



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

Making government work better

Official Audit Report-Issued June 5, 2012

Roxbury Community College - Student Financial Assistance Programs

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



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INTRODUCTION

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Roxbury Community College (RCC) is authorized by Chapter 15A, Section 5, of the Massachusetts General Laws. A Board of Trustees appointed by the Governor, controls its operations. RCC'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.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted an audit of RCC's Federal Student Financial Assistance (SFA) programs funded through the United States Department of Education (ED) for the period July 1, 2010 through June 30, 2011. We conducted our audit in conjunction with the Single Audit of the Commonwealth of Massachusetts for the fiscal year ended June 30, 2011. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

AUDIT RESULTS

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1. PELL GRANT FUNDS AWARDED WITHOUT ADEQUATE DOCUMENTATION

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Our audit sample of 25 RCC students' files disclosed that one student who received Pell Grants did not have a high school diploma or its equivalent and a second student's file contained a transcript indicating a questionable graduation date, as discussed below.

a. Student Inappropriately Awarded Pell Grant without a Documented High School Diploma or Equivalent

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A student file contained no evidence of a high school diploma or its recognized equivalent. RCC awarded a Pell Grant amounting to \$582 to this student. RCC re-examined its current and archives files and could not locate the missing information or explain why it could not produce a copy of this student's high school diploma.

b. Student Inappropriately Awarded Pell Grant with Questionable High School Graduation Date

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The student file documenting a student's \$3,356 Pell Grant award contained conflicting information pertaining to the date of high school graduation for the student. Our review of the student's file disclosed that the passport and the admissions application both

indicated that the student was born in 1978. The high school graduation date provided by the student on the application indicated the student graduated in 1993. The student transcript, however, indicated that the student attended high school in the country of Ethiopia for four years ending in 1985, indicating the student graduated high school at the age of seven.

In its response, RCC stated that to enhance already established internal controls, it will implement a document checklist which will be completed and signed off by the Admissions Director or designee before the files are submitted to the Registrar's Office. Also, RCC stated that submitted files will be reviewed to ensure that the checklist is complete and appropriately endorsed.

2. PELL GRANT DISBURSEMENT DATA NOT SUBMITTED WITHIN THE REQUIRED 30-DAY TIMEFRAME

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Our audit disclosed that RCC Pell Grant disbursement records were not transmitted to the United States ED within the required 30-day timeframe. We determined that the Pell Grant student disbursement data totaling \$14,983 for the 25 students receiving Pell Grants in our sample was not submitted within the required 30-day timeframe in nine instances; for five students in the fall 2010 semester and four students in the spring 2011 semester. The RCC is required to submit a disbursement record for each Pell Grant recipient. Our audit disclosed that the disbursement records for these students were submitted 60 to 214 days after the 30-day disbursement timeframe.

In its response, RCC stated that it has recently hired a senior financial counselor and is now fully staffed. The RCC further stated that the Financial Aid Internal Control and Procedures Manual will be updated to ensure timely reporting of disbursement data to the ED in compliance with federal regulations.

3. INSTITUTIONAL AGREEMENTS NOT MAINTAINED

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RCC entered into consortium agreements with other institutions as part of RCC's educational programs. The RCC Student Handbook disclosed that six local colleges participated in cross registration with RCC, allowing its students to take courses at other colleges while enrolled at RCC. However, during our audit period, RCC did not maintain written consortium agreements with host institutions for RCC students participating in their educational programs, contrary to federal requirements. Furthermore, RCC did not maintain a listing of students taking courses at local colleges while enrolled at RCC. As a result, there is no assurance that RCC students taking part of their educational courses at other institutions had valid agreements with other institutions. Moreover, RCC was not in compliance with SFA requirements regarding written agreements between colleges.

In its response, RCC stated that it has established a process whereby the counseling and placement department compiles all relevant data and submits a list of all students as well as a copy of their consortium agreements to the Business Office.

4. COST OF ATTENDANCE NOT CALCULATED CORRECTLY

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Our audit sample of 25 RCC students disclosed that 22 students' cost of attendance (COA) calculations for each student's institutional budget within PowerFAIDS (a windows-based software program designed to perform specific Financial Aid Office

functions and automate the financial aid process) did not agree with the tuition and fees(s) amounts approved by the RCC Board of Trustees, as provided in the RCC Fall 2010 and Spring 2011 Tuition State of Massachusetts Resident Budget information form. Our audit tests disclosed two instances where the COA for students was overestimated by \$468 (\$54 and \$414) and 20 instances where the COA for students was underestimated by \$2,378 (ranging from \$10 to \$457).

The COA is the cornerstone of establishing a student's financial need, as it provides a limit on the total financial aid that a student may receive. The student tuition and fee amounts are approved by the RCC Board of Trustees each semester and should be part of the "tuition and fee" amount within the "institutional budget items" section of the PowerFAIDS to assist RCC in computing the COA for each student.

In its response, RCC stated that the PowerFAIDS program is now being integrated with the Jenzabar system to ensure that only Board-approved tuition and fees are used in calculating students' COA.

5. TITLE IV FINANCIAL AID INAPPROPRIATELY AWARDED TO STUDENTS FOR INELIGIBLE COURSES AND ADVISING TREE ISSUES **12**

Our audit sample of 25 RCC students disclosed that three students had received Title IV financial aid totaling \$4,166 for ineligible courses, disbursed over a two-year period (fall 2008 through the end of fall 2010 semesters) and Advising Trees could not be produced by the Advising Department for two students, as indicated below.

a. Title IV Financial Aid Awarded for Remedial Credits Taken beyond the Allowable Limit of 30 Credits **12**

One student in our sample enrolled in the Associate of Arts Degree Program in the fall of 2007 with a concentration in Health Careers. This student received Pell Grants totaling \$2,122 for 14 developmental courses that were not eligible for federal financial aid, as the student had exceeded the allowable 30 credits by the fall 2008 semester.

b. Financial Aid Awarded for Ineligible Courses **14**

Two students in our sample (one of whom is discussed in Audit Result 5.a) enrolled in the Associate of Arts Degree Program with a concentration in Health Careers. These students inappropriately received Pell Grants for an Applied Grammar course, titled LAN 102. The unallowable Pell Grants totaled \$1,350 (\$656 for the student discussed in Audit Result 5.a and \$694 for the other student). RCC allows students enrolled in Associate of Arts and Associate of Science Degrees to take an English Language course—Applied Grammar I (LAN 101) or Applied Grammar II (LAN 102)—but not both, as a Humanities elective requirement. However, because neither of these courses are transferrable to other institutions of higher learning and therefore cannot be applied towards a bachelor's degree, Title IV financial aid may not be awarded.

c. Title IV Financial Aid Awarded for an Elective Business Course **15**

One student in our sample enrolled in the Associate of Arts Degree program in the fall of 2007 with a concentration in Social Science received a Pell Grant in fall of 2010 for a non-required business course outside the student's degree requirements and therefore ineligible for financial aid. The amount of the unallowable Pell Grant was \$694. RCC

has designed curriculums for concentrations within each of its Academic programs, with certain required core courses and a choice of elective courses.

d. Advising Trees Could Not Be Produced for Two Students by the Academic Advising Department

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RCC's Advising Department could not produce Advising Trees for two students in our sample of 25 (one student is included in Audit Result 5.b). An Advising Tree is a tool used by the Academic Advising Department for the purpose of organizing students' curriculum plans for their programs of study, assisting them with completing courses as well as advising them of program changes and alternative course offerings. The Advising Department is required to maintain Advising Trees for its students in the advising module of RCC's Jenzabar computer system. RCC utilizes the Jenzabar software program to provide a complete management information system serving its user groups, which include the Financial Aid Office, the Business Office, and the Registrar's Office. Furthermore, RCC does not have written policies and procedures addressing the steps required for the proper maintenance of Advising Trees for students and could not provide us with a satisfactory explanation as to why Advising Trees could not be produced for the students in question.

In its response, RCC stated that Jenzabar, the Student Information Management System, is currently integrated with PowerFAIDS and that training will be provided to enable, detect and deny inappropriate financial aid awards for students taking more than 30 developmental credits. Furthermore, RCC indicated that it will strengthen its policies and procedures regarding Advising Trees and the Internal Control Document would be updated to enhance these practices.

