

Higher Education

Student Financial Assistance Programs at Other Institutions Background

As part of the Single Audit of the Commonwealth, the Office of the Comptroller, the Office of the State Auditor of the Commonwealth and Deloitte & Touche LLP entered into a cooperative agreement to provide the necessary audit coverage for the student financial assistance programs funded by the U.S. Department of Education and administered by the Commonwealth's colleges and universities. Beginning with the fiscal year 1997 audit, the institutions selected for audit were determined using a risk-based approach. Institutions contracting with independent public accounting firms for audits of their student financial assistance programs are not included in the risk-based selection process. For the fiscal year 1999 audit, the five schools discussed below had such audits. The institutions covered by this arrangement are as follows:

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State Colleges	Community College
Bridgewater State College	Berkshire Community College
Mass Maritime Academy	Bristol Community College
Mass College of Art	Bunker Hill Community College
Mass College of Liberal Arts	Cape Cod Community College
Westfield State College	Greenfield Community College
Worcester State College	HolyokeCommunity College
	Massasoit Community College
	Mass Bay Community College
	Middlesex Community College
	Mt. Wachusett Community College
	North Shore Community College
	Northern Essex Community College
	Roxbury Community College
	Springfield Technical Community College

During fiscal year 1999, the Office of the State Auditor performed the audit of the student financial assistance programs at three institutions selected using the risk-based approach. These institutions were: Bunker Hill Community College, Roxbury Community College and Springfield Technical Community College.

As a result of these audits, findings are presented for [Bunker Hill Community College](#) and [Roxbury Community College](#).

The University of Massachusetts contracted for an audit in accordance with OMB Circular A-133 for fiscal year 1999 with an independent public accounting firm. Separate reports on compliance, internal controls as well as the Schedule of Expenditures of Federal Awards and Data Collection Form are issued as a result of University of Massachusetts audit and, therefore, the findings resulting from that audit are excluded from this report. [Quinsigamond Community College](#) also contracted for its own audit, it is, however, still included in the statewide Single Audit and the findings resulting from that audit, as presented by the outside accounting firm, are included in this report.

[Framingham](#), Fitchburg and [Salem State Colleges](#) contracted for audits of their student financial assistance programs for fiscal year 1999 with independent public accounting firm. The findings resulting from those audits, as presented by the accounting firm, are included in this report.

Roxbury Community College Findings on Compliance with Rules and Regulations

Finding Number 46: Status of the U.S. Department of Education Office of Inspector General Issues

The 1997 Single Audit of the Commonwealth reported that the U.S. Department of Education Office of Inspector General (OIG) conducted an audit of the English as a Second Language (ESL) program at Roxbury Community College (College) covering the period from July 1, 1993 to June 30, 1995 (Audit Control No. A01500991). The OIG's final report contained three findings. The College disagreed with the OIG findings and, at that time, was awaiting the final audit determination letter from federal officials. The 1997 Single Audit found eight additional students who, pending the outcome of the College's appeal, could have been ineligible. The 1998 Single Audit follow-up revealed that U.S. Department of Education (DOE) issued its Final Determination Letter on September 18, 1998. On the basis of this determination, the 1998 Single Audit concluded that five of the eight students were eligible and the eligibility of the remaining 3 students depended on the final result of College's continued appeal. Currently, the College is continuing its appeal of the three issues. The status by issue follows:

- a. **Ineligible ESL Programs:** The OIG determined that the College improperly disbursed \$2.2 million in assistance to students attending an ineligible ESL program during the period July 1, 1993 to June 30, 1995. The OIG contended that the students enrolled for the sole purpose of taking ESL and that the classes students attended constituted a program. OIG recommended that the College repay the \$2.2 million expended to ineligible students and strengthen controls over admissions and disbursement of Title IV funds. The College disagreed with OIG's finding, contending that the students were liberal arts majors, and asserted that ESL was not a program but a sequence of courses. DOE's Final Determination letter reduced this issue's liability to \$570,000. The College continues to appeal this determination.
- b. **Pell Grant Refunds Not Paid:** The OIG found that the College had not made, at the time of the OIG audit, Pell Grant refunds totaling \$4,513 to 10 students out of 2,107 tested because the College did not timely enter student status changes into its computer system. OIG recommended that the

Secretary of DOE require the College to institute internal controls and identify and pay refunds due students who withdrew or did not attend during 1992-1993 and 1995-1996. The College replied that it had adopted internal controls and, although it disagreed with the finding, refunded the funds. Thereafter, the OIG instructed the College to have an independent assessment of its control procedures and to conduct the match of awards to semesters attended. We saw no evidence that the College complied with these instructions.

- c. **The College Awarded Funds to one Underage Student:** The OIG determined that the College improperly awarded \$1,075 in Pell Grant funds to a 15-year old student for the fall 1993 semester. The student's General Education Development certificate was not valid until the student turned 16 years old. The OIG concluded that the College's procedures for flagging ineligible students were not adequate. The College responded to the OIG at the exit conference that the award, which was made after the student turned 16 years old, was proper even though the student was not eligible during the semester for which the aid was awarded. The College's response to the draft OIG report indicated that its new computer system and policy was in full compliance with program requirements. However, the OIG reasserted that the College must repay \$1,075 and have an independent assessment of its student eligibility control procedures. The College indicated that it would comply with OIG instructions and continue to work with DOE to resolve this issue. During this audit period, it was noted that the College has not repaid the \$1,075 and this issue is included in the College's appeal. Further, the College had not caused an independent assessment of its student eligibility control procedures until this audit. This audit assessed the eligibility control procedures as adequate and our tests found no indications that the system failed to detect ineligible applicants. (*Department of Education – Federal Pell Grant Program 84.063; Department of Education Report 7/93-6/95 Finding 1; Fiscal year 1997; 1998 Single Audit Findings 74, 75 and 76*)

Recommendation

The College should continue to work with the DOE to resolve these issues

Department Corrective Action Plan

The College is still aggressively working with the U.S. Department of Education to resolve these issues.

