



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

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



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Greenfield Community College (GCC) 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 GCC's President is responsible for implementing the policies set forth 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 (2011-0194-16S) and the Single Audit of the Commonwealth of Massachusetts of GCC'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 GCC had taken corrective action and made improvements on the audit results identified in the prior audit report (2011-0194-16S). We concluded for the period of July 1, 2010 through June 30, 2011, GCC has implemented corrective action plans for three of the five audit results identified in our prior audit report and has adequate internal controls in place to improve upon the issues involving Federal Work Study Payroll Procedures, Institutional Agreements, and Disbursement Notification Letters. However, GCC has not fully resolved issues regarding the reporting of student status changes and improvements made to its Internal Control Plan.

AUDIT RESULTS

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1. PRIOR AUDIT RESULTS RESOLVED

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Our follow-up audit disclosed that GCC has taken corrective action to address three prior audit issues regarding (a) Federal Work Study (FWS) internal control payroll procedures, (b) institutional agreements, and (c) Disbursement Notification Letters.

a. Improvements Made in Federal Work Study Internal Control and Payroll Procedures

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Our prior audit of internal controls and payroll procedures established for monitoring and controlling GCC's FWS payroll records and files indicated that GCC was not complying with guidelines and internal control policies identified in its financial aid policies and procedures. Our prior audit noted seven students who worked several hours

during scheduled class time, and we noted that GCC's calendar showed no instances in which classes were canceled for these students. Our follow-up audit indicated that GCC has taken corrective action to strengthen its FWS policies and procedures and comply with FWS guidelines.

b. Improvements Made in Institutional Agreements **4**

Our prior audit disclosed that GCC did not maintain institutional agreements with host institutions for students fulfilling their educational program requirement at other institutions. Our follow-up audit indicated that GCC has reviewed and made improvements to its student financial aid policies and procedures regarding institutional agreements.

c. Disbursement Notification Letters **5**

Our prior audit disclosed that Disbursement Notification Letters sent to Federal Family Education Loan (FFEL) recipients did not contain disbursement dates or the proper time frame for cancelling all or part of their FFEL loans. Our follow-up audit indicated that GCC has taken corrective action to ensure that the GCC complies with Federal Title IV requirements.

2. PRIOR AUDIT RESULTS UNRESOLVED **5**

Our follow-up audit disclosed that GCC has not taken sufficient corrective action to address prior audit issues regarding (a) submission of student status changes and (b) Internal Control Plan improvements.

a. Student Status Changes Need Improvement **5**

Our prior audit disclosed that GCC did not notify the National Student Loan Data System (NSLDS) of student status changes in a timely manner as required by SFA financial regulations. GCC reports changes in enrollment status through a contracted third party, the National Student Clearinghouse (NSC), once every two months. GCC utilizes the NSC to facilitate its responsibility to notify NSLDS of changes in enrollment status of its students. Also, our prior audit disclosed that GCC did not have adequate internal controls or policies and procedures regarding the frequency or timing of reporting student enrollment status changes to the NSC. Our follow-up audit disclosed that GCC did not make the proper enhancements or improvements to the NSLDS since our last audit. Specifically, we found in our sample of 25 students that GCC did not notify the NSLDS of students' status changes in a timely manner for 13 students and did not notify the NSLDS with changes in enrollment status for another six students. In response to our audit, GCC officials stated that it has just hired a new Registrar who is experienced with the NSC and NSLDS reporting requirements and will assume the responsibility of ensuring that student status changes are reported timely and accurately.

b. Internal Control Plan Needs Improvement **7**

Our audit disclosed that GCC has prepared and developed an Internal Control Plan (ICP) that was not fully compliant with Chapter 647 of the Acts of 1989 (An Act Relative to Improving Internal Controls within State Agencies) and Office of the State Comptroller (OSC) guidelines. Our follow-up audit disclosed that GCC has made limited progress in updating its ICP to comply with OSC guidelines. Our prior audit specifically

disclosed that GCC needed to address updates and improvements to strengthen its ICP in the following areas: internal environment, information and communication, and monitoring. The GCC Comptroller stated that improving the ICP is an ongoing process and GCC expects to continue working to improve the ICP and to be in compliance with OSC guidelines.

INTRODUCTION

Background

Greenfield Community College (GCC) 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 GCC'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 conducted a follow-up audit of the issues contained in our prior audit report (No. 2011-0194-16S) and in the Single Audit of the Commonwealth of Massachusetts, of GCC's Federal Financial Student 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 GCC's compliance with Office of State Comptroller (OSC) policies and procedures; Massachusetts General Laws; and other applicable laws, rules, and regulations.

