



Commonwealth of Massachusetts
Office of the State Auditor
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Official Audit Report – Issued May 24, 2012

Cape Cod Community College
Student Financial Assistance Programs - Follow Up
For the period July 1, 2010 through June 30, 2011



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Cape Cod Community College (CCCC) is authorized by Chapter 15A, Section 5, of the Massachusetts General Laws and operates under the oversight of the Board of Higher Education. A Board of Trustees appointed by the Governor of the Commonwealth controls its operations, and CCCC's President is responsible for implementing the policies set by the Board of Trustees, in accordance with the policies and procedures established by the Board of Higher Education.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted a follow-up audit of the issues contained in our prior audit report (2011-0193-16S) and the Single Audit of the Commonwealth of Massachusetts of CCCC's Federal Student Financial Assistance (SFA) programs funded through the United States Department of Education (ED) for the period July 1, 2010 through June 30, 2011. We conducted our audit in conjunction with the Single Audit of the Commonwealth of Massachusetts for the fiscal year ended June 30, 2011. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The purpose of our audit was to determine if CCCC had taken corrective action and made improvements on the audit results identified in our prior audit report (2011-0193-16S). We concluded for the period July 1, 2010 through June 30, 2011, CCCC has implemented corrective actions for Disbursement Notification Letters, but has not adequately implemented corrective actions plans for a) Federal Work Study internal control procedures and b) submitting student status changes as required.

AUDIT RESULTS

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1. PRIOR AUDIT RESULT RESOLVED – DISBURSEMENT NOTIFICATION LETTERS

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Our prior audit disclosed that Disbursement Notification Letters sent to Federal Direct Loan (FDL) recipients did not contain the disbursement dates and other proper timeframes for canceling all or part of their FDLs. Our follow-up audit disclosed that CCCC has taken corrective action to improve its policies and procedures for issuing disbursement notifications to its students and comply with FDL requirements.

2. PRIOR AUDIT ISSUES UNRESOLVED

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Our follow-up audit disclosed that CCCC has not taken sufficient corrective action to address prior audit issues regarding (a) improvements in Federal Work Study (FWS) program internal control procedures and (b) student status changes not submitted as required.

a. Improvements Needed in Federal Work Study Internal Control Procedures **4**

Our prior audit disclosed that internal controls and payroll procedures established for maintaining, monitoring, and controlling CCCC's student FWS program needed improvement. The audit noted that two students worked several hours during scheduled class time with no evidence of teachers' class cancellation records that would excuse the students from class.

Our follow-up audit found three students worked 45.75 hours in FWS during scheduled class time for the 2010-2011 academic year, resulting in a conflict of scheduling between Federal College Work Study (CWS) assignments and already established class schedules. As a result, we question payroll costs of \$366. In its response, CCCC stated that the Financial Aid Office modified the student timesheet, FWS handbook, and other documents to reinforce that students are not allowed to work during scheduled class times. All documents were updated and procedures were in place for the 2011-2012 academic year.

b. Student Status Changes Not Submitted as Required **6**

Our prior audit disclosed that CCCC did not notify the National Student Loan Data System (NSLDS) of student status changes in a timely manner as required by Federal Student Financial Assistance (SFA) regulations. CCCC reports changes in enrollment status to a contracted third party, the National Student Clearinghouse (NSC) once every two months. CCCC utilizes the NSC to facilitate its responsibility to notify the NSLDS of changes in enrollment status of its students.

Our follow-up audit disclosed that CCCC did not adequately and accurately notify and update NSLDS regarding students that had withdrawn, graduated, or had a status of less than half-time in a timely manner. We sampled 25 students with enrollment status changes in the 2010-2011 academic year. Of those 25, six students; status changes were reported past the 60-day notification period required by NSLDS. In its response, CCCC indicated that, beginning with the Fall 2011 semester, the Registrar's Office submitted monthly files to the National Student Clearinghouse (NSC) beginning at the end of the drop/add period and within 30 days thereafter. Additionally, CCCC stated that the Registrar and Financial Aid Director monitor NSLDS online records after each submission to verify that data is transmitted from CCCC through the NSC to the NSLDS within the required timeframe.

INTRODUCTION

Background

Cape Cod Community College (CCCC) is authorized by Chapter 15A, Section 5, of the Massachusetts General Laws and operates under the oversight of the Board of Higher Education. A Board of Trustees appointed by the Governor of the Commonwealth controls its operations, and CCCC's President is responsible for implementing the policies set by the Board of Trustees, in accordance with the policies and procedures established by the Board of Higher Education.

