



Commonwealth of Massachusetts
Office of the State Auditor
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Making government work better

Official Audit Report-Issued May 17, 2012

Fitchburg State University - Student Financial Assistance Programs

For the period July 1, 2010 through June 30, 2011



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Fitchburg State University (FIT) 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 FIT'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 an audit of FIT'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.

We concluded that except as reported in the Audit Results section of this report, for the period July 1, 2010 through June 30, 2011, FIT had adequate internal controls in place; used, recorded, and accounted for SFA funds properly; and complied with the requirements of the United States ED; Office of Management and Budget (OMB) Circular A-133 and the Compliance Supplement; and other applicable laws, rules, and regulations for the areas tested.

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1. IMPROVEMENTS NEEDED IN CONTROLS OVER ENROLLMENT REPORTING OF STUDENT STATUS CHANGES

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Our audit sample of 25 students receiving Federal Direct Loans disclosed that FIT did not notify the National Student Loan Data System (NSLDS) of student status changes for five students whose enrollment status changed to less than half time, and did not report in a timely manner the status changes of another two students that had withdrawn, as required by SFA regulations. FIT is required to identify and update the enrollment 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.

Our audit disclosed that FIT does have policies and procedures for the submission of student enrollment data to NSLDS; however, it did not have adequate internal controls to ensure that all information was being reported, as well as, being reported in a timely manner. In addition, FIT does not have procedures in place, such as a reconciliation process, to ensure that the information sent to NSLDS from the National Student

Clearinghouse (NSC) is accurate and timely received. FIT utilizes the NSC to facilitate its responsibility to notify the NSLDS of changes in enrollment status of its students.

In its response, FIT stated that the matter of less than half time reporting was addressed with the updating of the Banner validation table. Course registration codes previously incorrectly counted in enrollment are no longer counted in enrollment. The matter of withdrawn student reporting was addressed with the implementation of a new file extraction and transmission process. Additional files are now batched and transmitted to the Clearinghouse (NSC) which capture all student enrollment changes on a monthly basis. While this process was being developed, withdrawn student status was manually reported to NSC. The FIT is currently reviewing data to ensure that accurate enrollment data is being reported from NSC to NSLDS in a timely manner.

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FIT's internal controls over payroll procedures for maintaining, monitoring, and controlling the Federal Work Study (FWS) Program's payroll records and files indicated that FIT was not complying with FWS regulations and guidelines. Specifically, FIT did not maintain adequate supporting documentation for one of the five FWS students tested during our audit period, July 1, 2010 through June 30, 2011. This student worked at the Recreation Center in which an electronic time and attendance system was in place. Our testing disclosed that on a number of occasions, this student was paid for hours worked without a corresponding time record indicating the date, hours worked, and signature of both the student and the supervisor, which is not in compliance with FWS regulations and guidelines.

In its response, FIT stated that it requires appropriate documentation for all payroll expenditures, including FWS payrolls. The FIT uses a combination of punch cards, sign-in/sign-out sheets, and timecards. These procedures were not followed in one particular area. The supervisors in this area have since been retrained and timecards are now required.

INTRODUCTION

Background

Fitchburg State University (FIT) 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 FIT'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 an audit of FIT'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 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 FIT's compliance with

Office of the State Comptroller (OSC) policies and procedures; Massachusetts General Laws; and other applicable laws, rules, and regulations.

In performing our audit of FIT'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. Specifically, our objectives were to:

- Assess the internal controls in place at FIT during the audit period.
- Determine that the SFA program funds were being used as intended, and properly recorded and accounted for.
- Assess and evaluate the programs for compliance with the requirements of the Compliance Supplement, ED, and the OSC.