Responsible Individual: Dr. Grace C. Brown

Findings on Reportable Conditions

Finding Number 47: Lack of Internal Control over Federal Cash Reporting

Roxbury Community College (College) did not have in place a process to routinely verify that funds drawn from the federal government were drawn from the appropriate account. As a result, undetected errors caused the College's reports to the federal government to be misstated.

During the fiscal year audit, the Financial Aid Director initiated requests for federal student financial aid funds by sending a roster of financial aid recipients to the Business Office. Before processing the Financial Aid Director's student rosters, Business Office personnel compared the information on each roster with internal records and made appropriate adjustments when they detected conflicts that effected the amount of cash needed from the federal government. However, no one checked to ensure that the assigned staff appropriately requested the funds from among the several accounts that were available through the U.S. Department of Education's payment system. The system, known as Grants Administration Payment System

(GAPS), allows funds to be drawn against separate accounts for each of three programs in each of six or more years.

Business Office instructions to its staff making the drawdown requests clearly indicated the separate accounts for each program and the years involved, however it was observed that the College drew \$19,171 to cover 1998 Federal Pell Grant Program (Pell) and Federal Supplemental Education Opportunity Grant (FSEOG) expenditures and charged this amount to the 1999 accounts. In addition, the GAPS report for award year 1998 indicated that there was \$51,237 still available while the Financial Aid Director stated that the College had expended all but \$2,389 from the 1998 authorizations. It appears that additional errors, perhaps relating to several previous years, have not yet been detected and corrected.

The periodic reconciliation of GAPS reports to the College's records is necessary to detect internal accounting errors and more importantly, to provide assurance that GAPS data and other reports to the federal government regarding Pell, Federal College Work-Study, and FSEOG are accurate. (*Department of Education – Federal Supplemental Education Opportunity Grants 84.007; Federal Work-Study 84.033 and Federal Pell Grant Program 84.063*)

Recommendation

The College should establish a procedure requiring the verification that funds drawn down are charged to the accounts indicated on the vouchers. Thereafter, an administrator should verify that periodic reconciliations are complete and reconciling items resolved in a timely manner.

Department Corrective Action Plan

As indicated in the audit report, management clearly marked the year and the fund to be requested in its instructions to the staff, and verified that the amounts requested were actually received and properly spent according to its original instructions.

Management has met with staff to make sure that the amounts reported in the Grants Administration Payment System (GAPS) are accurate. Fiscal 2000 and fiscal year 1999 have now been completely reconciled. The differences in fiscal year 1998 appear to be result of the change of systems that occurred at that time. Management intends to work with the staff and GAPS personnel to determine the source of the problem and to make whatever adjustments may be necessary.

As of now, management has instituted a new procedure that requires a copy of the GAPS report for each drawdown, be made a part of the package for management review. In this way, management will be able to see and to correct any future errors in a timely manner.

Responsible Individual: Dr. Grace C. Brown

Findings on Compliance with Rules and Regulations

Finding Number 48: Lack of Procedure to Identify Walk-Away Students

Roxbury Community College (College) lacks a procedure to identify walk-away students necessary to comply with federal regulations.

In the case of students who do not "officially" withdraw, federal student financial assistance regulations [34 CFR, Part 668.22] require schools to calculate refunds based on the last recorded date of attendance and establish procedures to identify that date. In describing what is expected of participating schools, the Student Financial Aid (SFA) Handbook states:

Participating SFA schools are expected to monitor student attendance for the purpose of determining a withdrawal date in cases of unofficial withdrawal. The school must demonstrate that the student has remained in academic attendance through a specific point in time. The school's determination of the student's last day of attendance must be based on an event that the school routinely monitors and must be confirmed by an employee of the school.

To evaluate the potential consequence of this inadequacy, a review was conducted of the first 20 financial aid students identified who earned no credits for the fall 1998 semester. All 20 students were assigned to two or more classes. Of these 20 students, only 6 officially withdrew. The College could not provide assurance that the remaining 14 students, who received financial aid of \$19,801, withdrew after the refund date. The refund date is the point at which the College should have calculated a refund for each officially and unofficially withdrawn student.

Because students who earned no credits are likely to be unofficial withdrawals, the College should have calculated a refund for each.

Federal regulations require that the school base its refund calculations on the last date that it can demonstrate academic attendance. Therefore, the school may be liable for refunds as if the students withdrew before the first day of class. If the actual number of official withdrawals is consistent with our sample and if the school cannot demonstrate that the remainder stayed in school past the refund date, the school's liability could be substantial.

This liability is attributable to the fact that the College did not recognize the need for a procedure that is described in handbook. Such a procedure is essential to comply with federal regulations. (*Department of Education – Federal Supplemental Education Opportunity Grants 84.007, Federal Work-Study Program 84.033 and Federal Pell Grant Program 84.063*)

Recommendation

The College should identify the students who are entitled a refund for the school year 1998-1999 and calculate refunds in accordance with the regulations. Further, it should establish procedures that track and document financial aid students' attendance through the refund period. The school should calculate refunds of students who drop out as required by 34 CFR 668.22.

Department Corrective Action Plan

Students' attendance will be monitored closely by faculty and appropriate Enrollment Management Staff. In addition, the following procedures have been implemented.

1. Class rosters will be printed in the Registrar's Office and issued to faculty during the mid-term reporting period. Faculty will record the mid-term grade and date of last attendance for each student and forward to the Registrar's Office. The Registrar's Office will compile a report which will include, among other things, the date of last attendance and proper coding of those students who are walk-aways and forward to the Financial Aid Office.

