



# The Commonwealth of Massachusetts

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INDEPENDENT STATE AUDITOR'S REPORT ON  
CERTAIN ACTIVITIES OF  
SPRINGFIELD TECHNICAL COMMUNITY  
COLLEGE  
JULY 1, 2006 TO JUNE 30, 2007

OFFICIAL AUDIT  
REPORT  
APRIL 3, 2008

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Springfield Technical Community College (STCC) 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 STCC'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.

We have conducted a review of STCC's federal student financial assistance programs funded through the United States Department of Education (DOE) for the period July 1, 2006 to June 30, 2007. Our review was conducted in conjunction with the Single Audit of the Commonwealth of Massachusetts for the fiscal year ended June 30, 2007.

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#### 1. DETERMINATION OF STATUS OF OUTSTANDING STUDENT CHECKS

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A review of STCC's main bank account as of June 30, 2007 identified 390 student checks totaling \$58,224 that had been outstanding from six months to three years, nine months. These checks represented student refunds for federal and state financial aid and non-financial aid. As a result of its not timely resolving the final disposition of student refunds created with the disbursements of credit balances, STCC was not in compliance with either FSA regulations to determine by individual analysis if funds disbursed as a result of credit balance should be returned to FSA programs, or with Chapter 29, Section 32, of the General Laws, which requires the remaining funds to be transferred to the Office of the State Treasurer. In addition, the retaining of outstanding or returned checks without timely disposition is not an efficient or economical use of STCC's fiscal resources. Also, the rightful owners of these funds are not receiving the funds that they are entitled to. In response, STCC concurred with our recommendations and will establish policies and procedures for fiscal year 2008 to ensure that outstanding checks, which include federal funds, are timely identified and returned to the respective program.

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

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Our review of internal controls and payroll procedures established for maintaining, monitoring, and controlling STCC's student Federal Work Study (FWS) payroll records and files indicated that it was not complying with FWS regulations, guidelines, and internal controls as identified in STCC's student financial aid procedures and certain FWS program regulations. Our audit tests for compliance of 24 students, which involved a review of 315 timesheets taken from payrolls in the Fall 2006 semester and the Spring 2007 semester and the individual student files, indicated conditions of noncompliance within STCC's established student financial aid policies and procedures and FWS regulations. As a result of this noncompliance, we identified questioned costs

of \$53,550 in these instances. STCC concurred with our recommendations and has stated its intention to revise the existing policies and procedures to ensure compliance with federal regulations related to the Federal Work Study.

STCC claims that the \$53,550 does not represent instances of questioned costs and asserts that payments were properly made to students during the audit period. However, our contention is that payments were, in fact, not properly made and therefore there were questioned costs of \$53,550. Certain payments made (1) were in noncompliance with laws, regulations, policies, procedures and contract terms; (2) lacked adequate or proper documentation and authorization; and (3) constituted overpayments. STCC indicated that the findings resulted from deviations from its own policies and procedures rather than from the regulations of the Federal Work Study Program. As noted in our report, STCC's policies and procedures should be revised to ensure compliance with federal regulations to avoid any questioned costs in the Federal Work Study Program.

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### **3. STUDENT STATUS CHANGES NOT SUBMITTED AS REQUIRED**

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Contrary to federal regulations, STCC did not notify the National Student Loan Data System (NSLDS) of student status changes in the case of nine of 10 students covered in our review. STCC 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. We found that nine students had unofficially withdrawn (walk-away) or ceased to be enrolled on a half-time basis from STCC prior to or at approximately midpoint during the semester. However, the change in their NSLDS reporting status was not revised in a timely manner after discovery by STCC staff. As a result, changes in these students' reporting status did not take place within 30 days of their withdrawal or within 60 days of the next scheduled submission. We found that delays in notifying the NSLDS were due to conflicting practices and inadequate coordination procedures in place between the Registrar's Office and Financial Aid Office personnel in resolving and reporting student enrollment status to NSLDS. In response to the audit report, STCC indicated that it will implement procedures to ensure the timely reporting of enrollment data to NSLDS in accordance with federal regulations, and that STCC will strive to resolve internal conflicting practices and inadequate coordination.

