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

OFFICIAL AUDIT
REPORT
APRIL 7, 2009

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Bristol Community College (BCC) 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 BCC'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.

The Office of the State Auditor has conducted an audit of BCC'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 audit was conducted in conjunction with the Single Audit of the Commonwealth of Massachusetts for the fiscal year ended June 30, 2008.

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Our audit disclosed that BCC needs to revise its Internal Control Plan (ICP) to include an adequate high-level summarization of internal controls containing sufficient cross-referencing to support lower-level detail (i.e., departmental policies and procedures). The ICP must be adequately updated as required by the Office of State Comptroller's (OSC) Internal Control Guide. The BCC needs to consolidate and update two existing documents into one ICP to ensure overall continuity and compliance with the OSC's Internal Control Guide in order to meet its mission and sustain long-term stability and viability. In response to the audit report, BCC indicated that it will take corrective action and revise the ICP.

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Our review of the internal controls and payroll procedures established for maintaining, monitoring, and controlling BCC's Federal Work Study (FWS) payroll records and files indicated that BCC was noncompliant with FWS regulations, guidelines, and internal policies and procedures. Our audit tests for compliance of 126 students, which involved a review of 201 time records for the fiscal year, disclosed many instances of noncompliance with the FWS and BCC's student financial aid policies and procedures. When apprised of these issues, BCC personnel immediately began development of a system that included monitoring mechanisms with required supporting documentation to ensure FWS compliance with Federal guidelines and BCC policies and procedures. In response to the audit report, BCC indicated that it has implemented steps to address the issues relative to the processing of FWS payroll.

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Our audit sample of 30 students for the Federal Family Education Loan (FFEL) program disclosed that BCC did not notify the National Student Loan Data System (NSLDS) of

student status changes for four students and did not report in a timely manner the status of another 13 students with changes in their enrollment status, as required by Federal Student Financial Aid (SFA) regulations. BCC 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 disclosed that BCC did not verify the proper and timely notification of enrollment status changes to NSLDS. In response to the audit report, BCC stated that it will implement and document a procedure of times and accurate reporting of enrollment data to the NSLDS. In addition, BCC stated that it has changed its submission schedule and has provided instruction to faculty for the accurate and timely reporting of students who no longer attend class.

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INTRODUCTION

Background

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

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor conducted an audit of BCC'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 review evaluated BCC's compliance with the Office of the State Comptroller's (OSC) policies and procedures; Massachusetts General Laws; and other applicable laws, rules, and regulations.

In performing our audit of BCC'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 Federal Student Financial Assistance programs, and designed appropriate tests to determine BCC's compliance with those requirements. Specifically, our objectives were to:

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

The criteria for our review 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 the BCC'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 BCC'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, BCC 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. INTERNAL CONTROL PLAN IN NEED OF IMPROVEMENTS AND UPDATING

Our audit disclosed that Bristol Community College (BCC) needs to consolidate its Internal Control Plan (ICP) to include an adequate high-level summarization of internal controls containing sufficient cross-referencing to support lower-level detail (i.e., departmental policies and procedures). The BCC was utilizing and operating under two documents, one identified as its Internal Control Plan, and the other its Internal Control Plan and College-Wide Risk Assessment. Both documents contained many of the required components of an ICP as identified in the Office of the State Comptroller's (OSC) Internal Control Guide; however, neither document addresses all the components of an effective ICP. The BCC needs to consolidate and update its two existing documents into one ICP to ensure overall continuity and compliance with the OSC's Internal Control Guide in order to meet its mission and sustain long-term stability and viability. Chapter 647 of the Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies, requires state agencies to develop Internal Control Plans in accordance with OSC guidelines.

For an 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 BCC did not adequately identify within its two ICPs all eight components of ERM, which are Internal Environment, Objective Setting, Event Identification, Risk Assessment, Risk Response, Control Activities, Information and Communication, and Monitoring.

BCC needs to consolidate, update, and improve 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 BCC needs to include or more effectively address the following:

- Direct statements from top management on the expectations of staff concerning integrity and requirements of high ethical standards and definitive statements that set the tone for the importance of internal controls.