6. NONCOMPLIANCE WITH EARMARKING AND PLACEMENT REQUIREMENTS OF THE FEDERAL WORK STUDY PROGRAM

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RCC was not compliant with the federal requirements of the Work Study Community Service Program regarding earmarking and community service placements. RCC did not use at least seven percent of its Federal Work Study (FWS) allocation to compensate students employed in community service activities. Rather, RCC used only two percent of its FWS allocation, or \$1,771 ($\$83,494 \times 2.12\%$) to compensate students working in community service employment. In accordance with federal requirements, RCC should have earmarked \$5,845, or seven percent of the \$83,494 expended, to compensate FWS students. RCC placed one student in community service employment during the 2010-2011 academic year who was employed as a counselor at a summer camp for underprivileged children. However, RCC did not place one or more FWS students in either a Reading Tutoring Project or Family Literacy Project in accordance with the program requirements.

In its response, RCC stated that the Internal Control Policies and Procedures Manual will be revised to include compliance requirements for community service placement and earmarking FWS funds.

7. RETURN OF TITLE IV FUNDS DID NOT COMPLY WITH FEDERAL REGULATIONS **19**

RCC did not comply with the processing of Title IV refunds for 16 of 30 students in our sample who officially or unofficially withdrew. Specifically, we noted that (a) six refunds for students who officially withdrew were not calculated properly, (b) three refunds for students were not processed within the 45-day timeframe, and (c) seven refunds for students were not calculated for students who unofficially withdrew, as discussed below.

a. Six Title IV Refunds Not Calculated Correctly **20**

RCC incorrectly calculated six students' Title IV refunds in our sample. These refunds resulted from students' official withdrawal prior to the completion of the enrollment period. We determined that RCC did not calculate Title IV refunds by taking the lesser amount of unearned assistance, as required by federal regulations. Our analysis disclosed that for six students, RCC incorrectly calculated five refunds, resulting in an overpayment to ED in the amount of \$1,418.30, and incorrectly calculated the sixth student's refund, resulting in an underpayment to ED in the amount of \$478.97.

b. Three Title IV Refunds Not Processed in a Timely Manner **21**

RCC did not return Title IV program funds amounting to \$6,837.49 to the ED in a timely manner. Specifically, we identified that three students' refunds were calculated properly but were returned after the 45-day limit had expired. An institution must return the amount of Title IV funds for which it is responsible via deposit, transfer into the SFA account, or through electronic funds transfer as soon as possible and no later than 45 days after the institution is notified of a student's withdrawal. We identified that the RCC processed its returns by electronic funds transfer and processing of the three returns ranged from 132 days to 179 days beyond the 45-day limit.

c. Seven Title IV Refunds Not Calculated for Students Who Unofficially Withdrew **21**

RCC did not calculate seven students' Title IV refunds in our sample. RCC should calculate Title IV refunds upon receiving notification that a student has ceased attending. RCC received \$10,054 in SFA for seven students who had unofficially withdrawn. As of December 12, 2011, RCC had not calculated Title IV refunds, as required by federal regulations. We determined that RCC should have returned \$3,849 in Title IV funds for the seven withdrawn students, which represents questioned costs. RCC does not address the return of Title IV funds within its Internal Control and Procedures Manual for the (a) calculation of Title IV refunds within guidelines established by ED, (b) processing of the return of Title IV funds within ED's 45-day requirement, or (c) processing of Title IV refunds for students who have unofficially withdrawn during a semester. RCC needs to monitor the Title IV refund process to ensure compliance with federal regulations.

In its response, RCC stated that it will update the Internal Control Policies and Procedures Manual to establish policies for the Financial Aid Office to be notified immediately of students who officially or administratively withdraw. RCC further indicated that the Manual will also establish policies and processes for the accurate calculation and timely return of Title IV refunds.

8. IMPROVEMENTS NEEDED IN FEDERAL WORK STUDY INTERNAL CONTROL AND PAYROLL PROCEDURES **23**

Our review of internal controls and payroll policies and procedures established for maintaining, monitoring, and controlling RCC students' FWS payroll records and files indicated that RCC did not comply with FWS regulations, guidelines, and internal controls as identified in RCC's SFA policies and procedures and certain FWS program regulations. Our audit tests for compliance involved a review of five students, 49 timesheets, and payments totaling \$6,421 ranging from the fall 2010 semester through summer 2011. RCC pays student employees on a biweekly basis. This review indicated that RCC did not comply with its established SFA policies and procedures and FWS regulations for two students; as a result, we question payroll costs totaling \$2,452.

In its response, RCC stated that a new senior financial aid counselor will work with supervisors to monitor compliance and provide an orientation for all work study students to ensure that they understand FWS regulations regarding work hours, and all FWS time sheets will be reviewed by the responsible senior financial aid counselor to ensure payroll compliance.

9. MONTHLY SFA RECONCILIATIONS NOT PERFORMED **26**

RCC did not perform monthly reconciliation of disbursements between the financial records of the Business Office (BO) and the Financial Aid Office (FAO) for the SFA programs (Pell Grant and Federal Supplemental Educational Opportunity Grant (FSEOG)) for the 2010-2011 award year. The BO financial records reflect the cumulative draw-down of funds for disbursement to students and the FAO records reflect the cumulative record of disbursements to students documented in the United States ED Common Origination Record (COD) system. RCC did not reconcile disbursements for these programs, resulting in a variance of \$8,817 between offices as of September 30, 2011 for the 2010-2011 award year. Reconciliation of Pell Grants and FSEOG is a key component of internal control within the SFA program and the ED requires a reconciliation process in place for each SFA program. The process would also ensure that accurate disbursement data is entered on the annual Fiscal Operations Report and Application to Participate (FISAP).

In its response, RCC indicated that the recommendations for performing monthly reconciliations, establishing written policies and procedures, and determining the source of the variance will be implemented.

10. IMPROVEMENTS AND ENHANCEMENTS NEEDED IN INTERNAL CONTROL PLAN **29**

Our audit disclosed that although RCC developed an Internal Control Plan (ICP), it did not meet the Office of State Comptroller's (OSC) Internal Control Guide requirements. For the ICP to be considered an effective high-level summarization, the eight components of Enterprise Risk Management (developed by the Committee of Sponsoring Organizations of the Treadway Commission) must be present as described in the OSC Internal Control Guide. Because RCC did not have an adequate high-level summarization of its internal controls that integrates and correlates with an effective risk assessment, 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 facility.

In its response, RCC indicated that the recommendations for updating the Internal Control Plan and meeting the OSC's Internal Control Guide requirements will be implemented during the current revision of the Internal Control Policy Manual for fiscal year 2013.

INTRODUCTION

Background

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

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted an audit of RCC's Federal Student Financial Assistance (SFA) programs funded through the United States Department of Education (ED) for the period July 1, 2010 through June 30, 2011. We conducted our audit in conjunction with the Single Audit of the Commonwealth of Massachusetts for the fiscal year ended June 30, 2011. The Commonwealth's Fiscal Year 2011 Single Audit Report consists of the following volumes:

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

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

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

Our audit was also conducted in accordance with standards set forth in OMB Circular A-133 and the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide, Audits of State and Local Governments. Additionally, our audit evaluated RCC's compliance with

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

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

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

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

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

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

We examined, on a test basis, evidence regarding RCC's compliance with applicable requirements and performed other procedures as we considered necessary. Based on these tests, we concluded that, except as reported in the Audit Results section of this report, for the period July 1, 2010 through June 30, 2011, RCC had adequate internal controls in place; used, recorded, and accounted for SFA funds properly; and complied with the requirements of the United States ED, OMB Circular A-133 and the Compliance Supplement, and other applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

1. PELL GRANT FUNDS AWARDED WITHOUT ADEQUATE DOCUMENTATION

Our audit sample of 25 Roxbury Community College (RCC) students' files disclosed that one student who received Pell Grants did not have a high school diploma or its equivalent and a second student's file contained a transcript indicating a questionable graduation date. The two students were awarded \$3,938 in Pell Grants, as discussed below:

a. Student Inappropriately Awarded Pell Grant without a Documented High School Diploma or Equivalent

Our audit disclosed that a student file contained no evidence of a high school diploma or its recognized equivalent. RCC awarded a Pell Grant amounting to \$582 to this student..

