



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

ONE ASHBURTON PLACE, ROOM 1819
BOSTON, MASSACHUSETTS 02108

A. JOSEPH DeNUCCI
AUDITOR

TEL. (617) 727-6200

NO. 2009-0200-16S

INDEPENDENT STATE AUDITOR'S REPORT ON
CERTAIN ACTIVITIES OF THE
MOUNT WACHUSETT COMMUNITY COLLEGE
JULY 1, 2007 TO JUNE 30, 2008

OFFICIAL AUDIT
REPORT
APRIL 7, 2009

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Mount Wachusett Community College (MWCC) 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 MWCC'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 conducted an audit of MWCC's federal student financial assistance programs funded through the United States Department of Education (DOE) for the period July 1, 2007 to June 30, 2008. Our review was conducted in conjunction with the Single Audit of the Commonwealth of Massachusetts for the fiscal year ended June 30, 2008.

AUDIT RESULTS

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1. IMPROVEMENTS NEEDED IN INTERNAL CONTROL PLAN

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Our audit disclosed that MWCC did not have a high-level summarization of its Internal Control Plan (ICP) with sufficient cross-referencing to support lower-level detail (i.e. departmental policies and procedures) to ensure a reliable and functioning ICP for the daily operation of the entire college. Our audit further noted that MWCC did not have, or adequately identify within its ICP, all eight components of Enterprise Risk Management (ERM): Internal Environment, Objective Setting, Event Identification, Risk Assessment, Risk Response, Control Activities, Information and Communication, and Monitoring; as required by the Office of State Comptroller's (OSC) Internal Control Guide and Chapter 647 of the Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies. In addition, MWCC had not fully integrated a risk assessment throughout its ICP to determine how risks would be identified and mitigated. In response to our audit, MWCC has completely updated its ICP to include components required by the Office of the State Comptroller's Internal Control Guide.

2. STUDENT STATUS CHANGES NOT SUBMITTED AS REQUIRED

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Our audit sample of 30 students for the Federal Family Education Loan (FFEL) program disclosed that MWCC did not notify the National Student Loan Data System (NSLDS) of any student status changes for eight students and did not report in a timely manner the status of another 11 students with changes in their enrollment status, as required by Federal Student Financial Aid (SFA) regulations. MWCC is required to identify and update the loan status of all students, including those who graduate or withdraw, via a periodic Roster Report (formerly Student Status Confirmation Report). This notification must take place within 30 days of withdrawal or within 60 days of the next scheduled submission. Our audit of MWCC's SFA policies did not identify any procedures established to report student status changes to the NSLDS or to periodically verify student enrollment status with NSLDS. As a result, MWCC has inadequate assurance that the enrollment status is being transmitted and reported on a timely basis to the

NSLDS. During the audit, MWCC officials stated that they would review MWCC's practices and ensure it is reporting to NSLDS as required. In response to our audit, MWCC has made significant changes to its Enrollment Status Reporting process. These changes include implementing procedures to strengthen its policies, procedures, and controls to ensure timely and accurate reporting and to verify information reported to NSLDS.

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INTRODUCTION

Background

Mount Wachusett Community College (MWCC) 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 MWCC's President is responsible for implementing the policies set by the Board of Trustees, in accordance with the policies and guidelines established by the Board of Higher Education.

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the General Laws, the Office of the State Auditor conducted an audit of MWCC's federal student financial assistance programs funded through the United States Department of Education (DOE) for the period July 1, 2007 through June 30, 2008. We conducted our audit in conjunction with the Single Audit of the Commonwealth of Massachusetts for the fiscal year ended June 30, 2008. The Commonwealth's Fiscal Year 2008 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 2008 Single Audit of the Commonwealth of Massachusetts OMB Circular A-133 Report, as mentioned above. Our audit was conducted in accordance with applicable generally accepted government auditing standards, 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 MWCC's compliance with the Office of the Comptroller's (OSC) policies and procedures; Massachusetts General Laws; and other applicable laws, rules, and regulations.