- How the mission of BCC is directed or is correlated to establishing its internal environment and linking management's attitude, supervision, and organizational structure within the internal environment.

The OSC's Internal Control Guide, Chapter 1, 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.

Although direct statements by top administration are not included in the two ICP documents, the BCC had developed sound statements of its philosophy and operating style beginning with *The Values of the Presidency*, a statement by the President posted on the BCC's website. Also, statements found in the BCC's Departmental Risks-Institutional Support document on integrity, strategic risk, ethical standards, and accountability can be further developed and carried into a high-level summarization and placed prominently at the beginning of a consolidated ICP. This action would help identify and clarify BCC's management's attitude towards internal controls.

Event Identification

The OSC's Internal Control Guide identifies event identification as internal and external events that impact an organization achieving its objectives. Our review of the two BCC internal control documents found that BCC needs to more readily identify which events, internally and externally, have an influence over the objectives and strategies used by the BCC in achieving its objectives. Events that may have a negative impact represent BCC's risks (loss of accreditation,

loss of Title IV program participation status, destruction of facilities, and large-scale technology system failure), while those with a potential positive impact represent opportunities (e.g., increased enrollment, new programs and funding, new private grants or scholarships). Events that could potentially be linked to risk assessment issues are identified in BCC's Internal Control Plan document. Also, BCC's Internal Control Plan and College-Wide Risk Assessment document provides a similar basis for identifying and planning for such events, which can be drawn from existing risks to BCC's departments. Identification and inclusion of the types of events that put BCC at risk would enhance a consolidated ICP.

Objective Setting

BCC included its mission statement within only one of its documents, its Internal Control Plan and College-Wide Risk Assessment, and had identified and developed several objectives in both documents; however, the objectives identified were not consistent or effectively correlated to the components of ERM. 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]

At present, BCC's Internal Control Plan and College-Wide Risk Assessment document contains BCC's Mission Statement, Vision Statement, and Statement of Inclusion. The BCC also has numerous departmental goals and both overall and specific objectives included in both documents, adequately identifying the purpose for which they have been established. Each of the departmental goals and objectives are clearly defined. In addition, controls to address goals and objectives are prevalent throughout the two documents; however, because the BCC is using two documents in two distinctly different formats, it is not clear as to how all these goals and objectives are related to its overall mission. The BCC should revise and consolidate the two documents and include a high-level summarization of internal controls that addresses the various goals and objectives of BCC as applied to its departments.

Risk Assessment

The BCC needs to more adequately connect its major identified risks that could prevent it from reaching its goals and objectives. The OSC's Internal Control Guide, Chapter 1, Page10, 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.

Both risk assessments documented within the internal control documents were limited and did not assess department-wide risks, as recommended by OSC guidelines. The risks cited in its Internal Control Plan document (Page 7) identified 14 issues of risk that would prevent BCC from achieving its mission. These 14 risks were not integrated within this document with a plan to mitigate or respond to the risks. The Internal Control Plan and College-Wide Risk Assessment document did include an excellent risk assessment (BCC identified four areas of potential risk: loss of accreditation, loss of Title IV program participation status, destruction of facilities, and large-scale technology system failure), which clearly identifies its most relevant risks. Within this document, the BCC has integrated its risk assessment with its mission, goals, and objectives by prioritizing the four areas of risks as the greatest risks facing the college. BCC has also identified lower-level departmental risks and established related controls designed to protect against its four major identified risks and other departmental risks. BCC has developed segments within several of its major divisions, including Academic Support, Student Services, Institutional Support, and Operation and Maintenance of Plant. Each segment had identified and was linked with goals, risks, and controls (all at a lower-level responsibility than key divisions identified on the BCC Organizational Chart).

A consolidated ICP should have clarification and statements added to direct management and staff in determining what specific actions it will take to mitigate or respond to risks to ensure that any interruption in its operational and programmatic activities will be minimized.