34 Code of Federal Regulations (CFR) 668.32(e)(1)-(2), Student Assistance General Provisions Subpart C – Student Eligibility, details students' eligibility to receive Title IV, Higher Education Act (HEA) program assistance as follows:

1. *Has a high school diploma or its recognized equivalent;*
2. *Has obtained a passing score specified by the Secretary on an independently administered test in accordance with subpart J of this grant.*

RCC Catalog 2010-2012, The Enrollment Process – Transcripts, Page 15, states the following:

All applicants for admission to the College are required to submit a copy of a high school diploma as evidence of having completed their secondary school education.

RCC Catalog 2010-2012, The Enrollment Process – Admissions, Page 15, states the following:

Materials submitted by an applicant during the admission process will not be returned. Certified or notarized copies of required documents may be submitted either by mail or in person to the applicant's file.

RCC's Internal Control and Procedures Manual, Part C, Admissions Application Process, states the following:

All high school transcripts must be verified for date or graduation. The transcripts must show evidence that the student has finished at least the first semester of their senior (12th) year. Also, it is vitally important that this Office receive a final transcript to show that the student graduated. For admissions purposes, a professional staff member must review applicant files that fall into this category.

If a file is incomplete, the applicant should be sent a "missing information letter". Any documents that come into the office [are] alphabetized and put into the sorter. A work-study student reviews the sorter at least twice a week to match documents with the appropriate student file.

RCC re-checked its current and archive files and could not locate the missing information or explain why it could not produce a copy of this student's high school diploma, indicating a breakdown in internal controls resulting from the supervisor not monitoring the staff responsible for this function. As a result, we question \$582 in Pell Grants disbursed to this student.

b. Student Inappropriately Awarded Pell Grant with Questionable High School Graduation Date

Our audit disclosed that the student file documenting a student's \$3,356 Pell Grant contained conflicting information pertaining to the date of high school graduation for the student.

34 CFR 668.53(a)(4) Verification of Student Aid Application Information, Subpart E - Policies and Procedures, details RCC's responsibility to establish written policies and procedures to administer Title IV, HEA program assistance as follows:

(a) An institution shall establish and use written policies and procedures for verifying information contained in a student aid application in accordance with the provisions of this subpart. These policies and procedures must include –

(4) The procedures the institution requires an applicant to follow to correct application information determined to be in error.

RCC's Internal Control and Procedures Manual, Part C, Admissions Application Process, High School/GED Diploma and/or Transcripts, addresses the federal regulation as follows:

All high school transcripts must be verified for date or graduation. The transcripts must show evidence that the student has finished at least the first semester of [his or her] senior (12th) year. Also, [it] is vitally important that this Office receive a final transcript to show that the student graduated. For admissions purposes, a professional staff member must review applicant files that fall into this category.

Our review of the student's file disclosed that the passport and the admissions application both indicated that the student was born in 1978. The high school graduation date provided by the student on the application indicated the student graduated in 1993. The student transcript, however, indicated that the student attended high school in the country of Ethiopia for four years ending in 1985, indicating the student graduated high school at the age of seven.

RCC's Admission's Office has the initial responsibility to verify the student's application and high school diploma/transcripts. The information collected will be used by other RCC offices for assessment, advising, registration, the awarding of financial aid, and retention. The information is used by the Financial Aid Office to determine if the student is potentially eligible for financial aid. The breakdown of internal controls resulted from the supervisor not monitoring the staff responsible for this function.

An RCC official stated that, as of January 25, 2011, the application for admission requires that all foreign educational credentials must be evaluated in United States equivalents by a credential evaluation service entity approved by the United States Department of Education (ED).

As a result of the above-noted issues, we question \$3,356 in Pell Grant funds awarded to these two students.

Recommendation

The RCC should review its practices of monitoring compliance with its established internal control policies and procedures for documenting all required information in the enrollment process. Adherence to these policies will ensure that each student file contains required admissions documentation for those who are applying for federal financial aid. Also, RCC should ensure that all documents supporting each student's admission is reviewed for accuracy and verified by the RCC Admissions Office when information received conflicts with the student's application.

Auditee's Response

To enhance the already established internal controls, RCC will implement a document checklist which will be completed and signed off by the Admissions Director or designee, before the files are submitted to the Registrar Office. The submitted files will be reviewed to insure that the checklist is complete and appropriately endorsed.

2. PELL GRANT DISBURSEMENT DATA NOT SUBMITTED WITHIN THE REQUIRED 30-DAY TIMEFRAME

Our audit disclosed that RCC Pell Grant disbursement records were not transmitted to the ED within the required 30-day timeframe. We determined that the Pell Grant student disbursement data totaling \$14,983 for the 25 students receiving Pell Grants in our sample was not submitted within the required 30-day timeframe in nine instances; for five students in the fall 2010

semester and four students in the spring 2011 semester. The RCC is required to submit a disbursement record for each Pell Grant student. Our audit disclosed that the disbursement records for these students were submitted 60 to 214 days after the 30-day disbursement timeframe.

Institutions must submit certain Pell Grant disbursement data to the ED through the Common Origination and Disbursement (COD) System. A disbursement record can be submitted up to 30 days before the actual disbursement date, but no later than 30 days after the disbursement is made.

34 CFR 690.83(b)(1)(2) states:

(1) An institution shall report to the Secretary any change in the amount of a grant for which a student qualifies including any related Payment Data changes by submitting to the Secretary the student's Payment Data that disclosed the bases and result of the change in award for each student. The institution shall submit the student's Payment Data reporting any change to the Secretary by the reporting deadlines published by the Secretary in the Federal Register.

(2) An institution shall submit, in accordance with deadline dates established by the Secretary, through publication in the Federal Register, other reports and information the Secretary requires and shall comply with the procedures the Secretary finds necessary to ensure that the reports are correct.

The ED Federal Register, Part IV B, Earliest Submission and Deadline Dates for Submitting Federal Pell Grant Disbursement Records states:

An institution is required to submit a disbursement record not later than the earlier of:

(a) 30 calendar days after the institution:

makes a payment; or

becomes aware of the need to make an adjustment to previously reported disbursement data.

Our review disclosed that RCC does not have written policies and procedures for compliance with Pell Grants, which require institutions to submit the Pell Grant disbursement data to ED within 30 days before the actual disbursement date, but no later than 30 days after disbursement is made. The written policies and procedures should include documenting the process for the submission of Pell Grant disbursement data. Consequently, RCC was not in compliance with student financial aid requirements.

We were informed by the RCC officials that the student Pell Grant disbursement data was not reported to COD for the nine students due to staffing shortages in the Financial Aid Office.

Recommendation

RCC should develop written policies and procedures to ensure compliance for the timely submission of Pell Grant disbursement data to the ED through the COD System. Furthermore, RCC should address any staffing needs to ensure that the assigned responsibilities of the student Financial Aid Office are being achieved.

Auditee's Response

RCC has recently hired a senior financial counselor and is now fully staffed. The Financial Aid Internal Control and Procedures Manual will be updated to ensure timely reporting of disbursement data to the US Department of Education, in compliance with Federal Regulations.

3. INSTITUTIONAL AGREEMENTS NOT MAINTAINED

Our audit determined that RCC entered into consortium agreements with other institutions as part of RCC's educational programs. The RCC Student Handbook disclosed that six local colleges participated in cross registration with RCC, allowing its students to take courses at other colleges while enrolled at RCC. However, during our audit period, RCC did not maintain written consortium agreements with host institutions for RCC students participating in their educational programs, contrary to federal requirements. Furthermore, RCC did not maintain a listing of students taking courses at local colleges while enrolled at RCC. As a result, there is no assurance that RCC had valid agreements with other institutions in place for RCC students taking part of their educational courses. Moreover, RCC was not in compliance with Student Financial Aid (SFA) requirements regarding written agreements between colleges. Institution agreements under the federal regulations allow students to complete all or part of their educational program with other institutions, which states the following:

Written arrangements between eligible institutions. If an eligible institution enters into a written arrangement with another eligible institution, or with a consortium of eligible institutions, under which the other eligible institution or consortium provides all or part of the educational program of students enrolled in the former institution, the Secretary considers that educational program to be an eligible program if it otherwise satisfies the requirements of Section 668.8.