The criteria for our review were drawn from OMB Circular A-133 and the March 2011 Compliance Supplement, the Code of Federal Regulations, and the OSC's Internal Control Guide. Those criteria dealt with FIT's responsibility for the administration and operation of the SFA programs and for compliance with the laws and regulations governing:

- Activities Allowed and Unallowed
- Cash Management
- Eligibility
- Matching, Level of Effort, and Earmarking
- Period of Availability of Federal Funds
- Program Income
- Reporting
- Special Tests and Provisions

To achieve our objectives, we reviewed SFA guidelines applicable to the audit objectives to gain an understanding of applicable laws, regulations, and guidance. We reviewed written policies and procedures and interviewed FIT officials to gain an understanding and access FIT's system of internal control over the above-mentioned federal A-133 OMB compliance areas. Based upon our review, we determined requirements applicable to the SFA program and designed appropriate tests to determine FIT's compliance with those requirements.

We examined, on a test basis, evidence regarding FIT's compliance with applicable requirements and performed other procedures as we considered necessary. Based on these tests we concluded that,

except as reported in the Audit Results section of this report, for the period July 1, 2010 through June 30, 2011, FIT had adequate internal controls in place; used, recorded, and accounted for SFA funds properly; and complied with the requirements of the United States ED, OMB Circular A-133 and the Compliance Supplement, and other applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

1. IMPROVEMENTS NEEDED IN CONTROLS OVER ENROLLMENT REPORTING OF STUDENT STATUS CHANGES

Our audit sample of 25 students receiving Federal Direct Loans disclosed that Fitchburg State University (FIT) did not notify the National Student Loan Data System (NSLDS) of student status changes for five students whose enrollment status changed to less than half time, and did not report in a timely manner the status changes of another two students that had withdrawn, as required by Federal Student Financial Assistance (SFA) regulations. The remaining 18 students' enrollment statuses were reported correctly to NSLDS at the end of 2010/2011 academic year.

SFA regulations governing Title IV SFA programs require institutions and the Direct Loan Servicer to monitor and update the enrollment status of all students who receive federal student loans. FIT is required to identify and update the enrollment 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 685.309(b) states, in part:

(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 half-time 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.

A student's enrollment status determines eligibility for in-college status, deferment, grace period, and repayment schedules, as well as the government's payment of interest subsidies; therefore, enrollment reporting is critical for effective administration of Title IV programs. Enrollment reporting is the primary means of verifying a student's loan privileges and the federal

government's financial obligations. Under the Direct Loan Program, institutions are required to identify and update the status of all students, including those who graduate or withdraw, by completing periodic Enrollment Reporting roster files, which are sent by the United States Department of Education (ED). Each institution determines how often it receives the Enrollment Reporting roster files, but the minimum is twice each year. Once received, the institution must update the file for changes in student status, report the effective date of change, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website.

FIT reports changes in enrollment status to a contracted third party, the National Student Clearinghouse (NSC), once a month, on or about the fifteenth of the month. Although files are sent monthly, transmissions for the months outside the fall and spring terms (January, June, July and August) do not contain the entire student enrollment database. The files for these months only contain the enrollment data for students enrolled in the mini-terms: winter, summer I, and summer II. In addition to the monthly reports, FIT submits a file of graduates only in April and June. FIT utilizes the NSC to facilitate its responsibility to notify NSLDS of changes in the enrollment status of its students. However, FIT is ultimately responsible for ensuring that NSLDS is properly and timely notified of all student enrollment and status changes. According to the Office of Management and Budget (OMB) Circular A-133, Compliance Requirements, institutions are responsible for establishing procedures to ensure timely reporting, whether they report directly or via a third-party servicer, such as the NSC.

Our audit disclosed that FIT does have policies and procedures for the submission of student enrollment data to NSLDS; however, it did not have adequate internal controls to ensure that all information was being reported, as well as, being reported in a timely manner. In addition, FIT does not have procedures in place, such as a reconciliation process, to ensure that the information sent to NSLDS from NSC is accurate and timely received. We found that FIT did not report to NSLDS (through NSC) status changes for five of the 25 students tested whose enrollment status changed to less than half time during our audit period. Further review and research by FIT disclosed that this reporting error occurred because there was an error in the initial setup of the SFA system (Banner) validation tables that contain the parameters for generating the submissions to NSC. Courses from which students withdrew were being counted

as part of their enrollment status. Therefore, Banner did not capture those students whose enrollment status changed to less than half time.