Risk Response

BCC did not identify and document its risk response within certain operational areas. According to the OSC's 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.

The risk response evaluates options to an identified risk and determines the course of action. Our review disclosed that a risk assessment and a statement of management response to address these risks (loss of accreditation, loss of Title IV program participation status, destruction of facilities, and large-scale technology system failure) are included in BCC's Internal Control Plan and College-Wide Risk Assessment. These upper-level risks were referenced to the lower-level detail identified in its department policies and procedures, which would serve as basis for mitigating these risks. However, most lower-level risks and the control activities cited, although very well developed, do not have associated plans of action defined for who implements these control activities, as well as how and when objectives are achieved and corresponding risks are mitigated. To be in compliance with the OSC guidelines in addressing risk response, BCC needs to correlate its identified control activities to its risks, identify how these responses will be implemented, and determine who will be responsible for their implementation. In doing so, BCC will achieve an ICP that will be a model for measuring effectiveness and efficiency for mitigating its risks.

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 BCC has established control activities and related policies and procedures for many of its operational activities within its two ICP documents; however, because it has not updated and consolidated its two ICP documents, it has not correlated or properly integrated control activities in relation to responding to its four major risks. The ICP documents neither defined BCC's current control activities as preventive or detective controls nor identified who is responsible for implementation and monitoring of control activities within all divisions at BCC, including those not cited presently in the ICP documents.

Information and Communication

The two ICP documents did not include adequate references to the BCC channels for disseminating information and communications to address specific references to BCC's overall mission, goals, and objectives, which is crucial for communicating to BCC management and staff how the information in place is used to attain these goals and objectives. For example, the two ICP documents did not adequately reflect the use of the Banner Integrated Database System and how it is integrated with information useful to BCC's 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 two ICP documents did not document monitoring procedures. The OSC's Internal Control Guide, Chapter 1, 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 BCC did not document its monitoring procedures over the control activities of its fiscal and programmatic areas. Also, the two ICP documents do 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 BCC consolidate its two internal control documents into one ICP and make the following improvements:

- Prepare an updated high-level summarization of internal controls, which readily identifies and concisely describes and references the ERM components of internal control in conformance with the latest OSC guidelines.
- Update and enhance its description of internal environment by including statements by top management on integrity and ethical values expected of all staff.
- Correlate its four major identified risks to BCC's mission, goals, and objectives. Review departmental goals and objectives to determine if these priorities are still realistic and attainable given the current reduction in resources that BCC is facing. Once reviewed and updated if necessary, these goals and objectives should be appropriately, prominently identified, and integrated throughout the ICP.
- Include measures to review risks, strategic goals, and objectives at least annually or more often as needed given the changing economic conditions of the Commonwealth.
- Expand support areas to include risk response and risk mitigation steps and to also include all divisions, which will further assist the college in event identification and will serve to improve and enhance the document.
- Identify which events, internally and externally, have an influence over the goals, objectives, and strategies used by the BCC in achieving its objectives.
- Identify and better define control activities to address the purpose, policies, and procedures being used, and preventive or detective nature of the control activity in mitigating and responding to an identified risk.

- Include reference to its financial reporting system, Banner Integrated Database Management System, and cross-reference it within the ICP to departmental policies and procedures.
- Document monitoring activities and responsibilities to ensure that internal controls are implemented to mitigate fiscal and programmatic risks, are effective, and function as needed. Wherever monitoring is documented within the departmental policies and procedures, BCC should cross-reference its ICP to these policies and procedures.

Auditee's Response

Bristol Community College ("the College") concurs with the recommendation of the auditors and will implement the following steps by the end of Fiscal Year 2010.

