



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued May 24, 2012

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



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INTRODUCTION

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Massasoit Community State College (MCC) 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 controls its operations, and MCC's President is responsible for implementing the policies set by the Board of Trustees, in accordance with the policies and procedures established by the Board of Higher Education.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted a follow-up audit of the issues contained in our prior audit report (2011-0197-7S) and the Single Audit of the Commonwealth of Massachusetts of MCC'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 MCC had taken corrective action and made improvements on the audit results identified in the prior audit report (2011-0197-7S). We concluded that for the period July 1, 2010 through June 30, 2011, MCC has taken corrective action and implemented adequate internal controls regarding (a) the calculation and return of Title IV funds, administered in compliance with federal requirements; (b) the reporting of student status changes on a timely and accurate basis; (c) federal cash management procedures; and (d) the improvement and updating of its ICP.

AUDIT RESULTS

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1. PRIOR AUDIT RESULTS RESOLVED

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Our follow-up audit disclosed that MCC has taken corrective action to address four prior audit issues regarding (a) calculation and return of Title IV funds, (b) reporting of student status changes, (c) federal cash management, and (d) its Internal Control Plan (ICP).

a. Timely and Accurate Calculations Implemented for the Return of Title IV Funds

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Our prior audit report disclosed that MCC did not correctly calculate and return Title IV funds as required by federal regulations. Our follow-up audit indicated that MCC has reviewed and made improvements to its SFA policies and procedures regarding the calculation and return of Title IV funds to ensure that the funds are properly administered. Specifically, MCC has updated its policies and procedures to include the 45-day time frame in accordance with federal regulations to ensure the timely return of

Title IV funds. In addition, the Financial Aid and Business Offices meet monthly to discuss the reconciliation of Title IV funds and ensure that no adjustments are unaddressed.

b. Timely and Accurate Reporting of Student Status Changes **4**

Our prior audit disclosed that MCC did not notify and update the National Student Loan Data System (NSLDS) of student status changes in a timely manner. MCC utilizes the National Student Clearinghouse (NSC) to report changes in student enrollment to the NSLDS. Our follow-up audit indicated that MCC has taken corrective action to process individual student course withdrawals and full college withdrawals affecting the reporting of student status changes in a timely manner. MCC has also updated its policies and procedures to ensure timely and accurate reporting of student status changes to the NSLDS through the NSC.

c. Improvements Made in Federal Cash Management Procedure **4**

Our prior audit disclosed that MCC needed to improve its drawdown procedures and reconciliation process for its SFA funds requested from the United States Treasury Department (UST) for SFA awards to students. The Federal Student Assistance Handbook regulates cash management of Title IV funds. Included in the Handbook are procedures regarding the drawing down of SFA funds using the Grants Administration and Payments System (GAPS), as well as the reconciliation of SFA funds to MCC's accounting and banking records, as a key component of internal control in the SFA program. Our follow-up audit indicated MCC has reviewed and made improvements to its SFA policies and procedures. The Business and Financial Aid Offices meet monthly to discuss and resolve any adjustments identified during the reconciliation of disbursed funds to students and GAPS drawdowns.

d. Internal Control Plan **5**

Our prior audit disclosed that MCC had not updated its ICP to comply with the Office of the State Comptroller (OSC) internal control guidelines. Our follow-up audit disclosed that MCC has included a high-level summarization of its internal controls within its ICP to reflect the recently updated OSC guidelines, changes in top key administrative positions, and the recent re-alignment and turnover in personnel. Also, MCC has cross-referenced its ICP to its departmental policies and procedures for most of its operational areas, ensuring that MCC meets its mission and sustains long-term stability and viability.

INTRODUCTION

Background

Massasoit Community State College (MCC) 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 MCC's President is responsible for implementing the policies set by the Board of Trustees, in accordance with the policies and procedures established by the Board of Higher Education.