In performing our audit of MWCC's activities, we referred to OMB Circular A-133, March 2008 Compliance Supplement, to determine the compliance requirements that must be considered in an audit conducted under OMB Circular A-133. Based upon our audit, we determined requirements

applicable to the federal student financial assistance programs, and designed appropriate tests to determine MWCC's compliance with those requirements. Specifically, our objectives were to:

- Assess the internal controls in place at MWCC during the audit period
- Assess and evaluate the programs for compliance with the requirements of the Compliance Supplement, DOE, and OSC
- Follow up on prior Audit Results, if any, to determine what corrective action has been taken

The criteria for our audit were drawn from OMB Circular A-133, and the March 2008 Compliance Supplement, the Code of Federal Regulations, and the OSC's Internal Control Guide. Those criteria dealt with MWCC's responsibility for the administration and operation of the federal student financial assistance programs and for compliance with the laws and regulations governing:

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

We examined, on a test basis, evidence regarding MWCC's compliance with the applicable requirements and performed other procedures as we considered necessary. Based on these tests, we concluded that, except as reported in the Audit Results section of this report, MWCC had adequate internal controls in place and complied with the requirements of the United States DOE, OMB Circular A-133 and the Compliance Supplement, and other applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

1. IMPROVEMENTS NEEDED IN INTERNAL CONTROL PLAN

Our audit disclosed that although Mount Wachusett Community College (MWCC) developed an Internal Control Plan (ICP), it did not have a high-level summarization of internal controls with sufficient cross-referencing to support lower-level detail (i.e., departmental policies and procedures) and had not adequately updated the plan as required by the Office of State Comptroller's (OSC) Internal Control Guide. Chapter 647 of the Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies, requires state agencies to develop internal controls in accordance with OSC guidelines. In addition, MWCC had not sufficiently developed and fully integrated a risk assessment throughout its ICP to determine how MWCC's greatest risks to its mission, goals, and objectives would be identified and mitigated.

For the ICP to be considered an effective high-level summarization, the eight components of Enterprise Risk Management (ERM) must be present (as described in the OSC Internal Control Guide). Specifically, we found that MWCC did not have, or adequately identify within its ICP, all eight components of ERM: Internal Environment, Objective Setting, Event Identification, Risk Assessment, Risk Response, Control Activities, Information and Communication, and Monitoring. Also, the ICP did not adequately develop and cross-reference its supporting lower-level detail (i.e. departmental policies and procedures) for most of its organizational areas to ensure a reliable ICP for the daily operation of the entire college. Updates and additions are needed in most of MWCC's operational areas. This will help to ensure that MWCC meets its mission and sustains long-term stability and viability. Specifically, we noted that MWCC needs to address updates and improvements within its ICP in the following areas:

Internal Environment

The internal environment is the tone of an organization, which, among other things, determines an organization's "risk culture" and provides the basis for its internal controls. Our review disclosed that MWCC did not include the following in its ICP:

- Clear statements and identification of its internal environment linking management's attitude, supervision, and organizational structure within the internal environment.
- A written mission statement, including its primary goals and objectives defining MWCC's purpose.

- Direct statements from top management on the expectations of staff concerning integrity, accountability, and requirements of high ethical standards.
- Direct statements on how the structure, policies, and procedures of the entire organization control the risk (control activities).
- A reference to whom the plan is to be distributed and how the plan is to be monitored.

The OSC's Internal Control Guide, Chapter 1–Tone At Top, Page 6 states, in part:

Management's attitude, actions, and values set the tone of an organization, influencing the control consciousness of its people. Internal controls are likely to function well if management believes that those controls are important and communicates that view to employees at all levels. If management views internal controls as unrelated to achieving its objectives, or even worse, as an obstacle, this attitude will also be communicated. Employees are aware of the practices followed by upper management including those that circumvent internal controls. Despite policies to the contrary, employees will then view internal controls as "red tape" to be "cut through" to get the job done. Management can show a positive attitude toward internal control by such actions as including internal control in performance evaluations, discussing internal controls at management and staff meetings, and by rewarding employees for good internal control practices. Although it is important to establish and implement policies and procedures, it is equally important to follow them...

Management's philosophy and operating style affect the way the organization is managed. They determine, for example, whether the organization functions informally with verbal instructions or formally with written policies and procedures. They also define whether the organization is conservative or aggressive in its response to risks...

An organization's culture evolves from the values of its members and the culture, in turn, exerts a strong influence on the actions, decisions, and behaviors of all employees.