Two or more institutions may enter into a consortium or contractual agreement so that a student can continue to receive SFA funds while studying at an institution or organization other than his or her “home” institution. (The “home” institution is the institution that will grant the student’s degree or certificate).

The United States ED Federal Student Aid Blue Book, Chapter 6 – Written Agreements between Schools, states as follows:

Elements of a consortium agreement

A consortium agreement can be a blanket agreement between two or more eligible schools, or it can be written for a specific student. Such an agreement is often used when a student takes related courses at neighboring schools or when a student is enrolled in an exchange program with another eligible school for a term or more. A school could have –

- *One agreement for each student;*
- *A separate agreement with each host school; or*
- *A blanket agreement with a group of schools.*

In a consortium agreement there is no limit on the portion of the eligible program that may be provided by eligible schools other than the home school. Agreement contents can vary widely and will depend upon the interests of the schools involved and the accrediting or state agency standards. The Department does not dictate the format of the agreement (which can be executed by several different offices) or where the agreement is kept. However, the following information should be included in all agreements:

- *the school that will grant the degree or certificate;*
- *the student’s tuition, fees, and room and board costs at each school;*
- *the student’s enrollment status at each school;*
- *the school that will be responsible for disbursing aid and monitoring student eligibility; and*
- *the procedures for calculating awards, disbursing aid, monitoring satisfactory academic progress and other student eligibility requirements, keeping records, and returning funds in the event the student withdraws.*

During our audit period, we found that students had participated in cross registration with six local colleges. However, RCC could not provide a listing or establish the total number of students participating in cross registration. RCC also does not address institutional agreements within the Internal Control Plan and Procedures Manual. Consequently, RCC was not in

compliance with SFA requirements. RCC officials stated that this lack of documentation was an oversight and written consortium agreements will be established with the six institutions.

Recommendation

RCC should implement policies and procedures to ensure that written agreements between colleges comply with federal requirements regarding institutional agreements. Also, the RCC should establish and maintain a listing of all students who are taking or have taken courses at other colleges while enrolled at RCC.

Auditee's Response

RCC has established a process whereby the counseling and placement department compiles all relevant data, and submits a list of all students as well as a copy of their consortium agreements to the Business Office.

4. COST OF ATTENDANCE NOT CALCULATED CORRECTLY

Our audit sample of 25 RCC students disclosed that 22 students' cost of attendance (COA) calculations for each student's institutional budget within PowerFAIDS (a windows-based software program designed to perform specific Financial Aid Office functions and automate the financial aid process) did not agree with the tuition and fees(s) amounts approved by the RCC Board of Trustees, as provided in the RCC Fall 2010 and Spring 2011 Tuition State of Massachusetts Resident Budget information form. Our audit tests disclosed two instances where the COA for students were overestimated by \$468 (\$54 and \$414) and 20 instances where the COA for students was underestimated by \$2,378 (ranging from \$10 to \$457).

The Federal Student Aid Handbook, Chapter 2, Cost of Attendance (Budget), dated January 2011, states that:

The cost of attendance is determined by law (Higher Education Act, Sect. 472) and is not subject to regulation by the Department (ED). The law specifies the types of costs that are included in the cost of attendance, but the College must determine the appropriate amount to include for each category for students at the school.

The Higher Education Act of 1965, Section 472, states that the COA is composed of:

Tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.

We determined that amounts in the tuition and fees section for 22 students' COA institutional budget calculation in our sample were not in agreement with the amounts established by the Board of Trustees. An RCC official stated that a counselor hired in April 2011 mistakenly applied a "universal charge" to tuition and fees to the institutional budgets of every student receiving SFA for academic year 2010-2011 when attempting to change one student's COA calculation. The Director of Financial Aid reversed the "universal charges" in PowerFAIDS. However, notwithstanding this correction, we determined that tuition and fees amounting to \$1,910 (difference between the \$2,378 for the 20 instances where COA was underestimated and the two instances where COA was overestimated by \$468) did not agree with RCC's Board of Trustees' approved COA.

The COA is the cornerstone of establishing a student's financial need, as it provides a limit on the total financial aid that a student may receive. The student tuition and fee amounts are approved by the RCC Board of Trustees each semester and should be part of the "tuition and fee" amount within the "institutional budget items" section of the PowerFAIDS to assist RCC in computing the COA for each student. The RCC Board of Trustees approves only the tuition and fees portion(s) of the COA process, leaving the cost assigned for room and board, books and supplies, and transportation to the discretion of the Director of Financial Aid. For Title IV programs, the COA is generally the sum of the following: tuition and fees, room and board, allowances for books and supplies, transportation, and miscellaneous personal expenses, along with other applicable expenses such as loan fees and dependent-care costs as outlined in Section 472 of the Higher Education Act. The "Estimated Family Contribution" (EFC) is subtracted from the COA to determine the student's need for aid.

The RCC did not have established financial aid policies and procedures that address the monitoring of student budget information listed on PowerFAIDS. These policies and procedures should include the monitoring of all elements of the COA to determine that amounts have been correctly determined and to timely identify any variances between approved RCC Board of Trustees tuition and fees and the amounts entered into PowerFAIDS.

RCC officials stated that a review will be conducted to determine the cause of the variance in tuition and fees section of the COA institutional budget calculations for its students.

RCC does not address the preparation and subsequent monitoring of the COA budgets in its Internal Control and Procedures Manual. Consequently, RCC did not comply with federal regulations on establishing an accurate COA for its students receiving student financial aid.

Recommendation

RCC should establish policies and procedures for the COA process. RCC should closely monitor student budgets by conducting reviews of the COA for each student to provide reasonable assurance that PowerFAIDS contains the most current tuition and fee amounts approved by the Board of Trustees for each semester and to timely identify any variances.

Auditee's Response

The PowerFAIDS program is now being integrated with the Jenzabar system to insure that only Board approved tuition and fees are used in calculating student's COA.

5. TITLE IV FINANCIAL AID INAPPROPRIATELY AWARDED TO STUDENTS FOR INELIGIBLE COURSES AND ADVISING TREE ISSUES

Our audit sample of 25 RCC students disclosed that three students had received Title IV financial aid totaling \$4,166 for ineligible courses, disbursed over a two-year period (fall 2008 through the end of fall 2010 semesters) and Advising Trees could not be produced by the Advising Department for two students.

a. Title IV Financial Aid Awarded for Remedial Credits Taken beyond the Allowable Limit of 30 Credits

New students admitted as regular students to any of RCC's three academic programs of study—Associate of Arts Degree, Associate of Science Degree, and Certificate—are required to take placement tests in English, Math, and Science for the purpose of evaluating students' skills and for determining the correct level of classes they should register for regarding their programs of study. A regular student is allowed to enroll in remedial courses and receive financial aid. The Federal Student Aid (FSA) Handbook, Volume 1, Chapter 1, School-Determined Requirements, defines a regular student as follows:

A regular student is someone who is enrolled or accepted for enrollment in an eligible institution for the purpose of obtaining a degree or certificate offered by the school.

The Handbook further states that:

A person must be enrolled as a regular student in an eligible program in order to receive FSA funds.

Upon completion of the placement tests, students receive a Placement Report indicating the remedial courses in which the student is required to enroll. Although a student is accepted into an eligible program as a regular student, the student is first required to complete remedial coursework, and enrollment in the eligible program is contingent upon the student's completion of the remedial coursework. The credits earned from these courses are separate from the core courses and electives required by the degree program and are not counted towards the required credit total.

One student in our sample enrolled in the Associate of Arts Degree Program in the fall of 2007 with a concentration in Health Careers. This student received Pell Grants totaling \$2,122 for 14 developmental courses that were not eligible for federal financial aid, as the student had exceeded the allowable 30 credits by the fall 2008 semester.