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted a follow-up audit of the issues contained in our prior audit report (No. 2011-0193-16S) and in the Single Audit of the Commonwealth of Massachusetts of CCCC's Federal Student Financial Assistance (SFA) programs funded through the United States Department of Education (ED) for the period July 1, 2010 through June 30, 2011. We conducted our audit in conjunction with the Single Audit of the Commonwealth of Massachusetts for the fiscal year ended June 30, 2011. The Commonwealth's Fiscal Year 2011 Single Audit Report consists of the following volumes:

- Statutory Basis Financial Report
- Comprehensive Annual Financial Report
- [Office of Management and Budget] OMB Circular A-133 Report

The audit results contained in this report are also reported in the Fiscal Year 2011 Single Audit of the Commonwealth of Massachusetts Report OMB Circular A-133 Report, as mentioned above.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was also conducted in accordance with standards set forth in OMB Circular A-133 and the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide, Audits of State and Local Governments. Additionally, our audit evaluated CCCC's compliance with the Office of the State Comptroller's (OSC) policies and procedures; Massachusetts General Laws; and other applicable laws, rules, and regulations.

In performing our audit of CCCC's activities, we referred to OMB Circular A-133, March 2011 Compliance Supplement, to determine the compliance requirements that must be considered in an audit conducted under OMB Circular A-133.

Our follow-up audit of CCCC's procedures regarding corrective actions and improvements in the areas identified in our prior audit report to determine whether:

- Improvements were made to CCCC's processing of Disbursement Notification Letters to Federal Direct Loan (FDL) recipients.
- Improvements were made to Federal Work Study (FWS) program internal controls.
- Student status changes were submitted as required.

To achieve our audit objectives, we reviewed CCCC's policies and procedures and assessed CCCC's system of internal controls over the following A-133 OMB and federal and state laws, and compliance areas:

- Disbursement Notification Letters to FDL recipients.
- FWS program.
- Enrollment status changes.

This assessment was used in planning and performing our audit. We reviewed CCCC's corrective action plan (CAP) to ascertain what action CCCC had taken to correct its prior audit issues. We also conducted interviews of various CCCC officials, reviewed all applicable laws, rules and regulations, and performed audit tests.

We concluded for the period July 1, 2010 through June 30, 2011, CCCC has implemented CAPs for Disbursement Notification Letters, but has not adequately implemented CAPs for a) FWS internal control procedures and b) submitting student status changes as required

AUDIT RESULTS

1. PRIOR AUDIT RESULT RESOLVED – DISBURSEMENT NOTIFICATION LETTERS

Our prior audit disclosed that the Disbursement Notification Letters for Federal Direct Loan (FDL) program funds sent to CCCC students were not in compliance with federal requirements regarding their contents. Specifically, they did not indicate the date and amount of the disbursement.

Our follow-up audit disclosed that CCCC has taken corrective action to improve its policies and procedures for issuing disbursement notifications to its students to comply with FDL requirements. Disbursement Notification Letters for our sample were sent to students in a timely manner and contained the appropriate notification language as required by federal regulation. CCCC now issues Disbursement Notification Letters that indicate the date of disbursement and the letters clearly specify the limited timeframe for accepting or rejecting the loan.

2. PRIOR AUDIT RESULTS UNRESOLVED

Our follow-up audit disclosed that CCCC has not taken sufficient corrective action to address prior audit issues regarding (a) improvements in Federal Work Study (FWS) program internal control procedures and (b) student status changes not submitted as required.

a. Improvements Needed in Federal Work Study Internal Control Procedures

Our prior review of the internal controls and payroll procedures established for maintaining, monitoring, and controlling CCCC's FWS payroll records and files disclosed general compliance with the guidelines and internal control policies identified in CCCC's Federal Student Financial Assistance (SFA) program policies and procedures. However, our prior review of FWS payroll records indicated that, contrary to those policies and procedures, two students worked several hours during scheduled class time.

In administering the FWS program, institutions such as CCCC are required to establish and maintain records in accordance with 34 Code of Federal Regulations (CFR) 675.19(a), as follows:

The institution must also establish and maintain program and fiscal records that: i) include a certification by the student's supervisor, an official of the institution or off-campus agency indicating each student has worked and earned the amount being paid.

The certification must include or be supported by a time record showing the hours each student worked in clock time sequence for students paid on an hourly basis, or the total hours worked per day; (ii) include a payroll voucher containing sufficient information to support all payroll disbursement; and (iii) include a noncash contribution record to document any payment of the institution's share of the student's earnings in the form of services and equipment (see Sec. 675.27(a)); and (iv) are reconciled at least monthly (34 CFR 675.19 (b)(2)).

Our follow-up audit tested 43 bi-weekly time sheets for five students taken from payroll records for the 2010-2011 academic year, including the following documentation: student timesheets for FWS employment, actual payroll reports compiled by Human Resources, and FWS contracts and agreements with outside employers. Our follow-up audit included tests for proper authorization, supporting documentation, accuracy, completeness, timeliness, and adherence to award specifications. Our tests also included a comparison of the students' class schedules to their timesheets during their employment in CCCC's FWS program. Our audit tests disclosed that CCCC satisfactorily applied its FWS funds and payroll internal controls, with the exception of the monitoring of students working during class time. CCCC has established SFA policies that prohibit students from working during scheduled class time in its College Work Study Handbook, Students' Obligation to Employers, which states the following:

Notify your supervisor of any changes in class schedule, which would affect your work schedule.