2. The Financial Aid Office will adjust each student's Financial Aid Award in accordance with Title IV regulations and return any funds if necessary.
3. Class rosters will be issued to faculty for submission of final grades. Faculty will be required to record the last date attended for students who are receiving failing grades.
4. The Financial Aid Office will adjust those Financial Aid Awards in accordance with Title IV regulations and return funds if necessary.

The Financial Aid Office will also identify all students who require refund calculations for the school year 1998-1999 in accordance with federal regulations. The Office will identify all students with zero earned credits that received financial aid and ascertain the last date of attendance for the particular semester. Those last dates of attendance will be gathered from faculty records.

Identification of a student's date of last attendance will be made within the next two weeks and refunds will be calculated in accordance with Federal regulations.

The College has implemented the Federal Return of Funds Policy that has replaced the old refund policy, and has set up new policies and procedures to monitor last dates of attendance throughout the semester. The new procedure will differentiate between those students failing and those who have not attended classes.

Responsible Individual: Dr. Grace C. Brown

[More on Roxbury Community College](#)

Quinsigamond Community College Findings on Compliance with Rules and Regulations

Finding Number 49: Student Financial Aid Cluster

Statement of Condition: Changes were reported on the Student Status Confirmation Report (SSCR) that dated back to 1995.

Criteria: Changes in a student's status must be reported within sixty days.

Effect of Condition: Program requirements have not been satisfied.

Cause of Condition: The data was not communicated timely or communication difficulties occurred which were not resolved timely. (*Department of Education - Student Financial Aid Cluster*)

Recommendation

Procedures should be put into place to ensure that all student status changes are reported timely. Transmission difficulties should be addressed immediately to ensure that requirements are satisfied and changes are properly reflected.

Department Corrective Action Plan

The SSCR was, at the time, produced by the Registrar's Office. This function has since moved to the Financial Aid Office and is regularly produced and updated within the required reporting timeframe. As soon as the College is fully functional on the updated computer system the College will implement participation in the National Clearinghouse to ensure that the information is reported in as timely a fashion as it technologically possible. The Financial Aid Office will oversee this process.

Findings on Compliance with Rules and Regulations

Finding Number 50: Student Financial Aid Cluster

Statement of Condition: Funds were drawn down for students in November 1998 and applied to students' accounts. In March 1999 the distribution was voided. The funds were not returned to DOE. A subsequent July 1999 draw down was reduced by this amount.

Criteria: Cash requirements do not allow excess cash to be maintained.

Effect of Condition: Excess cash on hand.

Cause of Condition: Funds were not returned within sixty days of the void. (*Department of Education - Student Financial Aid Cluster*)

Recommendation

We recommend that procedures be put in place to ensure that excess cash is retained to DOE timely

Department Correction Action Plan

During migration from the Wang to the new system, some financial aid disbursement files were doubled. This doubling of files made the financial aid account look like it was in a deficit position. As soon as the files were corrected, the College lowered a subsequent drawdown by the excess funds. Now, the College is fully on the new system student billing, financial aid, and general ledger will all work off of the same file, thus eliminating the need for bringing files from one system to another.

Findings on Compliance with Rules and Regulations

Finding Number 51: Federal Pell Grant Program

Statement of Condition: The Pell Payment Data form submitted as of August 9, 1999 for the Fiscal 1999 award year was incorrect. Funds had been received on April 9, 1999 for ten students, which was reported as available on the August 9, 1999 report. Two students had funds reported as been disbursed on the Pell Payment Data form that had not been drawn down.

Criteria: Accurate reporting is required

Effect of Condition: Inaccurate reporting. Funds may be disbursed to ineligible students.

Cause of Condition: The report was prepared incorrectly. (*Department of Education - Federal Pell Grant Program 84.063*)

Recommendation

Reports should reconcile to the funds actually drawn down and applied to student accounts.

Department Corrective Action Plan

At the time of the audit these funds were in the process of being researched and resolved by the Financial Aid Office. As of the date of the submission of the College's FISAP Report for 1998-1999/Application for 2000-2001, September 29, 1999, all funds had been resolved and all accounts were in balance. This balance was made between the College's DMI system and the Department of Education information system.

The Financial Aid Office has taken note of the audit recommendations and will continue to progress toward the implementation of these requirements.

Findings on Compliance with Rules and Regulations

Finding Number 52: Perkins Loan Program

Statement of Condition: Delinquent accounts are not sent to a collection agency or credit bureau.

Criteria: Federal regulations require the use of a collection agency and credit bureau reporting.

Effect of Condition: Grant requirements have not been satisfied.

Sample Size:

	Number
Sample	10
Not in compliance	9

Cause of Condition: Loans are not routinely turned over to a collection agency or credit bureau. (*Department of Education - Federal Perkins Loan Program 84.038*)

Recommendation

Procedures should be established to ensure delinquent loans are turned over to both a collection agency and credit bureau on a regular basis.

Department Corrective Action Plan

The College is reviewing with one of our collection agencies, Collection Company of America, a program

that is administered by their agency. The program will make annual contact with the borrowers, send demand letters, and handle all delinquent accounts for the Perkins Loan Program.

Findings on Compliance with Rules and Regulations

Finding Number 53: Perkins Loan Program

Statement of Condition: Required annual attempts to contact students with delinquent loans are not made. No address searches are conducted.

Criteria: Federal regulations require at a minimum one contact attempt be made annually.

Effect of Condition: Grant requirements have not been satisfied.

Sample Size:

	Number
Sample	10
Not in compliance	9

Cause of Condition: No contact attempts have been made on outstanding loans. (*Department of Education-Federal Perkins Loan Program 84.038*)

Department Corrective Action Plan

The College is reviewing with one of our collection agencies, Collection Company of America, a program that is administered by their agency. The program will make annual contact with the borrowers, send demand letters, and handle all delinquent accounts for the Perkins Loan Program.