The FSA Handbook, Volume 1, Chapter 1, School-Determined Requirements, states the following regarding remedial coursework:

[I]f the student is admitted into an eligible program and takes remedial coursework within that program, he can be considered a regular student, even if he is taking all remedial courses before taking any regular courses. You may count up to one academic year's worth of these courses in his enrollment status for federal aid. For the purpose of this limit, that is 30 semester or trimester hours, 45 quarter hours, or 900 clock hours.

Also, RCC's Course Catalog states the following relative to developmental courses:

A student can enroll for more than 30 Developmental credits with a written waiver from their Academic Advisor. However, Financial Aid cannot be used for more than 30 developmental credits under any circumstances. Please note that all developmental courses must provide a pathway to an eligible academic certificate or degree program. Developmental classes that students enroll in and fail to complete due to withdrawal count towards your 30 developmental credits attempted as well as your maximum allowable 120 credits.

Also, 34 CFR 668.20(a) states the following:

A noncredit or reduced credit remedial course is a course of study designed to increase the ability of a student to pursue a course of study leading to a certificate or degree.

We question \$2,122 in Pell Grants.

b. Financial Aid Awarded for Ineligible Courses

Two students in our sample (one of whom is discussed in Audit Result 5.a) enrolled in the Associate of Arts Degree Program with a concentration in Health Careers. These students inappropriately received Pell Grants for an Applied Grammar course, titled LAN 102. The unallowable Pell Grants totaled \$1,350 (\$656 for the student discussed in Audit Result 5.a and \$694 for the other student).

RCC allows students enrolled in Associate of Arts and Associate of Science Degrees to take an English Language course—Applied Grammar I (LAN 101) or Applied Grammar II (LAN 102)—but not both, as a Humanities elective requirement. However, because neither of these courses are transferrable to other institutions of higher learning and therefore cannot be applied towards a bachelor's degree, Title IV financial aid may not be awarded.

RCC's Course Catalog in regard to Course Selection and Financial Aid Eligibility states the following:

Financial Aid cannot be used to pay for courses that are not required by your Associate Degree or Certificate Program. If it is discovered that you have registered for courses outside of your degree/program financial aid will be canceled and you will be fully responsible for the charges associated with the non-required course(s). Therefore it is essential that you consult with an Academic Advisor prior to registering for classes.

Because neither of these grammar courses are transferrable to other institutions of higher learning and therefore cannot be applied towards a bachelor's degree, RCC did not comply with federal regulations in awarding financial aid for either course. Consequently, the courses should not be part of an SFA-eligible program at RCC. In order for a student to receive Pell Grants, the student must be enrolled in one of the following eligible programs: Associate of Arts, Associate of Science, and a number of Certificate Programs. These programs are approved by the United States ED on the Eligibility and Certification Approval Report. We inquired with the Vice President of Academic Affairs regarding whether these language courses had been approved by ED and were informed that elective courses do not require separate approval by ED for eligibility.

34 CFR 668.8(c) states the following relative to eligible programs provided by institutions of higher education:

Institution of higher education. An eligible program provided by an institution of higher education must—

- (1) Lead to an associate, bachelor's, professional, or graduate degree;*
- (2) Be at least a two-academic-year program that is acceptable for full credit toward a bachelor's degree; or*
- (3) Be at least a one-academic-year training program that leads to a certificate, degree, or other recognized educational credential and certificate, degree, or other recognized educational credential and prepares a student for gainful employment in a recognized occupation.*

We question \$1,350 in Pell Grants.

c. Title IV Financial Aid Awarded for an Elective Business Course

One student in our sample enrolled in the Associate of Arts Degree program in the fall of 2007 with a concentration in Social Science received a Pell Grant in the fall of 2010 for a non-required business course outside the student's degree requirements and therefore ineligible for financial aid. The amount of the unallowable Pell Grant was \$694. RCC has designed curriculums for concentrations within each of its academic programs, with certain required core courses and a choice of elective courses.

RCC officials stated that beginning with the fall 2009 semester, a control was instituted to enable the Financial Aid Office to prevent payment of student financial aid for ineligible credits (excess developmental credits or credits taken outside of degree programs). The control consists of the non-required and repeat (NR-R) internal report listing of students with ineligible courses, which the Advising Department must provide to the Financial Aid Office within 10 days of the add/drop period. RCC stated that the control further requires that if the Financial Aid Office does not receive the report within the required timeframe, the Director of Financial Aid should request it from the Advising Department. We determined that RCC has not documented this procedure. As part of our review, we requested the NR-R reports from the Advising Department for the 2010-2011 academic year and were provided with the spring and summer 2011 reports (we were not provided the report for the fall 2010). However, when we compared the results of our sample with the reports, ineligible students were not listed.

RCC could not provide an explanation as to why the reports were incomplete and inaccurate. RCC has not implemented proper controls within the Jenzabar computer system that would alert the Advising Department when particular students have reached the 30-credit limit for developmental courses or have registered for courses outside of their degree program and would therefore not be eligible to receive federal financial aid.

RCC's Course Catalog states the following with regards to Maximum Credits for Financial Aid:

Financial aid cannot be used to pay for courses that are not required by our Associate Degree or Certificate Program. If it is discovered that you have registered for courses outside of your degree/program financial aid will be canceled and you will be fully responsible for charges associated with the non-required course(s). Therefore it is essential that you consult with an Academic Advisor prior to registering for classes.

We question \$694 in Pell Grants.

d. Advising Trees Could Not Be Produced for Two Students by the Academic Advising Department

RCC's Advising Department could not produce Advising Trees for two students in our sample of 25 (one student is included Audit Result 5.b). An Advising Tree is a tool used by the Academic Advising Department for the purpose of organizing students' curriculum plans for their programs of study, assisting them with completing courses as well as advising them of program changes and alternative course offerings.

The Advising Department is required to maintain Advising Trees for its students in the advising module of RCC's Jenzabar computer system. RCC utilizes the Jenzabar software program to provide a complete management information system serving its user groups, which include the Financial Aid Office, the Business Office, and the Registrar's Office.

RCC does not have written policies and procedures addressing the steps required for the proper maintenance of Advising Trees for students and could not provide us with a satisfactory explanation as to why Advising Trees could not be produced for the students in question.

The ED conducted a program review covering Title IV administrative programs at RCC and issued a report (OPEID: 011930; PRCH: 200630025096) on May 3, 2007. The report contained

three audit results concerning ineligible students receiving Title IV funds, as follows: 1) students enrolled in ineligible programs, 2) students failing to maintain satisfactory progress, and 3) inadequate determination of three students' eligibility indicating that students had earned prior college degrees.

RCC stated the following in its response to the ED program review report (June 20, 2011):

Roxbury affirms that it has introduced additional policies, procedures and controls to ensure that students receiving Title IV aid are enrolled in college level credit bearing degree eligible courses or they are taking up to, but not exceeding, 30 credit hours of developmental and/or ESL coursework. The new procedures and policies will also ensure that a student's elective courses do not exceed the amount that can be applied towards his/her degree.

As a result of not establishing the proper policies, procedures, and internal controls within the Advising Department and the Jenzabar computer system, RCC has awarded and disbursed Pell Grants totaling \$4,166 for ineligible courses. Furthermore, by awarding Title IV grants to students enrolled in remedial and non-required courses that do not apply to their degrees or certificates, students' future eligibility to receive financial aid prior to completion of their programs could be compromised.

Recommendation

The RCC should establish and implement adequate written policies and procedures over the controls in its Jenzabar computer system that would notify the Financial Aid Office when students reach their limit of 30 developmental credits and/or when enrolled in non-required courses taken outside of degree programs. Also, the RCC should develop policies and procedures that address required steps for the proper maintenance of Student Advising Trees.

Auditee's Response

The Jenzabar, the Student Information Management Systems is currently integrated with PowerFAIDS. Training will be provided in March 15th, 2012 that would enable the usage of the functionalities that prevent the award of financial aids to students taking more than 30 developmental credits already available in the system. In addition the College will strengthen our policies and procedures in the Student Advising Trees practices. Our Internal Control Document would be updated to enhance these practices.