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted a follow-up audit of the issues contained in our prior audit report (No. 2011-0197-7S) and in the Single Audit of the Commonwealth of Massachusetts, of MCC's Federal Student Financial Assistance (SFA) programs funded through the United States Department of Education (ED) for the period July 1, 2010 through June 30, 2011. We conducted our audit in conjunction with the Single Audit of the Commonwealth of Massachusetts for the fiscal year ended June 30, 2011. The Commonwealth's Fiscal Year 2011 Single Audit Report consists of the following volumes:

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

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

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

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

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

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

- Title IV funds were being administered in compliance with federal requirements.
- Student status changes were submitted as required.
- Improvements were made to federal cash management.
- The Internal Control Plan (ICP) was updated.

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

- Title IV funds.
- Enrollment status changes.
- Federal cash management.
- ICP.

This assessment was used in planning and performing our audit. We reviewed MCC's corrective action plan (CAP) to ascertain what action MCC had taken to correct its prior audit issues. We also

conducted interviews of various MCC officials, reviewed all applicable laws, rules and regulations, and performed audit tests.

We concluded for the period July 1, 2010, through June 30, 2011, MCC has taken corrective action and implemented adequate internal controls regarding (a) the return of Title IV funds, administered in compliance with federal requirements; (b) the reporting of student status changes on a timely and accurate basis; (c) federal cash management procedures; and (d) the improvement and updating of its ICP.

AUDIT RESULTS

1. PRIOR AUDIT RESULTS RESOLVED

Our follow-up audit disclosed that Massasoit Community College (MCC) has taken corrective action to address four prior audit issues regarding (a) calculation and return of Title IV funds, (b) reporting of student status changes, (c) federal cash management, and (d) its Internal Control Plan (ICP).

a. Timely and Accurate Calculations Implemented for the Return of Title IV Funds

Our prior audit report disclosed that MCC did not correctly calculate and return Title IV funds as required by federal regulations. Our follow-up audit indicated that MCC has reviewed and made improvements to its SFA policies and procedures regarding the calculation and return of Title IV funds to ensure that the funds are properly administered. Specifically, MCC has updated its policies and procedures to include the 45-day time frame in accordance with federal regulations to ensure the timely return of Title IV funds. In addition, the Financial Aid and Business Offices meet monthly to discuss the reconciliation of Title IV funds and ensure that no adjustments are unaddressed.

b. Timely and Accurate Reporting of Student Status Changes

Our prior audit disclosed that MCC did not notify and update the National Student Loan Data System (NSLDS) of student status changes in a timely manner for eight of 25 students in our sample. MCC utilizes the National Student Clearinghouse (NSC) to report changes in student enrollment to the NSLDS. Our follow-up audit indicated that MCC has taken corrective action to process individual student course withdrawals and full college withdrawals affecting the reporting of student status changes. Our sample of 30 students disclosed that their enrollment status was reported in a timely manner. MCC has also updated its policies and procedures to ensure timely and accurate reporting of student status changes to the NSLDS through the NSC.

c. Improvements Made in Federal Cash Management Procedures

Our prior audit disclosed that MCC needed to improve its drawdown procedures and reconciliation process for its SFA funds requested from the United States Treasury Department (UST) for SFA awards to students. The Federal Student Assistance Handbook

regulates cash management of Title IV funds. Included in the Handbook are procedures regarding the drawing down of SFA funds using the Grants Administration and Payments System (GAPS), as well as the reconciliation of SFA funds to MCC's accounting and banking records, as a key component of internal control in the SFA program. Our follow-up audit indicated MCC has reviewed and made improvements to its SFA policies and procedures. The Business and Financial Aid Offices meet monthly to discuss and resolve any adjustments identified during the reconciliation of disbursed funds to students and GAPS drawdowns.

d. Internal Control Plan

Our prior audit disclosed that MCC had not updated its ICP to comply with the Office of the State Comptroller (OSC) internal control guidelines. Our follow-up audit disclosed that MCC has included a high-level summarization of its internal controls within its ICP to reflect the recently updated OSC guidelines, changes in top key administrative positions, and the recent re-alignment and turnover in personnel. Also, MCC has cross-referenced its ICP to its departmental policies and procedures for most of its operational areas, ensuring that MCC meets its mission and sustains long-term stability and viability.