Findings on Compliance with Rules and Regulations

Finding Number 54: Perkins Loan Program

Statement of Condition: Demand letters were not sent as required on delinquent loans.

Criteria: Federal regulations require demand letters be sent if no response is received to two past due notices.

Effect of Condition: Grant requirements have not been satisfied.

Sample Size:

	Number
Sample	10
Not in compliance	5

Cause of Condition: *The required demand letters were not sent. (Department of Education - Federal Perkins Loan Program 84.038)*

Recommendation *Procedures should be established to ensure that required procedures are followed with respect to delinquent loans.*

Department Corrective Action Plan

The College is reviewing with one of our collection agencies, Collection Company of America, a program that is administered by their agency. The program will make annual contact with the borrowers, send demand letters, and handle all delinquent accounts for the Perkins Loan Program.

Findings on Compliance with Rules and Regulations

Finding Number 55: Perkins Loan Program

Statement of Condition: *Perkins Loan Program cash is in an account that does not have "federal funds" in the name nor was the custodian notified in writing of their existence.*

Criteria: *Program requirements call for a "federal funds" to be in the account name or the institution to be notified in writing.*

Effect of Condition: *Grant requirements have not been satisfied.*

Cause of Condition: *The College uses a pooled investment account. (Department of Education - Federal Perkins Loan Program 84.038)*

Recommendation

The College should remit all program cash on hand.

Department Corrective Action Plan

As of July 1999, the College removed all Perkins funds from that mentioned account and sent them back to the U.S. Department of Education.

Findings on Compliance with Rules and Regulations

Finding Number 56: Perkins Loan Program and Nursing Student Loan Program

Reportable Condition: No system is in place to ensure that the various requirements of the program with respect to contact with students, collection effort, and conversion to repayment status are performed on a timely basis as required by the program. Questioned cost of \$6,625.

Effect of Condition: The likelihood that loans will be defaulted on is increased. The 1999-default rate is 32.05%.

Cause of Condition: Collection efforts are not made. (Department of Education - Federal Perkins Loan Program 84.038; Department of Health and Human Services - Nursing Student Loan Program 93.364)

Recommendation

Procedures should be put into place to ensure that collection efforts required by the program are followed.

Department Corrective Action Plan

The College is reviewing with one of our collection agencies, Collection Company of America, a program that is administered by their agency. The program will make annual contact with the borrowers, send demand letters, and handle all delinquent accounts for the Perkins Loan Program.

[More on Quinsigamond Community College](#)

**Framingham State College
Findings on Compliance with Rules and Regulations**

Finding Number 57: Lack of Documentation Supporting Exit Interviews

Six students from a sample of seventy-one contained no evidence within their files documenting that an exit interview had been conducted or that counseling material had been sent to the borrower for a FFEL.

This is not a monetary finding. In accordance with 34 CFR 682.604, the College is required to: 1) conduct counseling prior to release of its first disbursement of Federal Stafford Loan funds to that student; and 2) conduct in person exit counseling or mail written counseling material to a borrower within 30 days after determining that the borrower has ceased a program of at least half time study. (Department of Education - Federal Family Education Loan Program 84.032)

Recommendation

The College should review its procedures for tracking students that require exit counseling in order to prevent future oversights and insure that a proper exit interview be conducted.

Department Corrective Action Plan

In order to comply with this audit finding and federal regulation regarding the Stafford Loan Program, the College will increase staff attention to monitor carefully all status changes of students.

Salem State College

Findings on Compliance with Rules and Regulations

Finding Number 58: Lack of Documentation Supporting Exit Interviews

The files from six students from a sample of seventy-five, who were academically dismissed by the College, contained no evidence documenting that an exit interview had been conducted or that counseling material had been sent to the borrower for a FDLP.

This is not a monetary finding. In accordance with 34 CFR 682.604, the College is required to: (1) conduct counseling prior to release of its first disbursement of FDLP funds to that student; and (2) conduct in-person exit counseling or mail written counseling material to a borrower within 30 days after determining that the borrower has ceased a program of at least half-time study. (Department of Education – Federal Direct Loan Program 84.268)

Recommendation

The College should review its procedures for tracking students that require exit counseling in order to prevent future oversights and insure that a proper exit interview be conducted.

Department Corrective Action Plan

We concur with the finding. Loan Exit Interview packets have been sent to six borrowers in question. The College will increase personnel awareness concerning this matter. Personnel will monitor the following: monthly Registrar reports for students who exit the College for Leave of Absences, Withdrawals, Dismissals, Graduations; monthly Registrar attendance report for Unofficial Withdrawals; monthly course withdrawal reports for students who become less than half time.

Findings on Compliance with Rules and Regulations

Finding Number 59: Annual Information on Enrollment not Made Available to Students

The College did not prepare and make available to all enrolled or prospective students upon request, by mailing or appropriate publications, annual information regarding completion or graduation rates and transfer-out rates of certificate or degree seeking full-time undergraduates students.

According to 34 CFR 668.41, 46 and 49 the College is required to provide this information annually. (All student financial assistance programs)

Recommendation

The College should prepare and make available on an annual basis information regarding completion or graduation rates to enrolled and prospective students.

Department Corrective Action Plan

We concur with the finding. The College's strategy for compliance is to make this data available to the public and the College community via the College's website.

Findings on Compliance with Rules and Regulations

Finding Number 60: Perkins and Nursing Student Loan (NSL) Cash Balances not Supported by College Records and Funds do not Receive Interest Income Earned by the Institution

The balances of cash attributable to the Perkins and NSL Programs are included in a single pooled cash account, which includes other College funds. The College does not currently maintain an accurate record of the specific amounts belonging to the Perkins and NSL Programs.