In performing our audit of GCC'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 under OMB Circular A-133.

Our follow-up audit of GCC's procedures for corrective action and improvements in the areas identified in our prior audit report were to determine whether:

- Improvements were made in Federal Work Study internal control procedures.
- Written agreements were maintained with other institutions for students taking part of their educational requirement at other institutions.
- Improvements were made to GCC's processing of Disbursement Notification Letters to students receiving direct loans.
- Enrollment status changes were reported accurately and on a timely basis.
- Improvements were made to GCC's Internal Control Plan.

To achieve our audit objectives, we reviewed GCC's Policies and Procedures and assessed GCC's system of internal control over the following A-133 OMB and federal and state laws compliance areas:

- Federal Work Study Program
- Written agreements with other institutions
- Disbursement Notification Letters to students receiving direct loans
- Enrollment Status Changes
- ICP

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

We concluded for the period July 1, 2010, through June 30, 2011, that GCC has implemented corrective action plans for three of the five audit results identified in our prior audit report and has adequate internal controls in place to improve upon the issues involving Federal Work Study Payroll Procedures, Institutional Agreements, and Disbursement Notification Letters. However, GCC has not fully resolved issues regarding the reporting of student status changes and improvements made to its Internal Control Plan.

AUDIT RESULTS

1. PRIOR AUDIT RESULTS RESOLVED

Our follow-up audit disclosed that Greenfield Community College (GCC) has taken corrective action to address four prior audit issues regarding a) Federal Work Study (FWS) internal control payroll procedures, b) Institutional Agreements, and c) Disbursement Notification Letters.

a. Improvements Made in Federal Work Study Internal Control and Payroll Procedures

Our prior audit of internal controls and payroll procedures established for monitoring and controlling GCC's student Federal Work Study FWS payroll records and files indicated that GCC was not complying with guidelines and internal control policies identified in its student financial aid policies and procedures. During our prior audit, we identified seven students who worked several hours during scheduled class time, and noted no instances in which classes were canceled for these students.

Our follow-up audit indicated that GCC has taken corrective action to strengthen its FWS policies and procedures and comply with FWS guidelines. Specifically, GCC has improved its internal controls with respect to documenting and monitoring student timesheets to ensure greater compliance with existing GCC policies and procedures. In order to ensure that students do not perform FWS jobs during scheduled class time, GCC has documented its policies on the back side of each time sheet to be filled out by FWS students. These policies specifically state that students are not allowed to work during scheduled class time. If a class is canceled, the student should check the appropriate box on the front of the time card and the supervisor must initial next to the time worked.

b. Improvements Made in Institutional Agreements

Our prior audit disclosed that GCC did not maintain institutional agreements with host institutions for students fulfilling their educational program requirement at other institutions. During our prior audit, we noted that four of 19 students we reviewed did not have institutional agreements on file. In addition, two students that had institutional agreements on file were not signed by the host institution. Our follow-up audit disclosed that GCC has reviewed and made improvements to its student financial aid policies and procedures regarding institutional agreements. Specifically, the Director of Student Financial Aid reviews all institutional

agreements, ensuring compliance with federal regulations. She then signs each agreement prior to placing each agreement in the student file.

c. Disbursement Notification Letters

Our prior audit disclosed that Disbursement Notification Letters sent to Federal Family Education Loan (FFEL) recipients did not contain disbursement dates or the proper time frame for cancelling all or part of their FFEL loans. Our follow-up audit indicated that GCC has taken corrective action to ensure that the GCC complies with federal Title IV requirements regarding Disbursement Notification Letters. Specifically, our review of Disbursement Notification Letters for our sample of students receiving FFEL loans determined that disbursement dates were listed in accordance with the proper time frame for cancelling all or part of their loan.

2. PRIOR AUDIT RESULTS UNRESOLVED

Our follow-up audit disclosed that GCC has not taken sufficient corrective action to address prior audit issues regarding (a) submission student status changes and (b) Internal Control Plan improvements.

a. Student Status Changes Need Improvement

Our prior audit disclosed that GCC 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. SFA regulations governing Title IV Student Assistance programs require institutions, lenders, guaranty agencies, and the Direct Loan Servicer to monitor and update the enrollment status of all students who receive federal student loans. In accordance with 34 Code of Federal Regulations (CFR), 685.309 (b)(2), under the Federal Direct Loan program, GCC is required to identify and update the loan status of all students, including those who graduate who withdraw, via the 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 transmission.