- *Prepare a consolidated and updated Internal Control Plan (ICP) to include a high-level summarization of internal controls referencing the eight components of Enterprise Risk Management (ERM) which are (1) internal environment, (2) objective setting, (3) event identification, (4) risk assessment, (5) risk response, (6) control activities, (7) information and communication and (8) monitoring in conformance with the latest Office of the State Comptroller (OSC) guidelines.*
- *Update and enhance its description of internal environment by including statements by top management of philosophy on integrity and ethical values expected of all staff.*
- *Identify events, internally and externally, as they relate to the mission statement and strategic goals and objectives for all divisions within the College that may prevent the College from achieving its objectives.*
- *In addition to event identification, assess risk, indicate how the College intends to respond to that risk and steps taken, if any, to mitigate the risk, i.e., policies and procedures.*
- *Include measures to review risks, strategic goals and objectives at least annually or more often as needed given the changing economic conditions of the Commonwealth.*

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

Our review of the internal controls and payroll procedures established for maintaining, monitoring, and controlling BCC's Federal Work Study (FWS) payroll records and files indicated that BCC was noncompliant with FWS regulations, guidelines, and internal policies and procedures.

Federal regulations require that institutions may use FWS funds only for awards to students, a Job Location and Development (JLD) Program, Work-Colleges Program, administrative costs, and transfers to Federal Supplemental Education Opportunity Grants (FSEOG) (34 Code of

Federal Regulations (CFR) Sections 675.18 and 675.33). Also, student wages are earned when the work is performed. The institution shall pay the student at least once per month. The Federal share must be paid by check or similar instrument. The student can cash in his or her endorsement, or, as authorized by the student, credit FWS funds to a student's account through electronic funds transfer to a bank account designated by the student. The institution may only credit the account for tuition, fees, institutional room and board, and other school-provided goods and services (34 CFR Section 675.16).

Our audit tests for compliance of 126 students, which involved a review of 201 time records for the fiscal year 2008, disclosed instances of noncompliance with the Federal regulations governing the FWS program and BCC's established student financial aid policies and procedures, as follows:

- Timesheets are pre-printed at the beginning of each semester and include a preprinted name of a supervisor, which may not be the actual supervisor assigned to the student.
- Timesheets are prepared and submitted to the payroll department in advance, resulting in estimating hours that may be worked during the week.
- Timesheets are not designed for a student's signature to attest to the number of hours worked.
- 26 timesheets totaling \$4,563 were not signed by the supervisor listed on the timesheet.
- Seven timesheets totaling \$1,034 were stamped instead of signed. Two supervisors had authorized someone else who worked with them to use a rubber stamp with their name to stamp the timesheet in their absence.
- Five timesheets totaling \$830 were signed before the student had worked the hours documented.

The total questioned costs identified in these instances were \$6,427.

The United States Department of Education's (DOE) Blue Book, Chapter 7 – Required Records, Page 1-85, states the following concerning FWS program requirements:

A school must keep comprehensive, accurate program and fiscal records related to its use of FSA [Federal Student Aid] program funds. The importance of maintaining complete, accurate records cannot be overemphasized.

BCC is required by 34 CFR 675.19(b)(2)(i) to establish fiscal procedures in order to have safeguards in place over the certification of student's FWS program work prior to making a payment to the student, as follows:

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

DOE's Blue Book further states, in "Chapter 18 – The Business Office and the Campus-Based Programs, -Timesheets, Page 2-213" that the college:

...must maintain adequate timesheets or records of hours for FWS students. These timesheets must show, separately for each day worked, the hours a student worked, and the total hours worked during the job's payment cycle (i.e., twice a month, every week, every two weeks, etc.). These amounts and hours recorded must match the hours for which the student is paid.

34 CFR 675.16 (a)(3) and (2) state that:

...a student's FWS wages are earned when the student performs the work.... and ...the institution is responsible for ensuring that the student is paid for work performed....

BCC did not have an adequate monitoring process in place to oversee the FWS program. When apprised of these issues, BCC personnel immediately began development of a system that included monitoring mechanisms with required supporting documentation in a consistent format, to ensure FWS compliance with Federal guidelines and BCC policies and procedures.

Recommendation

BCC should review and improve its internal controls within its FWS program. Procedures must be established to ensure that internal controls and payroll policies and procedures are functioning as intended. These internal controls must be extended throughout all BCC departments as well as off-campus programs participating in the FWS program. BCC needs to ensure that:

- Staff is advised of their responsibilities with regard to payroll procedures and student employee practices.
- Supervisors are monitoring work time and timesheet hours.