Our audit also disclosed that student status changes were not reported timely for an additional two of the 25 students tested. Specifically, one student withdrew in May 2011, after the May monthly submission to NSC, and this change was not reported to NSLDS until August 2011, 39 days beyond the 60-day limit to report per federal regulations. As a result of our audit, the status change for this student was manually reported to NSLDS by the Registrar in August; otherwise, this status change would not have been reported until the September submission. Additionally, one student withdrew in March 2011 and was not reported to NSLDS until May 2011, one day beyond the 60-day limit to report per federal regulations. This status change was properly reported to NSC in April 2011, but this status change was not reported by NSC to NSLDS until May 2011 (14 days).

FIT depends on the NSC to accurately report student status changes to NSLDS in a timely manner and does not verify with NSLDS that the correct enrollment status has been reported to NSLDS within the required 60-day timeframe. As a result, there is inadequate assurance that the enrollment status FIT reports to the NSC is being transmitted accurately and timely to NSLDS.

FIT officials acknowledged the results of our audit and indicated that, in order to ensure timely and accurate reporting to NSLDS, they will correct the validation tables within Banner so that it will accurately report student enrollment status changes and implement a new reporting process (additional reporting to include all student status changes during the months of January, June, July, and August) that will ensure compliance with federal regulations.

Recommendation

FIT should improve upon its internal controls governing the timely notification of NSLDS of changes in student enrollment status, including students that graduate, withdraw, or reduce attendance to less than half time. FIT should implement a monitoring process to verify that the information reported to NSC is being accurately and timely reported to NSLDS in accordance with the requirements of 34 CFR 685.309(b).

Auditee's Response

The matter of less than half time reporting was addressed with the updating of the Banner validation table. Course registration codes previously incorrectly counted in enrollment are no longer counted in enrollment. The matter of withdrawn student reporting was addressed with the implementation of a new file extraction and transmission process. Additional files are now batched and transmitted to the Clearinghouse (NSC) which capture all student enrollment changes on a monthly basis. While this process was being developed, withdrawn student status was manually reported to NSC. The University is currently reviewing data to ensure that accurate enrollment data is being reported from NSC to NSLDS in a timely manner.

2. IMPROVEMENTS NEEDED IN CONTROLS OVER TIME AND ATTENDANCE REPORTING FOR THE FEDERAL WORK STUDY PROGRAM

Our review of FIT's internal controls over payroll procedures for maintaining, monitoring, and controlling the Federal Work Study (FWS) Program's payroll records and files indicated that FIT was not complying with FWS regulations and guidelines. Specifically, FIT did not maintain adequate supporting documentation for one of the five FWS students tested during our audit period, July 1, 2010 through June 30, 2011. This student worked at the Recreation Center in which an electronic time and attendance system was in place. Our testing disclosed that on a number of occasions, this student was paid for hours worked without a corresponding time record indicating the date, hours worked, and signature of both the student and the Supervisor, which is not in compliance with FWS regulations and guidelines.

The ED, which oversees the administration of federal Title IV SFA funding, has established regulations that govern FWS programs. According to 34 CFR 675.19 (b)(2), FIT is required to establish fiscal procedures in order to safeguard the certification of a student's FWS hours worked, including requiring proper supporting documentation prior to making a payment to the student, it states in part 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, that each student has worked and earned the amount being paid. The certification must include or be supported by, for students paid on an hourly basis, a time record showing the hours each student worked in clock time sequence, or the total hours worked per day; (ii) Include a payroll voucher containing sufficient information to support all payroll disbursements.;...

The Recreation Center's electronic time and attendance system enabled students to swipe their student identification card to enter their time-in and time-out on the computer system. The

computer system would document the date, check-in time, check-out time, and compute the number of hours worked. The computer system generated a biweekly report of the time and attendance for the Recreation Center employees. The Recreation Center Secretary would transfer the data from this report onto a Microsoft Excel spreadsheet, subject to signed approval by the Supervisor, and then submit it to the Payroll Department for entry into the Commonwealth's payroll system, the Human Resources/Compensation Management System (HR/CMS).