According to 34 CFR 668.163(2), (4d), the College is responsible to maintain and account for funds and must clearly identify the Perkins Loan Program funds maintained in that account.

According to 42 CFR 57.308, the College must establish a separate account for NSL Program funds. However, this does not require a separate bank account, but does require separate accounting that provides a clear audit trail.

The College maintains a cash pool that is available for use by all funds. The cash balances for Perkins and NSL Programs are included within this cash pool. We noted that the College does not allocate interest or income earned in the cash pool to the Perkins and NSL Programs funds. Additionally, the interest on income earned is not reflected on the FISAP and the NSL annual operating report.

In accordance with 34 CFR 668.163, the College is required to maintain the Perkins Loan funds in as interest-bearing bank or investment account. Interest or income earned on the Perkins Loan balances are to be retained by the College as part of the Perkins Loan Program. In accordance with 42 CFR 57.308, the College is required to retain interest on investment income earned on NSL funds within the program.

According to certain College records, interest earned and allocable during fiscal 1998-99 on Perkins and NSL Program funds amounted to \$303 and \$4,579, respectively. (Department of Education – Federal Perkins Loan Program 84.038; Department of Health and Human Services – Nursing Student Loan Program 93.364)

Recommendation

The College should determine, reconcile and monitor the proper cash balance for Perkins and NSL Programs. The College should determine and monitor the amount of interest or income earned in the Perkins and NSL Program funds and ensure that they are allocated their appropriate share.

Department Corrective Action Plan

We concur with the finding. Perkins earned \$229.97 and the Nursing Program earned \$140.89 in interest through FirstStar Bank, our third party servicer bank, AFSA. This interest earned is reflected in the FISAP and AOR reports. An additional \$4,439.50 interest on Perkins funds and \$4.03 interest on Nursing Student Loan funds was earned through Eastern Bank, our local bank. The College is currently implementing procedures to ensure that the proper cash balances are determined, reconciled and monitored for Perkins and Nursing Student Loan (NSL) programs.

Findings on Compliance with Rules and Regulations

Finding Number 61: Amounts Reported on Federal Fiscal Operations Report and Application (FISAP)

and the Nursing Student Loan (NSL) Annual Report do not Agree to the College's Records

We noted during our audit that several amounts included in the Perkins Loan Section (Part III, Section A) of the FISAP and the NSL Annual Report for the period ended June 30, 1999 did not have adequate supporting documentation. The recordkeeping of these loan programs are documented on a report prepared by Academic Financial Services Agency (AFSA) Data Corporation (a third-party servicer) which monitors student loan balances and collects student payments, and the College records. The AFSA records and the College's records are substantially not in agreement. The College has not been able to reconcile the differences between AFSA and the College's records or determine which amounts are accurate.

The College utilized certain amounts reported on the AFSA report and certain amounts from their records to complete the FISAP for the year ended June 30, 1999. The following illustrates various discrepancies found during our audit.

As noted by College personnel, there were numerous errors in the preparation and submission of prior years' FISAP reports. These errors arose from unknown variances in past recordkeeping practices. While preparing the FISAP for June 30, 1999, the College decreased the Institutional Capital Contribution cumulative total by \$237,145 (Part III, Section A, Line 21 of the Perkins Loan Program) in order to correct previous errors, to minimize current year discrepancies, and balance this input field of the FISAP software program.

The cash on-hand reported in the Perkins section of the FISAP and the NSL Program Annual Report does not agree to the College's records. The balance per the Perkins Loan Program for cash on-hand, as reported in the FISAP, totaled \$0, while the cash balance per the College's records totaled a negative balance of \$50,828. The balance per the NSL Program for cash on-hand as reported in the Annual Report totaled \$107,837, while the cash balance per the College's records totaled \$80,583. There is no reconciliation performed by the College in regard to these cash balances. (See finding number 60).

We noted various discrepancies between amounts reported on the FISAP and the College's records. For example:

Revenues	Per FISAP	Per College Records	Variance
FSEOG	\$417,483	\$419,233	\$1,750
FWS	518,23	521,649	3,026
Expenditures			
PELL	\$3,016,389	\$3,011,157	\$5,232
FSEOG	417,48	418,533	1,050
FWS	518,623	513,153	5,470

It appears the discrepancies occurred because the College's financial management system lacks the necessary supervisory, monitoring and reconciliation procedures to ensure the accuracy and reliability of accounting records and financial reports, as well as compliance with federal regulations.

In accordance with 34 CFR 668.24 and 34 CFR 674.19(d), an institution must establish and maintain financial records, which reflect all program transactions. An institution must establish and maintain general

ledger control accounts and related subsidiary records that identify each program transaction and separate those transactions from all other institutional financial activity. Program and fiscal records must be reconciled monthly.

Additionally, 34 CFR 675.19(b)(3) and 34 CFR 676.19(b)(3) require institutions to ensure that information reported on the FISAP is accurate. (Department of Education – Federal Pell Grant Program 84.063, Federal Supplemental Education Opportunity Grants 84.007, Federal Work-Study Program 84.033, Federal Perkins Loan Program 84.038; Department of Health and Human Services – Nursing Student Loan Program 93.364; Fiscal Year 1998 Report Finding 13)

Recommendation

It is recommended that the College develop procedures to ensure that its financial management system can adequately provide support to, and be the basis for, accurate financial reports. The College's system of internal controls should be improved by the design of appropriate supervisory, monitoring and reconciliation procedures to reduce the risk of errors and omissions and to ensure the proper operation of the financial management system and reliability of the financial reports, as well as compliance federal regulations.