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## INTRODUCTION

### ***Background***

Springfield Technical Community College (STCC) is part of the system of public institutions of higher education as promulgated by Chapter 15A, Section 5, of the Massachusetts General Laws. A Board of Trustees appointed by the Governor governs STCC and establishes its administrative policies. STCC's President is responsible for implementing the policies set by the Board of Trustees, in accordance with the policies and guidelines established by the Board of Higher Education.

### ***Audit Scope, Objectives, and Methodology***

In accordance with Chapter 11, Section 12, of the General Laws, we conducted a review of STCC's federal student financial assistance programs funded through the United States Department of Education (DOE) for the period July 1, 2006 through June 30, 2007. We conducted our review in conjunction with the Single Audit of the Commonwealth of Massachusetts for the fiscal year ended June 30, 2007. The Commonwealth's Fiscal Year 2007 Single Audit Report consists of the following volumes:

- Statutory Basis Financial Report
- Comprehensive Annual Financial Report
- Reports on Compliance and Internal Controls in Accordance with Governmental Auditing Standards and Requirements of the Office of Management and Budget (OMB) Circular A-133, and the Schedule of Expenditures of Federal Awards

The audit results contained in this report are also reported in the Fiscal Year 2007 Single Audit of the Commonwealth of Massachusetts Reports on Compliance and Internal Controls in Accordance with Governmental Auditing Standards and Requirements of the Office of Management and Budget (OMB) Circular A-133, and the Schedule of Expenditures of Federal Awards mentioned above.

Our review was conducted in accordance with applicable generally accepted government auditing standards set forth in OMB Circular A-133, revised June 27, 2003, and the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide, Audits of State and Local Governments. Additionally, our review evaluated STCC's compliance with Office of the Comptroller (OSC) policies and procedures; Massachusetts General Laws; and other applicable laws, rules, and regulations.

In performing our review of STCC's activities, we referred to OMB Circular A-133, March 2007 Compliance Supplement, to determine the compliance requirements that must be considered in an audit conducted under OMB Circular A-133. Based upon our review, we determined specific requirements applicable to federal student financial assistance programs, and designed appropriate tests to determine STCC's compliance with those requirements. Specifically, our objectives were to:

- Assess the internal controls in place at STCC during our review period; and
- 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, the Code of Federal Regulations, and the OSC's Internal Control Guide. Those criteria dealt with the STCC'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 STCC's compliance with the applicable requirements and performed other procedures as we considered necessary. Based on these tests, we concluded that, except as reported in the Audit Results section of this report, STCC 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. DETERMINATION OF STATUS OF OUTSTANDING STUDENT CHECKS

A review of the Springfield Technical Community College (STCC) main bank account as of June 30, 2007 identified 390 student checks totaling \$58,224 that had been outstanding from six months to three years, nine months. These checks represented student refunds for federal and state financial aid and non-financial aid.

An aging of these checks follows:

Outstanding	Number of Checks	Amount
Six months to one year	57	\$12,404
Over one year to two years	134	17,842
Over two years to three years	105	15,709
Over three years	<u>94</u>	<u>12,269</u>
Totals	<u>390</u>	<u>\$58,224</u>

Among the aged listing of outstanding student refund checks were the following checks:

Student	Date of Issued Check	Age of Check	Amount of Check
A	March 19, 2004	3 years, 3 months	\$2,629
B	August 19, 2004	2 years, 10 months	\$1,776
C	September 27, 2004	2 years, 9 months	\$1,448
D	May 19, 2005	2 years, 1 month	\$1,133

When a student has a credit balance in his/her account, STCC pays the credit balance by check to the student when the student leaves the college, and some of these checks have not been cashed and remain outstanding.