6. NONCOMPLIANCE WITH EARMARKING AND PLACEMENT REQUIREMENTS OF THE FEDERAL WORK STUDY PROGRAM

Our audit disclosed that RCC was not compliant with the federal requirements of the Work Study Community Service Program regarding earmarking and community service placements.

RCC did not use at least seven percent of its Federal Work Study (FWS) allocation to compensate students employed in community service activities. Rather, RCC used only two percent of its FWS allocation, or \$1,771 ($\$83,494 \times 2.12\%$), to compensate students working in community service employment. In accordance with federal requirements, RCC should have earmarked the amount of \$5,845, or seven percent of the \$83,494 expended, to compensate FWS students.

RCC placed one student in community service employment during the 2010-2011 academic year who was employed as a counselor at a summer camp for under-privileged children. However, RCC did not place one or more FWS students in either a Reading Tutoring Project or Family Literacy Project in accordance with the program requirements.

To comply with the FWS earmarking requirement of seven percent, RCC must fully participate in the program by 1) recruiting community-based service employers such as libraries and governmental agencies eligible for placement of FWS students and 2) informing students individually, or on RCC's website and Student Handbook as well as other RCC literature of the FWS service employment available in the community.

34 CFR 675.18(g)(i), states the following with the regards to Community Service:

For the 2000-2001 award year and subsequent award years, an institution must use at least seven percent of the sum of its initial and supplemental FWS allocation for an award year to compensate students employed in community service activities. In meeting this community service requirement, an institution must include at least one—

(i) Reading tutoring project that employs one or more FWS students as reading tutors for children who are preschool age or are in elementary school; or

(ii) Family literacy project that employs one or more FWS students in family literacy activities.

RCC officials stated that the primary reason for noncompliance resulted from inadequate staffing in the Financial Aid Office. As a result, personnel were unable to devote sufficient time to finding eligible community-based service employers for student job placement. Also, RCC

officials stated that tutoring and literacy jobs that had been secured at the local library for FWS students were cancelled at the last minute by the City of Boston.

Our review further disclosed that RCC does not have specific internal control policies and procedures that address compliance requirements for community service placement and earmarking of FWS funds. Specifically, the policies and procedures should include: a) detailed steps for the recruitment of a number of appropriate community-based employers, including libraries or agencies that offer reading programs for fulfillment of reading requirement for at least one FWS student; b) a process for placement of FWS students in employment; and c) a process for the maintenance of separate records for community-based employment compensation documenting the achievement of the minimum seven percent FWS threshold.

As a result of RCC's noncompliance, students have been denied the opportunity to engage in fulfilling and rewarding work experiences. Furthermore, needy individuals in the community have been denied the opportunity to receive assistance in reading and literacy education as well as other types of civic educational services.

Recommendation

RCC should develop written internal controls and policies and procedures to ensure compliance with the FWS requirements of community service placement and earmarking. Also, RCC should provide adequate staffing within the Financial Aid Office to comply with the earmarking and placement requirements of the program.

Auditee's Response

The Internal Control policies and procedures Manual will be revised to include compliance requirements for community service placement and earmarking Federal Work Study funds. A senior financial aid counselor has been hired to oversee the FWS Program.

Further, RCC has partnered with Jumpstart to ensure that the earmarked 7% allocation of Federal Work Study Funds is used to promote reading literacy for preschool children. FWS students will begin receiving community service placement through Jumpstart in Fall 2012.

7. RETURN OF TITLE IV FUNDS DID NOT COMPLY WITH FEDERAL REGULATIONS

RCC did not comply with the processing of Title IV refunds for 16 of 30 students in our sample who officially or unofficially withdrew. Specifically, we noted that (a) six refunds for students who officially withdrew were not calculated properly, (b) three refunds for students were not

processed within the 45-day timeframe, and (c) seven refunds for students were not calculated for students who unofficially withdrew.

When a student receiving Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the student began attendance, the institution must determine the amount of Title IV funds earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount disbursed to the student as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement. Our audit disclosed the following:

a. Six Title IV Refunds Not Calculated Correctly

RCC incorrectly calculated six students' Title IV refunds in our sample. These refunds resulted from students' official withdrawal prior to the completion of the enrollment period. The ED has established regulations that govern the return of Title IV funds. Specifically, 34 CFR 668.22(e)(4) and (g)(2) require the institution to return the lesser amount of unearned Title IV assistance as follows:

(e)(4) The total amount of unearned Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance earned by the student from the amount of Title IV assistance that was disbursed to the student as of the date of the institution's determination that the student withdrew.

(g)(2) An amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student.

We determined that RCC did not calculate Title IV refunds by taking the lesser amount of unearned assistance. Our analysis disclosed that for six students, RCC incorrectly calculated five refunds, resulting in an overpayment to ED in the amount of \$1,418.30, and incorrectly calculated the sixth student's refund, resulting in an underpayment to ED in the amount of \$478.97, as follows:

Student	Amount Awarded to Student	Amount Disbursed to Student	RCC Computed Title IV Refund	OSA Calculated Title IV Refund	Overpayment	Underpayment
1	\$ 450.00	\$ 92.00	\$ 358.20	\$ 73.00	\$ 285.20	-
2	2,775.00	945.00	1,136.77	491.00	645.77	-
3	1,860.00	205.00	376.49	127.00	249.49	-
4	2,775.00	2,775.00	2,439.22	2,437.85	1.37	-
5	1,388.00	581.00	236.47	-	236.47	-
6	<u>1,025.00</u>	<u>1,025.00</u>	<u>-</u>	<u>478.97</u>	<u>-</u>	<u>478.97</u>
	<u>\$10,273.00</u>	<u>\$5,623.00</u>	<u>\$4,547.15</u>	<u>\$3,607.82</u>	<u>\$1,418.30</u>	<u>\$478.97</u>

b. Three Title IV Refunds Not Processed in a Timely Manner

RCC did not return Title IV program funds amounting to \$6,837.49 to the ED in a timely manner. Specifically, we identified that for three students' refunds were calculated properly but were returned after the 45-day limit had expired.

An institution must return the amount of Title IV funds for which it is responsible via deposit, transfer into the SFA account, or through electronic funds transfer as soon as possible and no later than 45 days after the institution is notified of a student's withdrawal.

The ED has established regulations that govern the timely return of Title IV funds. Specifically, 34 CFR 668.173(b)(1) states:

(b)Timely return of Title IV, HEA program funds. In accordance with procedures established by the Secretary or FFEL program lender, an institution returns unearned Title IV, HEA program funds timely if—

(1) The institution deposits or transfers the funds into the bank account it maintains under Section 668.163 no later than 45-days after the date it determines that the student withdrew.

We identified that the RCC processed its returns by electronic funds transfer and the processing of the three returns ranged from 132 days to 179 days beyond the 45-day limit.

c. Seven Title IV Refunds Not Calculated for Students Who Unofficially Withdrew

RCC did not calculate seven students' Title IV refunds in our sample. RCC should calculate Title IV refunds upon receiving notification that a student has ceased attending. RCC received

\$10,054 in SFA for seven students who had unofficially withdrawn. As of December 12, 2011, RCC still had not performed calculations of Title IV refunds, as required. ED has established regulations that govern the return of Title IV funds. Specifically, 34 CFR 668.22(e)(4) and (g)(2) require the institution to return the lesser amount of unearned Title IV assistance as follows:

(e)(4) The total amount of unearned Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance earned by the student from the amount of Title IV assistance that was disbursed to the student as of the date of the institution's determination that the student withdrew.

(g)(2) An amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student.

Also, 34 CFR 668.22(c)(i)-(iii) requires the following:

(c) Withdrawal date for a student who withdraws from an institution that is not required to take attendance. (1) For purposes of this section, for a student who ceases attendance at an institution that is not required to take attendance, the student's withdrawal date is –

(i) The date, as determined by the institution, that the student began the withdrawal process prescribed by the institution;

(ii) The date, as determined by the institution, that the student otherwise provided official notification to the institution, in writing or orally, of his or her intent to withdraw;

(iii) If the student ceases attendance without providing official notification to the institution of his or her withdrawal in accordance with paragraph (c)(1)(i) or (c)(1)(ii) of this section, the mid-point of the payment period (or period of enrollment, if applicable).