Department Corrective Action Plan

The College is in the process of implementing procedures to ensure that its financial management system provides support to, and is the basis for accurate financial reports. The College's system of internal control will be improved to ensure the proper operation of the financial management system and reliability of the financial reports, as well as compliance with Federal regulations.

Findings on Compliance with Rules and Regulations

Finding Number 62: Notification of Student Status Changes not Performed Timely

It was brought to our attention that a change in enrollment status for eighty-seven students was not indicated on the Student Status Confirmation Report. These students were no longer enrolled or were less than half-time according to the College's attendance records.

This is not a monetary finding.

In accordance with 34 CFR 682.610(c), the College is required to report a change in a student's enrollment status when the student has ceased to be enrolled on at least a half-time basis. Once the College receives a Student Status Confirmation Report, or a similar student status confirmation report from any guaranty agency, the College is required to return the report within 30 days of receipt to the Department of Education or the guaranty agency, whichever is applicable. (Department of Education – Federal Family Education Loan Program 84.032, Federal Direct Loan Program 84.268; Department of Health and Human Services - Nursing Student Loan Program 93.364)

Recommendation

The College should implement policies and procedures to monitor and report changes in student enrollment status and to ensure that required notifications are processed timely.

Department Corrective Action Plan

We concur with Finding. The Registrar's Office is working with Information Technology and the Financial Aid Office to report this information to the Clearinghouse, so that it will be disseminated to the guarantors on a timely basis

Findings on Compliance with Rules and Regulations

Finding Number 63: Unreconciled Cash for Title IV Programs

We noted that the College has unreconciled cash balances for the Pell and FSEOG funds. The cash balance per the College's general ledger at June 30, 1999 for the Pell and FSEOG funds totaled \$18,651 and \$5,550, respectively. Under the usual operations of these programs, no cash balances would be expected at June 30, 1999. The College believes that a portion of these balances is due to timing differences.

In accordance with 34 CFR 668.161 and 166, an institution is to promote sound cash management of Title IV programs funds and if determined, return promptly to the Department of Education any amount of excess cash in its account(s). (Department of Education – Federal Pell Grant Program 84.063 and Federal Supplemental Education Opportunity Grants 84.007)

Recommendation

The College should determine the exact amount of cash balances in each program. If applicable, the College should return any excess cash to the Department of Education. The College should implement appropriate record keeping policies and procedures over Title IV program funds.

Department Corrective Action Plan

We concur with the Finding. The College is currently reviewing the June 30, 1999 balances to ascertain which portions are due to timing differences and which portions, if any, are excess cash. When determination is made, any excess cash will be returned to the Department of Education in accordance with 34 CFR 668.161 & 166.

Bunker Hill Community College Findings on Compliance with Rules and Regulations

Finding Number 64: Funds Awarded to an Ineligible Student

Bunker Hill Community College (College) awarded funds to an ineligible student who did not demonstrate need. The Federal Student Financial Aid Handbook states that a student must demonstrate financial need to receive all Student Financial Assistance (SFA) except for unsubsidized loans under the Federal Family Education loan Program and the Direct Loan Program. Financial need is simply defined as the difference between the student's cost of attendance (COA) and the family's ability to pay these costs" known as the expected family contribution (EFC).

Our review of a random sample of 25 student files to determine eligibility for student financial aid disclosed that one ineligible student was awarded funds. Because the student's EFC exceeded the maximum eligible EFC allowable for a fiscal year 1999 Pell Grants, the College improperly awarded \$950 to the student in Pell

funds and \$200 in Federal Supplemental Educational Opportunity Grant (FSEOG) funds.

The student in question was selected by U.S. Department of Education (DOE) for verification of information that the student provided on the application for financial aid. Income information was determined to be incorrect during the verification process and a revised Student Aid report (SAR) was submitted by the student before the spring semester awards had been disbursed with the student's revised EFC. The College should have eliminated the student's spring award based on this SAR. The revised SAR was in the student's file, but there was no indication of action being taken to correct the award. The student's originally determined award was disbursed to the student and had not been adjusted at the time of our audit.

The College credited the financial assistance funds to the student's account for both the fall and spring semester. Upon our notifying the Financial Aid Office, the student's award was eliminated from financial aid roster records and the Bursar's Office adjusted the student's account. Adjustments to the Pell and FSEOG accounts were completed by reducing subsequent funding requests for the improperly disbursed funds. (Department of Education – Federal Pell Grant Program 84.063 and Federal Supplemental Education Opportunity Grants 84.007)

Recommendation

The College should ensure that student awards are adjusted timely when the verification process or other information indicates they are incorrect.

Department Corrective Action Plan

The College has controls in place to ensure that student eligibility is determined according to Title IV requirements, including consideration for aid based upon the most recent family contribution. All students are reviewed for eligibility strictly according to the Title IV guidelines. Each student file is checked for the requisite data as well as for an eligible EFC. Students selected for verification are submitted to the verification requirements. Enrollment is also checked for number of credits and also for assurance that the student is enrolled as a matriculated student at the College.

The College also periodically re-checks student files throughout the award year to ensure that all the necessary elements have been met. The student in question was identified as an awarding error prior to the arrival of the auditors. Simply stated, the student had submitted an original SAR and two adjusted SAR. Inadvertently, the financial aid counselor used the EFC from the second SAR instead of the most recent SAR.

In a normal award year, this adjustment would have taken place earlier in the year. For award year 1998-99, The College installed a new, highly sophisticated and complex data processing system, Datatel Colleague System. The system was "brought up" in time for the spring semester. Due to its complexities and the necessary adjustments to the new system, review and reconciliation of the financial awards occurred later in the year. In another award year, the adjustment to the above-mentioned student account would have occurred earlier in the year. Also, as a further control, the Datatel system will produce an "exception report" which will identify late changes to critical data elements for those students who submit a subsequent change to their data.