STCC is required to maintain sound cash management requirements under 34 Code of Federal Regulations (CFR) 668.161 and 668.163, which state, in part:

*Section 668.161 - Scope and purpose.*

*(a) General. (1) This subpart establishes the rules and procedures under which a participating institution requests, maintains, disburses, and otherwise manages title IV, HEA program funds. This subpart is intended to—*

*(i) Promote sound cash management of title IV, HEA program funds by an institution;*

*Section 668.163 - Maintaining and accounting for funds.*

*(e) Standard of conduct. An institution must exercise the level of care and diligence required of a fiduciary with regard to maintaining and investing title IV, HEA program funds.*

Federal Student Aid Handbook 2006-2007, Volume 4, Chapter 3 - Requesting and Managing Federal Student Aid Funds, page 4-55, Prohibition on Escheating of FSA Funds, identifies the process a college must follow in regard to the student refunds cited above, as follows:

*Because program funds are awarded to a student to pay current year charges, notwithstanding any authorizations obtained by a school from a student or parent, the school must pay:*

- *Any remaining balance from loan funds by the end of the loan period, and*
- *Other remaining program funds by the end of the last payment period in the award year for which they were awarded.*

*A school that fails to disburse funds by those dates is in violation of the Department's cash management regulations. If a school pays credit balances by check, and if a school cannot locate a student to whom an FSA credit balance must be paid, the school must exercise its fiduciary responsibility to the student and the FSA programs, and return the credit balance to the programs.*

*A school has a fiduciary responsibility, to –*

- *Safeguard FSA funds*
- *Ensure FSA funds are used only for the purpose intended.*
- *Act on the student's behalf to repay a student's FSA education loan debt when the school is unable to pay a credit balance directly to the student, and*
- *Return to the Department any FSA funds that cannot be used as intended.*

*Under this process, FSA funds would never escheat to a state, or revert to the school, or any other third party. A failure to have such a process in place would call into question a school's administrative capability, its fiscal responsibility, and its system of internal controls required under the Department's regulations.*

Because STCC maintains only one individual account for each student for billing and receiving all student funds, it commingles FSA with other sources of funds. By commingling FSA funds in this manner, STCC assumes heightened fiscal responsibility over monitoring FSA funds within each individual student account to be able to determine the composition of charges and credits within this account at any point in time. Credit balances resulting in the overpayment of

student charges should be reviewed on a timely basis for an ultimate resolution of returning FSA balances to programs or distributing them to students. By not resolving these outstanding checks in a timely manner, STCC is not adhering to its fiscal responsibility to its students and its FSA programs under Title IV.

Chapter 29, Section 32, of the Massachusetts General Laws requires that checks outstanding over one year be transferred to the Office of the State Treasurer's (OST) Unpaid Check Fund (UCF), as follows:

*Any check issued by the State Treasurer or by any agent or agency of the Commonwealth, other than checks issued in payment of obligations of the State Board of Retirement and the Teachers' Retirement Board, which is not presented for payment within one year from its date shall be payable only at the Office of the State Treasurer. On the thirtieth day of June in each year the Comptroller shall transfer to the abandoned property fund all funds which are identified by the State Treasurer as funds of the Commonwealth which have remained in the unclaimed check fund for at least one year.*

The STCC Business Office considers outstanding checks to be classified as abandoned property, and as a matter of practice should be annually transferring these funds to the OST in accordance with Chapter 200A, of the General Laws, which requires funds over three years old to be forwarded to the OST as abandoned property. STCC officials indicated that they have discussed this issue with comptrollers from other community colleges, and were of the opinion that they were in compliance with Chapter 200A of the General Laws. STCC officials believe that both Chapter 29, Section 32, and Chapter 200A of the General Laws apply to unpaid checks, and that further clarification was needed. However, sound business practices advocate that STCC not hold outstanding checks for three years, even if this action complies with Chapter 200A.

As a result of its not timely resolving the final disposition of student refunds created with the disbursements of credit balances, STCC was not in compliance with FSA regulations to determine by individual analysis if funds disbursed as a result of a credit balance should be returned to FSA programs, or with Chapter 29, Section 32, of the General Laws, which requires that outstanding funds be transferred to the OST.

In addition, the retaining of outstanding or returned checks without timely disposition is not an efficient or economical use of STCC's fiscal resources, and the rightful owners of these funds are not receiving the funds to which they are entitled.

***Recommendation:***

STCC must take the necessary steps to:

- Determine the current status of each outstanding check and upon such determination adjust its bank account to reflect the liquidation of all long-outstanding checks by stop payment and recovery of funds back into its account.
- Establish policies and procedures to ensure that outstanding checks, which include federal funds, are timely identified and returned to the respective program.
- Determine whether any of the outstanding checks represent current student accounts from whom a balance is owed the college.
- Update its internal control procedures over cash management to reflect timely resolving of outstanding checks that require the transferring of outstanding checks over one year old to the UCF within one year of its payable date, in accordance with Chapter 29, Section 32, of the General Laws.