We determined that RCC should have returned \$3,849 in Title IV funds for the seven withdrawn students, which represents questioned costs.

RCC does not address the return of Title IV funds within its Internal Control and Procedures Manual for the (a) calculation of Title IV refunds within guidelines established by ED, (b) processing of the return of Title IV funds within ED's 45-day requirement, or (c) processing of Title IV refunds for students who have unofficially withdrawn during a semester. RCC needs to monitor the Title IV refund process to ensure compliance with federal regulations. Consequently, the RCC did not comply with federal regulations regarding the processing of the 16 students' Title IV refunds in an accurate or timely manner.

Recommendation

RCC should establish policies and procedures for the return of student Title IV funds within the Internal Control and Procedures Manual to ensure that the return of these funds is properly administered. RCC should monitor the return process to ensure that Title IV funds are returned accurately and timely in compliance with federal regulations.

Auditee's Response

RCC will update the Internal Control Policies and Procedures Manual to establish policies for the Financial Aid Office to be notified immediately of students who are officially or administratively withdraw from the College. The Manual will also establish policies and processes for the accurate calculation of refunds and the timely return of Title IV funds.

8. IMPROVEMENTS NEEDED IN FEDERAL WORK STUDY INTERNAL CONTROL AND PAYROLL PROCEDURES

Our review of internal controls and payroll policies and procedures established for maintaining, monitoring, and controlling RCC students' FWS payroll records and files indicated that RCC did not comply with FWS regulations, guidelines, and internal controls as identified in RCC's SFA policies and procedures and certain FWS program regulations. As a result, we question payroll costs totaling \$2,452 for two students.

In administering its FWS program, 34 CFR Sections 668.16(c)(1) and (2) requires that an institution shall establish and maintain an internal control system of checks and balances that ensures no office can both authorize payments and disburse funds to students, as follows:

(1) Administers Title IV, HEA programs with adequate checks and balances in its system of internal controls; and

(2) Divides the functions of authorizing payments and disbursing or delivering funds so that no office has responsibility for both functions with respect to any particular student aided under the programs. For example, the functions of authorizing payments and disbursing or delivering funds must be divided so that for any particular student aided under the programs, the two functions are carried out by at least two organizationally independent individuals who are not members of the same family, as defined in Sec. 668.15, or who do not together exercise substantial control.

Moreover, RCC must have administrative capabilities that address 34 CFR Section 675.19(a), which states, in part:

The institution must also establish and maintain program and fiscal records that; (i) include a certification by the student's supervisor, an official of the institution or off-campus agency, that each student has worked and earned the amount being paid. The

certification must include or be supported by, for students paid on an hourly basis, a time record showing the hours each student worked in clock time sequence, or the total hours worked per day; (ii) include a payroll voucher containing sufficient information to support all payroll disbursements; (iii) include a noncash contribution record to document any payment of the institution's share of the student's earnings in the form of services and equipment (see Sec. 675.27(a)); and (iv) are reconciled at least monthly (34 CFR 675.19 (b)(2)).

As part of our audit testing, we reviewed timesheets taken from payrolls for the fall 2010 and spring 2011 semesters for the following documentation: existence of student timesheets for both on-campus and off-campus employment, actual payroll reports compiled by Human Resources, and FWS contracts and agreements with students. Our review included tests for proper authorization, supporting documentation, accuracy, completeness, timeliness, and adherence to award specifications. Our audit tests for compliance involved a review of five students, 49 timesheets, and payments totaling \$6,421 ranging from the fall 2010 semester through summer 2011. RCC pays student employees on a biweekly basis. This review indicated that RCC did not comply with its established SFA policies and procedures and FWS regulations for two students, as follows:

Student One: This student started work study employment on June 28, 2011, and the following instances of noncompliance with federal regulations were noted:

- The student's timesheet was not completed or could not be located by the RCC for the pay period ended September 24, 2011. The disbursement records indicated that the student was paid \$124 for this pay period (15.5 hours x \$8). Furthermore, the student work study contract ended on September 6, 2011. We question payroll costs of \$124.
- The Federal W-4 Employee Withholding Allowance Certificate Form and State Form M-4 Massachusetts Employee's Withholding Exemption Certificate completed by the student indicated an exemption for withheld taxes for being a full-time student. However, RCC withheld federal and state taxes, contrary to the intentions of the student.
- The RCC Jenzabar computer system was not updated to indicate that the student was officially awarded and eligible for work study. The student received, according to the RCC disbursement records, \$898 in work study payments during the fall 2010 semester and \$898 during the spring 2011 semester.
- An Employment Eligibility Verification Form I-9 was not completed or could not be located by the RCC.

- The student was paid for an additional hour beyond the amount of time indicated on the timesheet for the pay period ended July 16, 2011. We question payroll costs of \$8 (1 hour x \$8).
- The student was paid in excess of 2.5 hours over the allowed 35 hours for the pay period ended August 27, 2011 stipulated in the student's work study contract and the RCC Work Study Handbook. We question payroll costs of \$20 (2.5 hours x \$8).
- The student's timesheets contained a 27.5 hours that conflicted with the student's class schedule. We found 11 instances of work hours recorded on the student's timesheets where the Registrar's records indicated the student was scheduled for class. No notations were found on timesheets to indicate released time or class cancellations. We question payroll cost of \$220 (27.5 hours x \$8)
- The student's timesheets were signed off by the student prior to the last day of the work week in eight instances. In seven of these instances, the timesheets were signed off prior to the last day worked for the work week by the work study supervisor.

Student Two: This student started work study employment on December 13, 2010, and the following instances of noncompliance with federal regulations were noted:

- The student's timesheet could not be located by the RCC for the pay period ended February 26, 2011. The student was paid \$240 (30 hours x \$8). We question payroll costs of \$240.
- The student's timesheet for the pay period ended March 19, 2011 indicated that five additional hours were added on March 24, 2011, subsequent to the date of the supervisor's signature approving hours accrued through March 23, 2011. There were no indications that supervisor approved the additional hours. As a result, we questioned payroll costs of \$40 (5 hours x \$8).
- The student's timesheet for the pay period ended April 2, 2011 indicated that the student was paid one-half hour more than the hours recorded on the disbursement records. We question payroll costs of \$4 (.5 hours x \$8).
- The student submitted a timesheet on February 18, 2011 for the pay period ended February 4, 2011, or 14 days after the pay period, contrary to the RCC FWS Handbook, which states that students must submit their timesheets to supervisors by Wednesday of the following work week.
- The student was incorrectly paid with state-appropriated funds instead of the work study program funds for hours worked for the pay period ended April 4, 2011 for a total of 14 hours.

RCC has established SFA policies and procedures pertaining to the maximum allowable 35-hour work week for students, supervisory review and approval of timesheets, submission deadlines for timesheets, prohibition of scheduling work hours or working during scheduled class periods, and the completion of payroll/tax forms in its FWS Handbook 2010/2011. The Handbook further states that “students and supervisors are responsible for reading the handbook and being familiar with its policies and procedures.”

The above instances resulted from inadequate supervisory and monitoring internal controls of the Payroll Office and Financial Aid Office. Consequently, RCC did not comply with FWS regulations, the RCC Work Study Handbook, and the work study contract conditions. The total questioned costs identified for these two students were \$656.

Recommendation

RCC should review and improve its internal controls within its FWS program. Compliance with established policies and procedures must be monitored to ensure that internal controls and payroll policies and procedures are functioning as intended and that they are in compliance with all applicable laws, rules, and regulations. These internal controls must be complied with by all RCC departments participating in the FWS program. Further, policies and procedures should be reviewed to ensure that all FWS supervisors are monitoring students’ work time to ensure that it does not conflict with class schedules.