The College has instituted an annual review schedule for the Financial Aid Office that will ensure that the systematic and periodic review of student files as mentioned above will occur earlier in the award year. As mentioned above, the Financial Aid Office has controls in place to review the necessary data elements to ensure that The College is in compliance with eligibility requirements for financial aid. In an attempt to avoid

errors attributable to human error, the College will institute an earlier review of the requisite eligibility elements for all awarded students to ensure that no student is improperly awarded federal money.

Responsible Individual: James O. Ortiz

Findings on Compliance with Rules and Regulations

Finding Number 65: Insufficient Refund Documentation and Untimely Refunds and Return of Program Funds

Our review of student refunds at Bunker Hill Community College (College) revealed the lack of adequate documentation identifying refunds processed and the need to improve controls over calculation worksheet documentation. In addition, refunds need to be processed and reported more timely.

The College provided a list of awards as of July 1999 but was able to provide a list of refunds processed. The College did, however, provide a listing of all students who withdrew from the College during fiscal year 1998-1999 with the student's names and date of withdrawal. Refunds processed and amounts were not reported on the listing. Subsequently, the Financial Aid Director identified the students who received financial aid from the list of withdrawn students.

We selected five financial aid students to review for correct refund calculations, adequate documentation and timeliness of refunds. The College utilized the federal refund worksheets for refund determination, and the refunds were calculated correctly. However, no preparer or reviewer signature was noted on the worksheets nor were they dated to indicate the timeliness of the calculation.. Federal regulation, 34 CFR 668.22 requires return of funds to the financial assistance programs and to students within 30 days from the later of the last date of attendance, student notification of withdrawal or the date the College determined that the student ceased attending. From an internal control perspective, it is necessary to indicate the preparer, and supervisory review and date the refunds to evidence that the refund was timely. Without such evidence, the College could not demonstrate that the refunds were calculated timely and that they were reviewed. For three of the refunds we reviewed, financial aid records were not adjusted to reflect the refunds as of July 1999 even though two refunds were for the fall (1998) semester.

When this issue was brought to the College's attention, officials adjusted the financial aid reports, student accounts, and program accounts. As of September 30, 1999 financial aid report showed the adjustments were made. (Department of Education – All student financial assistance programs)

Recommendation

The College should:

- Should properly document refund calculation worksheets including date processed, prepare and reviewer.*
- Ensure that refunds are processed and reported timely as required by regulations.*

Department Corrective Action Plan

Corrective action has been implemented. The College has a process in place wherein no student is allowed to withdraw unless the student presents an official withdrawal form to the Registrar's Office signed by the

necessary offices including financial aid. At that notification point, the Financial Aid Office makes the determination if the withdrawing student is a financial aid recipient and eligible for a refund. It should be noted that each of the 5 student accounts selected for the sample had a refund calculated and that the refunds were calculated correctly.

The College has instituted additional controls to ensure that financial aid is notified of withdrawn students. Firstly, the College will retain its on-going process wherein no student is allowed to withdraw unless the student presents an official withdrawal form to the Registrar's Office signed by the necessary offices including financial aid. Secondly, the College, with the implementation of its new Datatel software, will be able to produce a report which lists all students who received a refund, identifying them by name, date and amount of refund.

Thirdly, the Financial Aid Office will offer additional training to its staff to ensure that its staff understands that all refund calculation worksheets must be properly documented and signed including the date processed, and the preparer and reviewer signatures. Also, the Financial Aid Office will review the calculation worksheets for all refund calculations as part of its periodic review of financial aid compliance elements as referenced in Finding 64. Finally, the Financial Aid Office, supported by the new Datatel system and the above-referenced withdrawal notification process, will identify withdrawn students and calculate the appropriate refund in a timely manner. The Financial Aid Office will identify students in need of a refund calculation at the point where the student arrived at the Financial Aid Office with the official withdrawal form. The Financial Aid Office will do the requisite refund calculation at that time ensuring that the refunds are calculated and reported timely. The Financial Aid Office will also produce the necessary paperwork to notify the Student Payment Office of the changes to the student's account for posting and account adjustment purposes. The Datatel system will produce a monthly listing for the Financial Aid Office of all withdrawn students. Relying on the formal notification process and this listing, the Financial Aid Office will cross reference both processes to ensure that the refunds are calculated properly in a timely fashion.

Responsible Individual: James O. Ortiz

Findings on Compliance with Rules and Regulations

Finding Number 66: Lost Interest Earnings

Our examination of the Federal Perkins Loan Program disclosed that Bunker Hill Community College (College) maintained program funds in non-interest bearing bank account. Federal regulation, 34 CFR 668.163(c), states, in part, an institution must maintain the Perkins Loan Program Fund in an interest-bearing bank account or investment account consisting of predominately low-risk income producing securities. Net interest earned on fund proceeds is retained by the institution as part of the Perkins Loan Fund.

As a result, additional revenue available for student loans or fund expenditures was lost. Our review disclosed the average monthly bank balance for the Perkins Loan Fund during fiscal year 1999 was \$64,818.

During fiscal year 1999, the College received no Federal or State Capital Contribution to the Perkins Loan Fund and relies on loan repayments and interest income to support the revolving fund. Officials indicated that they were unaware of the requirement. (Department of Education – Federal Perkins Loan Program

84.038)

Recommendation

The College should maintain the Perkins Loan Program Funds in an interest-bearing or low-risk investment account as required by federal regulations.

Department Corrective Action Plan

The College will immediately establish and maintain its Perkins Loan Funds in an interest bearing account as required by regulation.