MWCC has developed some appropriate and adequate documents to define its internal environment and management philosophy that are not identified or referenced in the ICP. The MWCC website defines and promotes its institutional vision, values, and mission; however, these principles and statements have not been included, reflected, or related to the ICP. MWCC also has included in other documents pertinent statements defining its philosophy addressing such issues as mutual respect and trust, integrity, accountability, considerate open communication, creativity and responsible risk-taking, and cooperation and collaboration, but has not included these statements within its ICP.

Event Identification

The OSC's Internal Control Guide identifies event identification as internal and external events that impact an organization in its attempt to achieve its objectives. Our review of the ICP found

that MWCC needs to identify events, internally and externally, that influence the objectives and strategies used by the MWCC in achieving its goals. Events that may have a negative impact represent risks (e.g. decline in enrollments, shortage of qualified personnel, loss of revenue, loss of financial aid), while those with a potential positive impact represent opportunities (e.g. increased enrollment, new programs and funding, new private grants or scholarships). The basis for identifying and planning for such events can be drawn from existing MWCC documents, prepared from its strategic planning process and identified and readily available on the MWCC website, that have been identified as the core vision, core values, and strategic priorities of the MWCC. These priorities have been identified as critical and have been aligned to its mission, vision, and values deemed necessary for its future success. Inclusion or modification of the ICP to prominently identify events that would prevent MWCC from achieving these strategic priorities will improve and enhance the ICP.

Objective Setting

MWCC's ICP did not include its mission statement and had not identified and developed its most important college-wide goals and objectives, which should be effectively correlated with the components of ERM. MWCC's ICP does identify 18 specific internal control objectives that are well-defined and germane to the mission of MWCC from a fiscal standpoint. However, these objectives are mostly fiscal in nature and are not linked to MWCC's mission statement as the most predominant objectives and respective risks facing MWCC. The OSC's Internal Control Guide identifies the importance of addressing an entity's mission and objectives within its ICP. The OSC's Internal Control Guide, Chapter 1, Page 8, states, in part,

MISSION STATEMENT-A mission statement clearly identifies an organization's purpose and how it is accomplished. It should be a brief paragraph that is easily understood by the reader, including those outside the organization or field...

OBJECTIVES-An objective is the action required to achieve the long-range goal. In contrast to a goal, an objective is narrowly focused and easily validated. It should, therefore, be an action that can be accomplished in an identified period of time, such as a fiscal year. An objective is SMART. [Specific, Measurable, Attainable, Result-Focused and Timely]

Because MWCC did not include its most important college-wide objectives within the ICP, it could not properly relate to and integrate the components of ERM to meet OSC-recommended guidelines in developing its ICP.

Risk Assessment

The MWCC needs to identify certain risks more adequately that could prevent it from reaching its goals and objectives. A risk assessment is an entity's identification and analysis of risks relevant to the achievement of its goals and objectives, which forms a basis for determining how the risks should be managed. Risk assessments are an integral part of an ICP because they identify and analyze risks and assist management in prioritizing those activities where controls are most needed. Management is responsible for evaluating and implementing, at least annually or as conditions warrant, any changes necessary to maintain the integrity and effectiveness of the internal control system.

The OSC's Internal Control Guide, Chapter 1, Page 10, defines risk assessment as:

A process to identify and analyze factors that may affect the achievement of a goal. In general, risk factors may include the control environment, size of the organization, complexity, change, and results of previous review/audits. It is important to remember that not all risks are equal. Some risks are more likely to occur while others will have a greater impact. For example, risks to safety or security of individuals, data or personal information could have significant consequences. Once identified, the assessment regarding the probability and significance of each risk is critical. The risk assessment design should be understandable, consider relevant risk factors and, to the extent possible, be objective.

The ICP did include a definition of risk assessment and steps that MWCC should take in preparing a risk assessment. Although the ICP indicated that MWCC does assess risks, it did not state or make reference to what its major risks are and how it integrates its risk assessment to meet its mission, goals, and objectives, or prioritize the areas of greatest risk. The ICP did not address potential risks in many of its key operational activities listed in the organization chart, such as the Divisions of Advancement and Community Relations, Academic Affairs, Admissions, Student Affairs, Facilities Management, Human Resources, and Public Safety and Security. Also, changes such as a decrease in enrollment, not attracting and retaining quality faculty and staff, reductions in fiscal resources and in supporting appropriations, staff turnover or an early retirement or incentive program, loss of accreditation, and financial fraud were not addressed as potential risks.