***Auditee's Response***

*We concur with the recommendation and will establish policies and procedures for fiscal year 2008 to ensure that outstanding checks which include Federal funds are timely identified and returned to the respective program.*

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

Our review of internal controls and payroll procedures established for maintaining, monitoring, and controlling STCC's student Federal Work Study (FWS) payroll records and files indicated that it was not complying with FWS regulations, guidelines, and internal controls as identified in STCC's student financial aid procedures and certain FWS program regulations.

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 CFR Sections 675.18 and 675.33). Student wages are earned when the work is performed, and institutions must pay the student at least once per month. The federal share must be paid by check or similar instrument the student can cash on his or her endorsement, or as authorized by the student, by crediting FWS funds to a student's account or by 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 testing was to determine compliance with FWS regulations, whether there were adequate internal controls over the FWS payroll, and whether the payroll was properly documented and adequately supported. As part of our audit testing, we reviewed the following documentation: student timesheets for both on-campus and off-campus employment, payroll submission data (templates used by timekeepers to communicate hours worked to the payroll department), actual payroll reports compiled by Human Resources, work study contracts, revised financial aid award letters, and agreements with outside employers. Our review included tests for proper authorization, supporting documentation, accuracy, completeness, timeliness, and adherence to award specifications.

Our audit tests for compliance of 24 students, which involved a review of 315 timesheets taken from payrolls in the fall 2006 semester, the spring 2007 semester, and the individual student files, indicated conditions of noncompliance within STCC's established student financial aid policies and procedures and FWS regulations. Our review disclosed the following:

- Ten students were paid more than their FWS award amount. To ascertain the accuracy of awards to individual students, we requested an electronic award run listing all FWS for fiscal year 2007 (run dated June 14, 2007). When we compared the FWS award amounts listed to the actual amounts of FWS paid out to our selected students, we noted that 10 students were paid more than their award amounts. These over payments totaling \$13,208 ranged from \$400 to \$3,000. STCC officials stated that award adjustments were made during the semester to redistribute FWS amounts to eligible students. However, our review of the individual student file folders for these 10 students showed there was no official Amended Award Letter from STCC in their files notifying these students of an increase in their awards. Also, we noted in the students' folders a 2006-2007 Award Data Worksheet that was altered showing the change in the award amounts by simply crossing out the original awards and writing in the amended amounts. These amended amounts would usually have an asterisk marked next to the amounts, indicating there was a note and initials of a responsible person at the bottom of the worksheet. In regard to this practice, the Department of Education's The Blue Book, Chapter 14, states, in part:

*A school must notify a student of the amount of funds the student and his or her parent can expect to receive for each SFA program, including FWS, and how and when those funds will be disbursed. This notification must be sent before the disbursement is made. A school must provide the best information it has regarding the amount of FSA program funds a student can expect to receive.*

Additionally, Chapter 7 of The Blue Book states, in part:

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

- Sixteen students were awarded federal work study amounts totaling \$16,975 in excess of the \$2,400 allowed maximum stated in the STCC's policies and procedures. Students are allowed to exceed the \$2,400 limit if determined eligible by the Financial Aid Office. However, we found that students were allowed to work and exceed initial award limits prior to a determination being made and an amended award notification made to the FWS student.
- Sixteen students had 80 timesheets indicating they exceeded 20 hours of employment, which is contrary to the STCC policy that prohibits a student from working over 20 hours per week without prior Financial Aid Office approval. These hours resulted in excess wages totaling \$3,644. Further, the Department of Education's The Blue Book, Chapter 18, Page 2-212 states, in part:

*A school should determine the number of hours a student is allowed to work based on the student's financial need and on how the combination of work and study hours will affect the student's health and academic progress.*

The rules established by STCC in its College Work Study Rules and Regulations 2006-2007, state, in part:

**Work Schedules:** *The number of hours you can work each week depends on the dollar amount of your award. However, the number of hours each week cannot exceed twenty (20) hours. Please consult the Financial Aid Office regarding additional work hours during vacation and semester breaks.*

- Five students worked on a holiday with no indication of allowability and supervisory approval. This resulted in \$127 in additional wages to these students. Three of these timesheets were later adjusted by the payroll clerk so that the students were not paid for these days. STCC policy cited by its College Work Study Rules and Regulations 2006-2007, states, in part:

*Students are not paid for holidays, jury duty, lunch, overtime, vacation or sick days.*

Additionally, the students' work study program bi-weekly time sheet states, in part:

**NOTE:** *You will not be paid for more than 8 hours per day, lunch, holidays, closings and vacations.*

- Ten students worked during spring semester break without consulting the Financial Aid Office. This resulted in \$1,123 in additional wages to these students.
- Four students earned \$12,241 FWS wages but did not have a written work study contract on file as required by its College Work Study Rules and Regulations 2006-2007, which states, in part:

***Contract:*** *Students must complete the attached contract with their supervisors. You must be specific in your job description. Your work-study supervisor is responsible for explaining your job responsibilities. It is your responsibility to ask questions if you are not sure of your responsibilities.*

- Three students had 30 timesheets totaling \$6,232 that were signed by a person not listed as a supervisor or alternative approved signature. STCC is required by 34 CFR 675.19(2)(i) to establish fiscal procedures in order to have safeguards in place over the certification of students' FWS program work prior to making a payment to the student. 34 CFR 675.19(2)(i) states in part as follows:

*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.*

- Four students worked numerous hours during scheduled classroom hours. Timesheets contained no notations on why this was allowed. Three of these students had academic warning letters in their file folders indicating that they had not completed some of their courses, whereas the fourth student was notified of unsatisfactory progress. This practice does not conform to requirements cited by STCC's College Work Study Rules and Regulations 2006-2007 which state, in part:

*The purpose of work study is to allow students to work around their class schedule allowing time to study in the evenings and on weekends. Students should not substitute studying for work and expect to receive payment.*

- Two students submitted timesheets indicating that they worked over six hours in a day and did not have a half hour deducted for lunch as required by Massachusetts State Laws and the STCC policy cited by its College Work Study Rules and Regulations 2006-2007, which state, in part:

***Timesheets:*** *...2) hours worked (you must indicate a ½ hour break if working more than six (6) consecutive hours).*

- Students' supervisors at work study sites were not initialing daily entries as required by STCC policy and procedures cited by its College Work Study Rules and Regulations 2006-2007, which state, in part:

*The work study supervisor is responsible for checking the time sheets for accuracy and initialing each day worked. The person who signed the student's contract MUST sign time sheets. Other signatures will not be accepted.*

The total questioned costs identified in these instances were \$53,550.

STCC officials stated that the many of the policies and corresponding numbers for hours worked and FWS award limitation of \$2,400 cited in the STCC's student financial aid procedures

manual were general guidelines. STCC officials stated that they would have to review these policies and update the wording and numbers cited in their procedures manual. They further stated there were problems in getting adjusted award amounts onto its Datatel electronic system on a timely basis. STCC cited staffing shortages and workload distribution as contributing factors.

***Recommendation***

STCC 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 and that they are in compliance with all applicable laws, rules, and regulations. These internal controls must be extended throughout all STCC departments participating in the FWS program. STCC staff should be advised of their responsibilities with regard to payroll procedures and student-employee practices. STCC needs to ensure that:

- All FWS records are being updated timely and in agreement with supporting documentation and any necessary updates to student financial aid policies and procedures are made.
- All adjustments to FWS awards are being made timely and these decisions are fully documented and supported along with timely amended award letter notifications.
- All FWS students have contracts detailing their job descriptions and outlining their responsibilities.
- All FWS supervisors are monitoring contracts, work time, and timesheet hours.
- Oversight reviews on supervisors monitoring are taking place.
- Procedures are monitored on an on-going basis and responsible persons are following these FWS procedures and policies to prevent the conditions cited from recurring.