Implementation Date: October 15, 1999

Responsible Individual: *Jesse Thompson*

Findings on Compliance with Rules and Regulations

Finding Number 67: Federal Pell Grant Disbursements not Reconciled

Our review disclosed that Bunker Hill Community College (College) did not reconcile Federal Pell Grant Program disbursements shown on the financial aid summary records to the Business Office's ledger records as of June 30, 1999 or to the U.S. Department of Education (DOE) Student Payment Summary report. The College should reconcile these reports to ensure that all awards are disbursed to students and that the Federal Pell Grant Program authorization is sufficient to meet program expenditures. Disbursements shown on financial aid records and reports and the business office records were as follows:

<i>Date</i>	<i>FISAP Report</i>	<i>Financial Aid Records</i>	<i>Business Office Records</i>
<i>10/01/99</i>	<i>\$3,031,139</i>	<i>\$3,029,596</i>	<i>\$2,980,560</i>
<i>07/16/99</i>	<i>N/A</i>	<i>\$2,949,513</i>	<i>\$2,877,454</i>

As shown above, the FISAP total reported on October 1, 1999 exceeds the Business Office records by \$50,579 (\$3,031,139- \$2,980,560). At the College, the Financial Aid Director and the Comptroller prepared the FISAP report based on the financial aid records without reconciliation with the Business Office disbursement records.

In addition to the above reconciliations, the College is required to compare its Federal Pell Grant payment records with a report of Federal Pell Grant Awards provided by DOE called the Student Payment Summary (SPS) and to process updates or correct Federal Pell Grant data appearing on the SPS through DOE. Processing Pell awards through DOE serves to establish the Pell Program authorization level.

Our review disclosed, as of July 16, 1999, the SPS report totaled \$2,962,582 of Pell payments which exceeded the Financial Aid Office's records by \$13,069 (\$2,962,582 -\$2,949,513) and the Business Office's

records by \$85,128 (\$2,962,582 - \$2,877,454). As of August 1, 1999, the College had not reconciled the SPS for the 1998-1999 award year. By not processing updates and corrections in a timely manner and reconciling the SPS report and financial aid records to the Business Office records, the College risks incorrectly reporting the Pell expenditure data, not processing student payments timely and having insufficient funds to pay awards. We did note that as of the filing of the FISAP, the SPS reconciliation was completed showing a difference of \$1,543. (Department of Education – Federal Pell Grant Program 84.063)

Recommendation

The College should reconcile the SPS report to its Federal Pell grant payment records and process updates in a timely manner as required. In addition, BHCC should reconcile its Federal Pell Grant records per the Financial Aid Office to the Business Office's records to ensure awards payments are processed accurately and timely. The College should also reconcile the remaining difference of \$1,543.

Department Corrective Action Plan

Corrective action has been implemented. The College has a process in place to reconcile of its SPS Report to its Federal Pell Grant payment records. The College has a process in place for reconciliation of its financial aid records to the Student Payment Office disbursement records. For award year 1998-99, though the Financial Aid Office and the Student Payment Office were reconciling through out the year, final reconciliation was delayed as a result of the mid-year change over from the prior computer system to the new Datatel computer system. Due to the change over from one computer system to another and the complexities involved final reconciliation required more time than originally estimated. It also required the adjustment of many of the College's policies and procedures to insure the accuracy of data and reports. Those new policies and procedures are now in place. At the time of the audit, the College's Pell Grant authorization level had not been adjusted to reflect the changes, which had been submitted to the EDE system. Those changes, once approved by the Department of Education, will balance with the Financial Aid Office and Student Payment Office records. At that time, the College will make the requisite edits to the FISAP to insure that the FISAP, the SPS, the financial aid records and the Student Payment Office records are in balance.

The College has established a monthly reconciliation process for the 1999/2000 award year that will reconcile the SPS report to the Federal Pell Grant payment records and Financial Aid Office Federal Pell Grant records to the Student Payment Office disbursement records. The College has also instituted an end of the semester reconciliation process similar to the above as further control and assurance. Based on this calendar, with the exception of summer financial aid awards, by June 30 of each award year the SPS will be reconciled to the Federal Pell Grant payment records and the Financial Aid Office Federal Pell Grant Payment records will be reconciled to the Student Payment Office disbursement records. Further, as final check, the previously mentioned records will be reconciled to the Business Office records. By September 30 of each year, these reconciliations will be adjusted to reflect summer activity such that the SPS will be fully reconciled to the Federal Pell Grant payment records and the Financial Aid Office Federal Pell Grant payment records will be fully reconciled to the Student Payment Office disbursement records.

Responsible Individual: James O. Ortiz
Jesse Thompson

Higher Education
Findings not Repeated from Prior Years

1. *Framingham State College returned two refunds to the U.S. Department of Education late. Current audit testing for the year ended June 30, 1999 indicated that refunds were returned within the required timeframe. (Fiscal Year 1998 Single Audit Finding 64)*
2. *Fitchburg State College returned one refund to the U.S. Department of Education late. Current year testing for the year ended June 30, 1999 indicated that refunds were returned within the required timeframe. (Fiscal Year 1998 Single Audit Finding 65)*
3. *Salem State College (College) needed to implement policies to ensure that it identified unofficially withdrawing students and process refunds as required by program regulations. Current year testing for the year ended June 30, 1999 indicated that the College implemented policies to determine students' unofficial withdrawal date. (Fiscal Year 1998 Single Audit Finding 72)*
4. *Quinsigamond Community College (College) needed to repay \$3,237 to the U.S. Department of Education (Department) for awarding Federal Pell Grants and Federal Supplemental Education Opportunity Grants to ineligible students. At the instruction of the Commonwealth of Massachusetts Office of the Comptroller, the College issued a check to the Department on September 30, 1998. The College requested a final determination letter from the Department on October 30, 1998. A final determination letter has not been issued. No similar findings were noted in the 1999 audit. (Fiscal Year 1998 Single Audit Finding 73)*

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