Auditee’s Response

RCC will review and improve its internal controls procedures for the Federal Work Study Program (FWS). The new senior financial aid counselor will work with supervisors to monitor compliance and provide an orientation for all work study students to ensure that they understand FWS regulations regarding work hours. Additionally, all FWS time sheets will be reviewed by the responsible senior financial aid counselor to ensure payroll compliance. In order to avoid the conflict of class schedule and work schedule, the work-study weekly timesheet will include not only information related to the time worked, but also information regarding the student’s class schedule.

9. MONTHLY SFA RECONCILIATIONS NOT PERFORMED

Our review disclosed that RCC did not perform monthly reconciliation of disbursements between the financial records of the Business Office (BO) and the Financial Aid Office (FAO) for the SFA programs (Pell Grant and Federal Supplemental Educational Opportunity Grant (FSEOG)) for the 2010-2011 award year. The BO financial records reflect the cumulative draw-

down of funds for disbursement to students and the FAO records reflect the cumulative record of disbursements to students documented in the United States ED Common Origination Record (COD) system. RCC did not reconcile disbursements for these programs, resulting in a variance of \$8,817 between offices as of September 30, 2011 for the 2010-2011 award year, as indicated below:

SFA Program	Business Office	FAO Office	Variance
Pell Grant	\$6,701,949	\$6,710,218	\$8,269
FSEOG	<u>231,616</u>	<u>232,164</u>	<u>548</u>
	<u>\$6,933,565</u>	<u>\$6,942,382</u>	<u>\$8,817</u>

Reconciliation of Pell Grants and FSEOG is a key component of internal control within the SFA program and the ED requires a reconciliation process in place for each SFA program. This process should disclose any discrepancies between accounting entries, funds received, and funds disbursed, as well as ensure agreement with individual awards for each student. The process would also ensure that accurate disbursement data is entered on the annual Fiscal Operations Report and Application to Participate (FISAP).

The ED Blue Book, Information for Financial Aid Professionals, Chapter 16, The Business Office and the Federal Pell Grant Program states the following with regard to reconciliation in the Pell Grant Program:

To fulfill its responsibility to safeguard federal funds and ensure they are expended as intended, a school must perform reconciliation in each FSA program monthly. Through reconciliation, a school ensures that ED's records reconcile with the school's records, both at the cumulative and individual student levels. Monthly reconciliation for the Pell Grant program should include verifying that individually and cumulative the—

- 1. Records of awards made to students maintained by the financial aid office match the records of pending disbursements for those students maintained by the business office;*
- 2. Business office records of pending disbursements and financial aid office records of student awards match the records of actual disbursements posted to students' accounts;*
- 3. The disbursements posted to students' accounts match the disbursements to those students in the COD system; and*
- 4. Cumulative school and COD records of Pell Grant disbursements match Net Draws in GAPS for the award year Pell Grant Program.*

Monthly reconciliation is an important internal control procedure and it can make a significant contribution to increasing the overall program integrity of the FSA programs.

Because RCC's offices did not perform the required disbursement reconciliations for its SFA programs, errors were not detected and corrected timely, resulting in an unaccountable variance of \$8,817 between the records of the BO and the SFA Office. Furthermore, because SFA programs records were not reconciled by these respective offices, incorrect disbursement data for Pell Grant and FSEOG programs were reported on the FISAP filed September 30, 2011, for the award year 2010-2011. RCC reported Pell Grant and FSEOG expenditure on the FISAP from SFA financial records (Pell Grant \$6,710,218 and FSEOG \$232,164) without reconciliation to the BO.

RCC cannot explain why or how the variance occurred. Consequently, we question the accuracy of the FISAP, individual student accounts, and the cumulative disbursements on the COD system. Our review further disclosed that RCC did not have specific written policies and procedures in place for the performance of monthly reconciliation of its SFA programs.

RCC officials stated that they were not aware of the reconciliation requirement by ED. However, they stated that they would initiate a monthly reconciliation process beginning in the 2011-2012 award year. They further added that they would edit the FISAP by December 15, 2011, and enter the correct SFA expenditure data.

Recommendation

RCC should initiate the following actions:

- Perform monthly reconciliation of its SFA programs to verify that BO and SFA disbursement balances agree both individually and cumulatively.
- Establish written policies and procedures to document the reconciliation process required to monitor SFA funds.
- Determine the source of the variance of \$8,817, and correct the FISAP accordingly within the allowable deadline of December 15, 2011.

Auditee's Response

The recommendations listed above will be implemented.

10. IMPROVEMENTS AND ENHANCEMENTS NEEDED IN INTERNAL CONTROL PLAN

Our audit disclosed that although RCC developed an Internal Control Plan (ICP), it did not meet the Office of State Comptroller's (OSC) Internal Control Guide requirements. Our review of the RCC's ICP disclosed the following:

- The ICP was not updated to include and identify all eight components of Enterprise Risk Management (ERM), consisting of Internal Environment, Objective Setting, Event Identification, Risk Assessment, Risk Response, Control Activities, Information and Communication, and Monitoring. We found that RCC had not yet expanded its ICP to include the additional three components consisting of Objective Settings, Event Identification, and Risk Response.
- The ICP did not have a high-level summarization of internal controls which contain cross referencing to support lower-level detail (i.e., departmental policies and procedures).
- A risk assessment had not been sufficiently developed and fully integrated throughout its ICP to determine how RCC's greatest risks to its mission, goals, and objectives would be identified and mitigated.
- The ICP needs to be updated to better define its control environment to include statements of the requirements on integrity and ethical values expected of all staff, including management.

For the ICP to be considered an effective high-level summarization, the eight components of ERM (developed by the Committee of Sponsoring Organizations of the Treadway Commission) must be present as described in the OSC Internal Control Guide. Because RCC did not have an adequate high level summarization of its internal controls that integrates and correlates with an effective risk assessment, 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 facility.

To better address risk management, the OSC adopted the ERM framework for internal control in its Internal Control Guide, effective September 13, 2007, which encompasses the five components consisting of Internal Environment, Risk Assessment, Control Activities, Information And Communication, and Monitoring while adding an additional three; Objective Setting, Event Identification, and Risk Response.

Improvements and enhancements to the ICP are necessary to provide better assurance that the RCC will successfully achieve its fundamental mission and goals and objectives through the guidance of meaningful and comprehensive internal controls.

Furthermore, updating the ICP is important for RCC to ensure the integrity and effectiveness of its internal control system and to enhance its ability to respond to changes while maintaining the system's effectiveness. Annual updating of the ICP will provide assurance that RCC continues to achieve its objectives efficiently, effectively, and in compliance with applicable state laws and regulations and that its assets are properly safeguarded against loss, theft, or misuse. With an adequate ICP in place, it is more likely that RCC will respond appropriately and rapidly to major changes in events affecting its overall internal environment, including the implementation of new systems or a major change of key personnel, including the transition that is necessary in changes of administration or necessary re-organization due to fiscal crisis or similar emergencies.

Throughout our audit report, we have identified internal control weaknesses that have resulted in: (a) students inappropriately awarded Pell Grants, (b) Pell Grant disbursement data not submitted within the refund timeframe, (c) institutional agreements not being maintained, (d) cost of attendance not calculated correctly, (e) Title IV financial aid inappropriately awarded to students for eligible courses, (f) noncompliance with ear-marking and placement requirements, (g) return of Title IV funds not being processed in accordance with federal regulations, (h) noncompliance with FWS regulations and guidelines, and (i) monthly reconciliations not performed for federal student aid programs. Moreover, we noted that these conditions resulted from a lack of adequate internal controls and the failure to implement policies and procedures over its administration of the SFA program.

Recommendation

We recommend that RCC improve its ICP as follows:

- Prepare an updated and improved ICP to include and identify all eight components of ERM in conformance with the latest OSC guidelines.
- Prepare an updated and improved high-level summarization of internal controls which contain cross-referencing to support lower-level departmental policies and procedures.

- Assess the risks to achieve goals and objectives with a comprehensive risk assessment by determining 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 of the ICP.
- Update and enhance its description of the internal environment by including statements of RCC's 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 RCC's operations.

Auditee's Response

The above recommendations will be implemented during the current revision of the Internal Control Policy Manual for FY 2013.