***Auditee's Response***

*We concur with the recommendation and will revise the existing policies and procedures to ensure that federal regulations related to the Federal Work Study program are complied with. We disagree with questioned costs of \$53,550 because we believe that payments were properly made to students during the audit period. The observations noted in this finding resulted from deviation from the college's own policies and procedures, not the Federal Work Study program regulations.*

***Auditor's Reply***

STCC claims that the \$53,550 does not represent instances of questioned costs and asserts that payments were properly made to students during the audit period. However, our contention is that payments were, in fact, not properly made and therefore there were questioned costs of \$53,550. Certain payments made (1) were not in compliance with laws, regulations, policies, procedures and contract terms; (2) lacked adequate or proper documentation and authorization; and (3) constituted overpayments. STCC indicated that the findings resulted from deviations from its own policies and procedures rather than from FWS regulations. As noted in our report, STCC's policies and procedures should be revised to ensure compliance with federal regulations to avoid any questioned costs in the FWS Program.

**3. STUDENT STATUS CHANGES NOT SUBMITTED AS REQUIRED**

Contrary to federal regulations, STCC did not notify the National Student Loan Data System (NSLDS) of student status changes in the case of 9 of 10 students covered in our review. STCC 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.

Federal regulations 34 CFR 685.309(b)(2) states:

*Unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (i) Enrolled at that school but has ceased to be enrolled on at least a half-time basis; (ii) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (iii) Has changed his or her permanent address.*

The nine students in question had unofficially withdrawn (walk-away) or ceased to be enrolled on a half-time basis from the college prior to or at approximately midpoint during the semester. However, the change in their NSLDS status was not revised in a timely manner after discovery by STCC staff. As a result, the reporting of these students status did not take place within 30 days of withdrawal, or within 60 days of the next scheduled submission. Two Roster Reports prepared subsequent to these students ceasing to be enrolled on at least a half-time basis

incorrectly listed the students as being full-time, rather than withdrawn or below half-time enrollment. Seven students had also received exit interviews. In addition, the Financial Aid Office had already initiated and completed Return of Title IV Funds for eight students who had left the college or ceased to be enrolled on a half-time basis. For example, we noted one student who received loans totaling \$1,999, (\$1,312 subsidized and \$687 unsubsidized), withdrew on February 20, 2007, (a date subsequently verified and upon which the Financial Aid Office completed a Refund Calculation as required), received an exit interview on April 11, 2007, but was still being reported as a full-time student after the college's final semester reporting to NSLDS on May 14, 2007.

STCC's policy is to report student enrollment to NSLDS three times each semester. We found that delays in notifying the NSLDS were caused because of conflicting practices and inadequate coordination procedures in place between the Registrar's Office and Financial Aid Office personnel in resolving and reporting student enrollment status to NSLDS.

Timely reporting of enrollment data for federal student loan borrowers is critical because student enrollment status determines the date a federal loan borrower enters a grace or repayment period, the timing of the government's payment of interest subsidies, and whether a borrower is eligible for in-school deferment privileges. Not reporting accurate student status to NSLDS could result in STCC's not maximizing the fiscal integrity of the Title IV loan programs, because loans may not be moved into repayment status in a timely manner, and student entitlements to grace and deferment periods would be compromised due to inadequate tracking of enrollment status dates.

STCC indicated that an internal reporting mechanism of enrollment status to NSLDS needs to be reviewed, that communications between departments needs to be improved, and that it will be contacting and discussing with NSLDS methods for improving its reporting requirements.

***Recommendation:***

STCC should implement procedures to report enrollment data to NSLDS in a timely manner in accordance with the requirements of federal regulations 34 CFR 685.309(b)(2).

***Auditee's Response***

*We concur with the recommendation to implement procedures to ensure the timely reporting of enrollment data to NSLDS in accordance with federal regulations requirements. Further, STCC will resolve internal conflicting practices and inadequate coordination.*

## APPENDIX

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

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Chapter 647

THE COMMONWEALTH OF MASSACHUSETTS

In the Year One Thousand Nine Hundred and Eighty-nine

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

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

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

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

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

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

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

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

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

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

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

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

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

House of Representatives, December 21, 1989.

Passed to be enacted, *George Luvaan*, Speaker.

In Senate, December 22, 1989.

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

January 3, 1990.

Approved, *Richard H. Kiah*, Governor.