According to FIT's FWS payroll policy, a FWS student must submit a time card signed by the student and the Supervisor to receive payment, unless an electronic time and attendance system is in place, as in the Recreation Center. Therefore, only a biweekly time log signed by the Supervisor needs to be submitted to the Payroll Department in order for the FWS students to receive payment. However, these biweekly time logs must be supported by evidence that the student worked the hours documented (i.e. hard copy or electronic documentation of the date, hours worked, and student's signature).

The FWS payroll guidelines posted on FIT's website state, in part, as follows:

Guidelines for work study signatures: *In order to make the attendance process easier for Supervisors, a weekly time log or attendance sheet with the student signature may be maintained at the department level. Please be aware that if the department chooses this option, these signed time logs and records must be maintained for a minimum of seven (7) years for auditing purposes as mandated by law. If an attendance log is not maintained, students are required to sign the Time Card prior to submitting to the Payroll Office. Only supervisors or university staff may deliver the time cards to the Payroll Office. Blank time cards may be obtained from our forms page or the Payroll Office as needed.¹*

As part of our testing, we compared the hours worked per the Recreation Center's reports (computer-generated report of time and attendance and related Microsoft Excel spreadsheet that is forwarded to the Payroll Department) to the hours paid per HR/CMS. Our testing disclosed that one of the five students tested was paid a total of \$106 for 13.25 hours that were not documented in the Recreation Center's computer system or supported by adequate documentation. FIT officials explained that there are times when the computer system, for unknown reasons, does not accept the student's swiped identification card and therefore there would be no record of the student working those hours. When this occurred, the student would verbally inform the Supervisor of the hours worked and those hours would be included on the

¹ <http://www.fitchburgstate.edu/offices/administration/human-resources-payroll/work-study/>.

spreadsheet sent to the Payroll Department. These 13.25 hours in question were part of four separate FWS payrolls. Specifically, FIT officials were unable to provide any documentation for a total of 5.25 hours paid as part of the January 3, 2011 and May 10, 2011 payrolls, and provided only the daily work schedules for a total of eight hours paid as part of the December 28, 2010 and March 3, 2011 payrolls. Recording the student's name on a daily work schedule does not meet the FIT's own criteria of FWS payroll guidelines (no time-in and time-out entry in the computer system or student signature on a weekly time log or time card).

FIT officials acknowledged the lack of adequate supporting documentation for the FWS time and attendance reported by the Recreation Center during our audit period, resulting in noncompliance with FIT's FWS payroll guidelines and 34 CFR 675.19. To ensure compliance with FWS regulations, FIT officials updated the FWS time and attendance procedures during our audit. The new FWS procedures require that departments currently submitting attendance on a Microsoft Excel spreadsheet, or electronic timecards without the benefit of a student signature, must utilize a time clock system or submit a time card with original student and Supervisor signatures.

Recommendation

FIT should review and improve its FWS payroll policies and procedures to ensure that adequate supporting documentation (that includes the date and hours worked, as well as the signature of both the student and the Supervisor) are maintained for FWS payroll expenditures. FIT should establish procedures to ensure that payroll policies and procedures are functioning as intended and comply with applicable laws, rules, and regulations. FIT staff should be advised of its responsibilities with regard to payroll procedures and student-employee practices. FIT should monitor these procedures on an ongoing basis and encourage compliance with these FWS procedures to prevent the conditions cited from reoccurring.

Auditee's Response

Fitchburg State University requires appropriate documentation for all payroll expenditures, including Federal Work Study payrolls. The University uses a combination of punch cards, sign in/sign out sheets and timecards. These procedures were not followed in one particular area. The supervisors in this area have since been retrained and timecards are now required. In addition, the University is in the process of implementing the Mass HR/[CMS] self service time and attendance payroll system. The system requires each employee to electronically submit their work hours in order to be paid. Included in this initiative, is the implementation of swipe card technology for our Federal Work Study and Student workers which will ensure that payroll expenditures are properly documented.