Risk Response

According to the OSC Internal Control Guide, Chapter 1, Page 10, the ERM component of Risk Response will be determined in four basic categories, as follows:

Risk responses fall into four basic categories: (1) accept the risk and monitor it, (2) avoid the risk by eliminating it, (3) reduce the risk by instituting controls, or (4) share the risk by partnering or entering into a strategic alliance with another department or external entity. Determining a risk response is an important decision. Because risk events by definition are uncertain, deciding whether to accept or avoid risk-related activity can have significant consequences for an organization. By choosing to reduce risk, an organization is committing to implement control activities which generally consume resources.

Because MWCC did not identify its risks within its ICP, it could not develop and document risk response and adequately put procedures in place to manage and mitigate risks within its operational areas. The risk response evaluates options to an identified risk and determines the course of action.

MWCC's ICP also does not identify or direct management and staff in determining what actions it will take to mitigate risks once identified so that any interruption in its operational and programmatic activities will be minimal at best.

Control Activities

Control Activities are the structure, policies, and procedures that an organization establishes so that identified risks do not prevent the organization from reaching its objectives. The OSC's Internal Control Guide, Chapter 1, Page 10, Controls states, in part, the following:

A sound internal control plan will combine both preventive and detective controls to mitigate key risks. Preventive controls, as the term implies, work to prevent problems. However, since they may be time consuming and expensive, management should ensure that the benefits outweigh the cost. Examples of preventive controls include authorization lists, computer edits, segregation of duties, and prior supervisory approval. Detective controls do not prevent fraud or errors. They will identify that a problem has occurred. On the other hand, detective controls are more efficient in that they do not slow business processes. They are less effective because they can only identify an incident after the fact, not stop it from happening. The existence of detective controls, however, can also serve to prevent irregularities.

Our review disclosed that MWCC has established policies and procedures for certain operational activities within its ICP that are almost entirely fiscal in nature. However, the ICP did not adequately define its current control activities and identify why they have been established (preventive or detective controls) and where they are located. Because MWCC did not adequately identify and prioritize its risks to its mission and overall goals and objectives, it did not correlate or properly integrate the purpose of its control activities in the ICP.

Information and Communication

The ICP did not include adequate references to the MWCC channels for disseminating information and communications to address specific references to MWCC's overall mission, goals, and objectives. This is crucial for communicating to the entire MWCC staff how the information in place is used to attain these goals and objectives. For example, the ICP did not adequately reflect the use of the Banner Integrated Database System and how this system is integrated with information useful to its departments.

Information and communication is the identification and dissemination of pertinent information in a form and time frame that enables people to carry out their responsibilities. Communication occurs in all directions – flowing down, across, and up through the organization as well as to external parties. Information provided to staff should be appropriate in content, current, accurate, and accessible. Communication can take such forms as policy manuals, accounting and financial reporting manuals, policy memoranda, and regularly scheduled staff meetings.

Monitoring

The ICP did not document monitoring procedures. The OSC's Internal Control Guide, Page 14 defines the purpose of monitoring as:

The review of an organization's activities and transactions to assess the quality of performance over time and to determine whether internal controls are effective.

According to the guide, management should focus monitoring efforts on achievement of the organization's mission, goals, and objectives. Management must consider whether internal controls are operating as intended and if they are appropriately modified when conditions change. The purpose of monitoring is to determine whether internal control is adequately designed, properly executed, and effective. The MWCC did not document its monitoring procedures over the control activities of its fiscal and programmatic areas. Also, the ICP does not reference accountability either by responsibility or employee monitoring roles within its various departments, especially those that may have certain program risks.