- Internal FWS policies and procedures are reviewed and revised and responsible personnel are following those policies and procedures.
- Adherences to policies and procedures are periodically monitored and ongoing oversight is provided.

Auditee's Response

Bristol Community College concurs with the audit recommendations relative to improvement of internal controls within its FWS program. Further, the College agrees with the recommendation to review and revise existing FWS policies and procedures to strengthen internal controls and provide for monitoring of departmental compliance.

Specifically the following changes have been implemented:

- *The Financial Aid Office has updated all FWS timesheets to include the supervisor's name.*
- *The Financial Aid Office has updated the FWS timesheets to include the student's name. The students are required to sign their timesheet to attest to the number of hours worked.*
- *The Financial Aid Office has revised its policy and will no longer accept a stamped supervisor's signature.*

3. STUDENT STATUS CHANGES NOT SUBMITTED AS REQUIRED

Our audit sample of 30 students for the Federal Family Education Loan (FFEL) program disclosed that BCC did not notify the National Student Loan Data System (NSLDS) of any student status changes for four students and did not report in a timely manner the status of another 13 students (nine who graduated and four who withdrew) with changes in their enrollment status, as required by Federal Student Financial Aid (SFA) regulations. BCC 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 CFR, Section 682.610(c)(2), which governs FFEL program regulations, 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 and 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 periodic Roster Reports, which are sent by the Department of Education or the guaranty agency. The college determines how often it receives periodic Roster Reports, but the minimum is twice each year. Once received, the college must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website.

BCC reports changes in enrollment status to a contracted third party, the National Student Clearinghouse (NSC), twice for each semester (once during the semester and once at the conclusion of each semester) and provides another special report in order to include the graduating students at year end. BCC utilizes the NSC to facilitate its responsibility to notify NSLDS of changes in the enrollment status of its students. However, BCC is ultimately responsible for ensuring that NSLDS is properly notified of all student enrollment status changes in a timely manner. Our audit disclosed that BCC did not verify that changes in student enrollment status were correctly reported to NSLDS in a timely manner. As a result, BCC 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

BCC did not report changes in four students' enrollment status to NSLDS (through NSC) in a timely manner, although the students had graduated and had ceased to be enrolled at the BCC. BCC had planned to include these students in their next scheduled transmission on September

18, 2008, but had not notified the NSLDS through the NSC of their enrollment status as of October 28, 2008.

b. Student Status Changes Not Reported in a Timely Manner

For 13 students in our sample, BCC had not reported changes in their enrollment status 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 35 to 145 days beyond the 60-day limit. BCC believes that students may have been deleted from the Banner software system, used to manage students' records and accounts, which may have resulted in the delayed reporting for these 13 students. BCC further speculated that NSC may not have forwarded the student status changes to NSLDS in a timely manner.

Recommendation

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

Auditee's Response

Bristol Community College concurs with the audit recommendation to implement and document a procedure of times and accurate reporting of enrollment data to the National Student Loan Data System (NSLDS) in accordance with the requirement of federal regulations 34 CFR 682.610 (c)(2).

Bristol Community College has changed its submission schedule to the National Student Clearinghouse to be the first of every month. This change should capture all changes to student status in a more timely fashion and report them as required by NSC policies and guidelines.

To remedy the delay in student enrollment status changes will be the education of and communication to all faculty on the need to comply with attendance policies. Faculty will be instructed on how to accurately and promptly report students who no longer attend class. They will also be monitored to ensure compliance with a timely reporting requirement. Follow up to enrollment verifications and monthly reminders to maintain accurate student withdrawal dates will be sent electronically to all faculty through each semester. This change will be implemented in FY09.

APPENDIX

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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 Luvaan*, Speaker.

In Senate, December 22, 1989.

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

January 3, 1990.

Approved, *Richard H. Riordan*, Governor.