The Financial Aid Office needs to implement procedures to monitor students' work time to ensure that students' work assignments and class schedules are not in conflict. We compared the students' class schedules to their timesheets during their employment in the CWS program. We found that three of the five students worked 45.75 hours in FWS during scheduled class time, resulting in a scheduling conflict in violation of established CCCC SFA policies and procedures that prohibit students from working during scheduled class time. As a result, we question payroll costs of \$366.

Recommendation

CCCC should review and improve its internal controls within the FWS program. Specifically, procedures should be reviewed to ensure that all FWS supervisors and students are cooperatively monitoring students' work time according to CCCC's FWS policies and procedures to ensure that FWS employment does not conflict with student class schedules. These procedures should

include the monitoring of timesheets and students' work time by FWS supervisors to ensure that scheduling conflicts do not exist.

Auditee's Response

The Financial Aid Office modified the student time sheet, FWS handbook, and other documents to reinforce that students are not allowed to work during class hours. If a student works during scheduled class time supervisors are required to note a reason directly on the timesheet (i.e. class canceled). The FWS Coordinator sends an email at the start of each semester to remind supervisors of this requirement. Financial aid staff compares student time sheets to student schedules throughout the semester for compliance and calls supervisors if there is a conflict without notation. All documents were updated and procedures were in place for the 2011-2012 academic year.

b. Student Status Changes Not Submitted as Required

Our prior audit report disclosed that CCCC did not notify the National Student Loan Data System (NSLDS) in a timely manner of the status of 10 students (four who graduated and six who withdrew) with changes in their enrollment status as required by SFA regulations. Our follow-up audit testing of 25 students with status changes in the 2010-2011 academic year found that six students with status changes were reported to the NSLDS after the 60-day required notification period had passed. Delayed reporting for these students ranged from eight to 24 days past the 60-day reporting requirement between the time the CCCC was notified of the change and the time it was reported to the NSLDS through the National Student Clearinghouse (NSC).

SFA regulations governing Title IV student aid programs require institutions, lenders, guaranty agencies, and the loan servicers to monitor and update the enrollment status of all students who receive federal student loans. CCCC is required to identify and update the loan status of all students, including those who graduate or withdraw, via a periodic Enrollment Reporting Roster File (formerly a Student Status Confirmation Report). This notification must take place within 30 days of withdrawal or within 60 days of the next scheduled submission. Specifically, 34 CFR Section 685.309(b), which governs Federal Direct Loan (FDL) program regulations, states:

(b) Student status confirmation reports.

A school shall—

(1) Upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt; and (2) Unless it expects to submit its next student status confirmation report to the Secretary within the

next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who—

(i) Enrolled at that school but has ceased to be enrolled on at least a halftime basis; (ii) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (iii) Has changed his or her permanent address.

(3) The Secretary provides student status confirmation reports to a school at least semi-annually.

(4) The Secretary may provide the student status confirmation report in either paper or electronic format.

CCCC utilizes the NSC to facilitate its responsibility to notify NSLDS of these changes in the enrollment status of its students. However, CCCC is ultimately responsible for ensuring that NSLDS is properly notified of all student enrollment status changes in a timely manner. Because CCCC depends on the NSC to report these changes to NSLDS, it needs to ensure that the correct enrollment status has been reported.

The CCCC did not have adequate internal controls and relevant written policies and procedures in place to verify and ensure that changes in student enrollment status were correctly reported to NSLDS in a timely manner. As a result, there is inadequate assurance that the enrollment status CCCC reports to the NSC is being transmitted on a timely basis to NSLDS.

CCCC officials acknowledged the results of our audit and indicated that corrective action will be initiated for the 2011-2012 academic year through written procedures, and the Registrar and Financial Aid Director will monitor a sample of students from each NSC submission to verify that the data reaches NSLDS within the required timeframe. CCCC further indicated that it will monitor submissions to NSLDS and will follow up with the NSC if discrepancies or timing issues arise.

Recommendation

CCCC should establish internal controls and written policies and procedures to verify that changes in student enrollment status have been submitted to NSC, and the processing of this information by NSC is properly reported to NSLDS in a timely manner in accordance with the requirements of 34 CFR 685.309(b).

Auditee's Response

Prior to the audit finding, the College submitted status files to the Clearinghouse 3 times per semester, the minimum required for NSLDS reporting. Beginning with the fall 2011 semester, the Registrar's Office submitted monthly files to the Clearinghouse beginning at the end of the drop/add period and within 30 days thereafter (resulting in 5 submissions total for the fall 2011 semester). The Registrar and Financial Aid Director monitored NSLDS's on-line records after each submission to verify that our data transmitted from the College to the Clearinghouse to NSLDS within the required time frame. The increased submissions during the fall 2011 semester enabled the College to meet all filing deadlines with NSLDS. We will continue with this strategy going forward of submitting additional files and following up after each submission to ensure our data continues to get to NSLDS on time.