Recommendation

We recommend that MWCC should improve its ICP as follows:

- Prepare an updated and improved high-level summarization of internal controls, which includes a written mission statement and readily identifies and concisely describes the components of internal control in conformance with the latest OSC guidelines.
- Update and enhance its internal environment by including statements of philosophy on integrity and ethical values expected of all staff, including top management. Include direct statements by top management on the expectations of staff concerning integrity, requirements of high ethical standards and accountability, and other definitive statements that set the tone for the importance of internal controls within MWCC's operations
- Identify its risks in areas that address MWCC's mission, goals, and objectives.
- Review goals and objectives to determine if priorities are realistic and attainable given the changing economic conditions of the Commonwealth and to determine that priorities are still attainable given the reduction in college resources. Once reviewed and updated, if necessary, these goals and objectives should be appropriately, prominently identified and integrated throughout the ICP.
- Include measures to review these strategic goals and objectives at least annually or more often as needed.
- Identify which events, internally and externally, may have an influence over its goals and objectives and strategies used in carrying out its mission and achieving objectives.
- Assess the risks to achieve goals and objectives with a comprehensive risk assessment. Determine the greatest risks to the mission, goals, and objectives over all the fiscal and programmatic areas that are not identified in the risk assessment section. Develop steps on how to mitigate and respond to those risks. If these risks are identified in department policies and procedures, they should be cross-referenced to those policies.
- Identify and better define its department-wide control activities to address the purpose, policies, and procedures being used, and the preventive or detective nature of the control activity used in mitigating and responding to an identified risk.
- Document monitoring activities and responsibilities that will ensure that internal controls are implemented to mitigate fiscal and programmatic risks and are effective and function as needed. Wherever monitoring is documented within the departmental policies and procedures, MWCC should cross-reference its ICP to these procedures.

Auditee's Response

Since the conclusion of the audit fieldwork, MWCC has completely updated its Internal Control Plan to include components required by the Office of the State Comptroller Internal Control guidelines. This update includes:

MWCC's mission statement and a description of the internal control components.

A Code of Ethics.

Result of the college's risk assessment.

Defined control activities by functions.

The purpose, policies and procedures for each function.

A description of monitoring activities.

2. STUDENT STATUS CHANGES NOT SUBMITTED AS REQUIRED

Our audit sample of 30 students for the Federal Family Education Loan (FFEL) program disclosed that MWCC did not notify the National Student Loan Data System (NSLDS) of any student status changes for eight students and did not report in a timely manner the status of another 11 students with changes in their enrollment status, as required by Federal Student Financial Aid (SFA) regulations. MWCC is required to identify and update the loan status of all students, including those who graduate or withdraw, via a periodic Roster Report (formerly Student Status Confirmation Report). This notification must take place within 30 days of withdrawal or within 60 days of the next scheduled submission. Specifically, 34 Code of Federal Regulations (CFR), Section 682.610(c)(2) states:

(2) Unless it expects to submit its next student status confirmation report to the Secretary or the guaranty agency within the next 60 days, notify the guaranty agency or lender within 30 days—(i) if it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who enrolled at the school but has ceased to be enrolled on at least a half-time basis; (ii) if it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (iii) if it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (iv) if it discovers that a student who is enrolled and has received a Stafford or SLS loan has changed his or her permanent address.

A student's enrollment status determines grace periods and repayment schedules, as well as the government's payment of interest subsidies. Enrollment reporting is critical for effective administration of FFEL loans. Enrollment reporting is the primary means of verifying students' loan privileges and the Federal government's financial obligations. Under the FFEL program, colleges are required to identify and update the status of all students, including those who graduate or withdraw, by completing the Student Status Confirmation Reports (SSCR). SSCRs are sent by the Department of Education or the guaranty agency. The college determines how often it receives the SSCR, but the minimum is twice each year. Once received, the college must

update any changes in student status, report the date the enrollment status change became effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website.

MWCC reports changes in enrollment status to a contracted third party, the National Student Clearinghouse (NSC), three times during the semester and once at the conclusion of each semester in order to include the graduating students. MWCC utilizes the NSC to facilitate its responsibility to notify NSLDS of changes in the enrollment status of its students. However, MWCC is ultimately responsible for ensuring that NSLDS is properly and promptly notified of all student enrollment status changes. Our audit disclosed that MWCC did not verify the proper and prompt notification of enrollment status changes to NSLDS. As a result, MWCC has inadequate assurance that the enrollment status it reports to the NSC is being transmitted on a timely basis to NSLDS.

