Price Index. The FAO believes these are very accurate and do reflect realistic costs for independent students.

Adjustments have been made on the SAFE system to correct the out-of-state tuition rates.

The cost of books and supplies were in error for out-of-state students and has been corrected.

The Federal cost of attendance budget will be used to determine eligibility for the FFEL programs.
Person responsible for resolution: Michael Fury
Date of Implementation: Immediately

26. A written policy for determining Federal Perkins loan eligibility is being developed.

The SAFE financial aid program has been programmed to define students with the exceptional need for eligibility to the Federal Perkins loan program.
Person responsible for resolution: Michael Fury
Date of Implementation: Immediately

27. Worthington Community College continues to make every attempt to procure FAT's from transfer students. This is done by working with the registrar's office to determine transfer students, and also by use of the institution's financial aid application.
Person responsible for resolution: Michael Fury
Date of Implementation: Immediately

28. & 29. Both findings deal with the same student. Every attempt was made by Worthington Community College to be reimbursed for the award to the above-mentioned student. After these attempts were made, it was discovered the student had also been paid in error by WCC for the consortium quarters.

Worthington Community college is working with the State Auditor's Office, who in turn, is assisting us with the Department of Education to remedy this situation.
Person responsible for resolution: Michael Fury
Date of Implementation: Immediately