GCC reports changes in enrollment status to a contracted third party, the National Student Clearinghouse (NSC), approximately once every two months. GCC utilizes the NSC to facilitate its responsibility to notify NSLDS of changes in the enrollment status of its students. However, GCC is ultimately responsible for ensuring that NSLDS is properly and timely notified of all

student enrollment and status changes. Also, our prior audit disclosed that GCC did not have adequate internal controls and a policy and procedure as to the frequency or timing of reporting student enrollment to the NSC. According to OMB Circular A-133, Compliance Requirements, institutions are responsible for establishing procedures to ensure for timely reporting, whether they report directly or via a third-party service such as the NSC.

Our follow-up audit disclosed that GCC did not make the proper enhancements or improvements to its NSLDS reporting since our last audit. We found in our sample of 25 students that, contrary to federal regulations, GCC did not notify the NSLDS in a timely manner of student status changes for 13 students and did not notify the NSLDS at all of student status changes for another six students. Specifically, we found that 13 students who had graduated were reported to NSLDS six days beyond the 60-day time limit. Of the six students that were not reported to NSLDS, one student had graduated and five were unofficially withdrawn from GCC.

During our follow-up audit, GCC officials in charge of enrollment reporting stated that it has just hired a new Registrar who is experienced with the NSC and NSLDS reporting requirements and she will assume the responsibility of ensuring that student status changes are reported timely and accurately. In addition, she will ensure that student status changes reported to the NSC and NSLDS are properly monitored. Officials also stated that they will review the current schedule of transmissions with the new Registrar and determine the proper frequency.

Recommendation

GCC should improve upon its internal controls and verify that the NSC is being notified of changes in student enrollment and the processing of this information by NSC is verified and reported in a timely manner to NSLDS in accordance with the requirements of 34 CFR 685.309(b)(2). GCC should also increase the frequency of its transmission to the NSC once every 30 days. In addition, GCC should update its internal control policies and procedures to include the monitoring of its transmissions to the NSC, ensuring that student status changes will be reported timely and accurately to the NSLDS.

Auditee's Response

GCC Changes in Enrollment Status Policy

GCC reports changes in enrollment status to a contracted third party, the National Student Clearinghouse (NSC) every 30 calendar days. The increased frequency of notifications from four times per semester to every 30 days were implemented with the fall, 2011 semester in order to ensure that the changes are reported to NSLDS within the required timeframe and proper monitoring of transmissions takes place.

GCC utilizes the NSC to facilitate its responsibility to notify NSLDS of changes in the enrollment status of its students. The College recognizes it is ultimately responsible for ensuring that NSLDS is properly and timely notified of all student enrollment and status changes, and that according to OMB Circular A-133 Compliance Requirements, institutions are responsible for establishing procedures to ensure for timely reporting, whether they report directly or via a third-party service such as the NSC.

b. Internal Control Plan Needs Improvement

Our audit disclosed that GCC has prepared and developed an Internal Control Plan (ICP) that was not fully compliant with Chapter 647 of the Acts of 1989 (An Act Relative to Improving Internal Controls within State Agencies) and Office of the State Comptroller (OSC) guidelines. Our prior audit specifically disclosed that GCC needed to address updates and improvements to strengthen its ICP in the following areas: internal environment, information and communication, and monitoring.

Our follow-up audit disclosed that GCC has made limited progress in updating its ICP. GCC officials indicated that while some improvements have been made to the areas identified in our prior audit report, work requirements and time constraints have prevented GCC staff from fully implementing our prior recommendations.

Our follow-up audit indicated that in response to our fiscal year 2010 report, GCC's Comptroller sent a memorandum to all department heads informing them that GCC is in the process of updating its ICP to comply with OSC guidelines. Our review found that GCC's Comptroller requested that each department head take an inventory of its departmental policies and procedures and forward this to the GCC Comptroller along with how these policies and procedures are communicated to staff and who is responsible for monitoring them. However, GCC still needs to update its ICP based on interdepartmental policies and procedures. Moreover, GCC needs to reference these policies and procedures in its ICP to most of its operational areas, which will help to ensure that GCC meets its mission and sustains long-term stability and viability.

The GCC Comptroller stated that improving the ICP is an ongoing process and they expect to continue working to improve the ICP eventually achieve compliance with OSC guidelines.

Recommendation

GCC should update its ICP based on departmental policies and procedures and replace these policies and procedures in its ICP.

Auditee's Response

GCC will continue to improve the ICP and over the next year GCC expects to be in compliance with the OSC guidelines.