Our review of the FFEL program disclosed the following:

a. Student Status Changes Not Reported to NSLDS

MWCC did not report to NSLDS (through NSC) any changes in the enrollment status of eight students in our sample, although the students had withdrawn and had ceased to be enrolled at MWCC. Of the eight students, four were discovered by MWCC after its final submission of student enrollment status changes had been made for the spring semester. MWCC had planned to include these students in its next scheduled transmission in September 2008, but since that scheduled transmission would be past the 60-day requirement, MWCC was required to report these enrollment changes within 30 days. MWCC did not report the other four students to NSLDS through NSC because incorrect withdrawal data was entered into the Banner system, two students had incorrect withdrawal dates, one had the wrong Social Security Number, and one was reported as a part-time student and not withdrawn.

b. Student Status Changes not Reported in a Timely Manner

For 11 students in our sample, MWCC had not reported their enrollment status changes to NSLDS through NSC within the 60-day time limit, as required under Federal regulations. The range of delayed reporting for these students was between 28 to 68 days beyond the 60-day limit to report. MWCC believes that it did not report the change in status for these 11 students to

NSLDS in a timely manner because of an update that was made to the Banner software system, which is used to manage students' records and accounts. MWCC believes the reporting indicator used to track students' withdrawals was not set properly or eliminated from the system during a system update. Subsequently, when the student status reports were run on January 28 and March 14, 2008, the 11 withdrawals indicated above were not included. The reporting problem was identified and an update to the system was performed on March 15, 2008 to incorporate the tracking indicator back into the system. The problem was resolved when the student status reports were run on April 28, 2008 and all students with changes in their enrollment status subsequent to the original system update were reported to NSLDS through NSC.

Subsequent to the audit date, MWCC adopted a policy to submit student enrollment status changes on a monthly basis to ensure that they are complying with the Federal regulations.

Recommendation

MWCC should implement procedures to strengthen its policies and procedures to ensure prompt and accurate reporting of student enrollment status. In addition, MWCC should establish adequate controls to verify that the NSC is being notified of changes in student enrollment and the processing of this information by NSC is verified and reported to NSLDS in a timely manner in accordance with the requirements of 34 CFR 682.610(c)(2).

Auditee's Response

Mount Wachusett Community College has made significant changes to its Enrollment Status Reporting process. These changes include implementing procedures to strengthen its policies and procedures to ensure timely and accurate reporting and controls to verify information reported to NSLDS. Details of these changes are as follows:

- 1. Electronic reporting to the National Student Clearinghouse (NSC) was completed by the MWCC Institutional Research Office during the 2007 calendar year and discrepancies were resolved by the Records Office. The reporting was moved to the Records Office in January 2008 and the entire process is now completed by the Records Office. This has streamlined the process and provided the Records Office with a full understanding of the NSC requirements and reports.*
- 2. Reporting was changed to monthly beginning September 2008 and electronic data is sent to the NSC the third week of every month. Discrepancy reports and reject reports are completed immediately following the submission. This has greatly improved the accuracy of data and the timing of reporting withdrawals.*

3. *A manual check of withdrawals and drop outs has been implemented to ensure that the extract of electronic data is accurate. Initially all withdrawals and drop outs were verified against the NSC reported data. All withdrawal data was reported accurately during the months of September, October, and November, 2008. Beginning December, 2008, the Records Office began checking a random sample of withdrawn students against the NSC reported data. The Records Office will continue to complete a monthly check of withdrawals against the NSC reported data to ensure that electronic reporting is working properly.*
4. *The Records Office receives monthly discrepancy reports and completes those reports within one week of receipt. A reject receipt is received and completed to ensure that all students are loaded properly and reported timely.*
5. *The Records Office employee responsible for the NSC reporting communicates monthly to the Director of Student Records and Financial Management regarding all NSC reporting activities and the reporting requirements are monitored closely.*
6. *The Director of Student Records and Financial Management will conduct an annual audit of Enrollment Status Reporting requirements using the process completed by the Independent State Auditors. The following procedures will be completed during that annual audit:*
 - a. *A random sample of 30 students will be selected.*
 - b. *The academic record of each student will be pulled.*
 - c. *The NSC reported data will be verified against the academic record.*
 - d. *The National Student Loan Data System (NSLDS) information will be verified against the NSC reported data.*
 - e. *All dates of attendance and reported dates will be verified against the federal reporting requirements to ensure that MWCC is reporting data within the 60-day time limits.*

All data not meeting the federal reporting requirements will be noted and adjustments will be made to the processes to ensure 100% compliance with all federal reporting regulations.

APPENDIX

Chapter 647, Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies

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Chapter 647

THE COMMONWEALTH OF MASSACHUSETTS

In the Year One Thousand Nine Hundred and Eighty-nine

AN ACT RELATIVE TO IMPROVING THE INTERNAL CONTROLS WITHIN STATE AGENCIES.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

Notwithstanding any general or special law to the contrary, the following internal control standards shall define the minimum level of quality acceptable for internal control systems in operation throughout the various state agencies and departments and shall constitute the criteria against which such internal control systems will be evaluated. Internal control systems for the various state agencies and departments of the commonwealth shall be developed in accordance with internal control guidelines established by the office of the comptroller.

(A) Internal control systems of the agency are to be clearly documented and readily available for examination. Objectives for each of these standards are to be identified or developed for each agency activity and are to be logical, applicable and complete. Documentation of the agency's internal control systems should include (1) internal control procedures, (2) internal control accountability systems and (3), identification of the operating cycles. Documentation of the agency's internal control systems should appear in management directives, administrative policy, and accounting policies, procedures and manuals.

(B) All transactions and other significant events are to be promptly recorded, clearly documented and properly classified. Documentation of a transaction or event should include the entire process or life cycle of the transaction or event, including (1) the initiation or authorization of the transaction or event, (2) all aspects of the transaction while in process and (3), the final classification in summary records.

(C) Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority. Authorizations should be clearly communicated to managers and employees and should

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include the specific conditions and terms under which authorizations are to be made.

(D) Key duties and responsibilities including (1) authorizing, approving, and recording transactions, (2) issuing and receiving assets, (3) making payments and (4), reviewing or auditing transactions, should be assigned systematically to a number of individuals to ensure that effective checks and balances exist.

(E) Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved. The duties of the supervisor in carrying out this responsibility shall include (1) clearly communicating the duties, responsibilities and accountabilities assigned to each staff member, (2) systematically reviewing each member's work to the extent necessary and (3), approving work at critical points to ensure that work flows as intended.

(F) Access to resources and records is to be limited to authorized individuals as determined by the agency head. Restrictions on access to resources will depend upon the vulnerability of the resource and the perceived risk of loss, both of which shall be periodically assessed. The agency head shall be responsible for maintaining accountability for the custody and use of resources and shall assign qualified individuals for that purpose. Periodic comparison shall be made between the resources and the recorded accountability of the resources to reduce the risk of unauthorized use or loss and protect against waste and wrongful acts. The vulnerability and value of the agency resources shall determine the frequency of this comparison.

Within each agency there shall be an official, equivalent in title or rank to an assistant or deputy to the department head, whose responsibility, in addition to his regularly assigned duties, shall be to ensure that the agency has written documentation of its internal accounting and administrative control system on file. Said official shall, annually, or more often as conditions warrant, evaluate the effectiveness of the agency's internal control system and establish and implement changes necessary to ensure the continued integrity of the system. Said official shall in the performance of his duties ensure that: (1) the documentation of all internal control systems is readily available for examination by the comptroller, the secretary of administration and finance and the state auditor, (2) the results of audits and recommendations to improve departmental internal controls are promptly evaluated by the agency management, (3) timely and appropriate corrective actions are effected

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by the agency management in response to an audit and (4), all actions determined by the agency management as necessary to correct or otherwise resolve matters will be addressed by the agency in their budgetary request to the general court.

All unaccounted for variances, losses, shortages or thefts of funds or property shall be immediately reported to the state auditor's office, who shall review the matter to determine the amount involved which shall be reported to appropriate management and law enforcement officials. Said auditor shall also determine the internal control weaknesses that contributed to or caused the condition. Said auditor shall then make recommendations to the agency official overseeing the internal control system and other appropriate management officials. The recommendations of said auditor shall address the correction of the conditions found and the necessary internal control policies and procedures that must be modified. The agency oversight official and the appropriate management officials shall immediately implement policies and procedures necessary to prevent a recurrence of the problems identified.

House of Representatives, December 21, 1989.

Passed to be enacted, *George J. Swan*, Speaker.

In Senate, December 22, 1989.

Passed to be enacted, *William W. Budge*, President.

January 3, 1990.

Approved, *Richard H. Kaine*, Governor.