

MONTGOMERY COLLEGE
Rockville, Maryland

REPORT ON SINGLE AUDIT
June 30, 2015

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CliftonLarsonAllen

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Montgomery College
Rockville, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and the remaining fund information of Montgomery College (the College), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 7, 2015. The financial statements of Montgomery College Foundation, Inc., the discretely presented component unit, were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2015-001 that we consider to be a significant deficiency.

Other deficiencies in internal control

We noted other deficiencies in internal control that we have reported to management of Montgomery College in a separate letter dated October 7, 2015.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Montgomery College's Response to Findings

Montgomery College's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Montgomery College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
December 8, 2015



Independent Auditors' Report on Compliance With Requirements that Could Have a Direct and Material Effect on Each Major Federal Program, on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133

Board of Trustees
Montgomery College
Rockville, Maryland

Report on Compliance for Each Major Federal Program

We have audited Montgomery College (the College)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2015. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-002. Our opinion on each major federal program is not modified with respect to this matter.

The College's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-002 that we consider to be significant deficiencies.

The College's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities, the discretely presented component unit and the remaining fund information of the College as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 7, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 8, 2015, except for the Schedule of Expenditures
of Federal Awards which is dated October 7, 2015

MONTGOMERY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Grant Number/Pass Through Grantor's Number	Expenditures: 7/1/2014 to 06/30/2015
U.S. DEPARTMENT OF EDUCATION			
Direct Programs			
Student Financial Aid Cluster			
Federal Pell Grant	84.063	N/A	\$ 32,134,780
Federal Supplemental Educational Grant	84.007	N/A	594,474
Federal Work Study	84.033	N/A	784,881
Federal Perkins Loans	84.038	N/A	106,190
Federal Direct Loans	84.268	N/A	23,248,787
Total Student Financial Aid Cluster			56,869,112
TRIO Cluster			
Student Support Services Program	84.042	P042A101204	215,208
Educational Opportunity Centers Program	84.066	P066A110272	261,833
Total TRIO Cluster			477,041
Total Direct Programs			
			57,346,153
Passed Through State Department of Education			
Title IC Program Improvement	84.048	154677	307,011
Title IC Program Improvement	84.048	144648	18,394
Child Care & Professional Development Fund	93.575	154267	51,214
Total Passed Through State Department of Education			
			376,619
Passed Through Maryland Department of Labor, Licensing, and Regulation			
Consolidated Adult Education & Family Literacy	84.002	POOP5400288	1,560,195
Consolidated Adult Education & Family Literacy	84.002	POOP4400203	26,094
Total Passed Through MD Dept of Labor, Licensing, and Regulation			
			1,586,289
Passed Through Maryland Higher Education Commission			
MCACG - Boys to Men and Sister to Sister	84.378	MCACGP 14-113	67,092
TOTAL U.S. DEPARTMENT OF EDUCATION			
			59,376,153
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct Programs			
Citizenship is For You!	97.010	2013-CS-010-000007	104,104
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			
			104,104
NATIONAL SCIENCE FOUNDATION			
Direct Programs			
On Ramp to STEM	47.076	DUE-1154289	98,258
Graduate and Transfer STEM Talent Expansion Program	47.076	DUE-1161231	227,338
Teaching Pathways Opening Doors to STEM	47.076	DUE-1239965	62,910
Total Direct Programs			
			388,506
TOTAL NATIONAL SCIENCE FOUNDATION			
			388,506

MONTGOMERY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Grant Number/Pass Through Grantor's Number	Expenditures: 7/1/2014 to 06/30/2015
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Direct Programs			
Challenge Grant	45.130	CZ-50300	\$ 97,572
Total Direct Programs			97,572
Passed Through American Library Association			
Let's Talk About It: Muslim Journeys	45.164	MU-50003	763
Total Passed Through American Library Association			763
TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES			98,335
U.S. DEPARTMENT OF COMMERCE (NIST)			
Direct Programs			
Summer Undergraduate Research Fellowship-BFRL	11.609	70NANB14H126	13,373
Summer Undergraduate Research Fellowship-BFRL (FY2015)	11.620	70NANB15H141	29,080
NIST Measurement Science & Engineer	11.609	70NANB14H033	76,134
Total Direct Programs			118,587
TOTAL U.S. DEPARTMENT OF COMMERCE			118,587
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs			
Project Aware (SAMHSA)	93.243	5U79SM060477-03	115,720
Total Direct Programs			115,720
Passed Through Montgomery County			
Head Start Program	93.600	1042052	164,738
Total Passed Through Montgomery County			164,738
Passed Through Maryland Department of Human Resources			
Targeted Assistance Program	93.584	FIA/TAP-15-481	291,471
Targeted Assistance Program	93.584	FIA/TAP-14-481	132,909
English as a Second Language Training Program for Refugees	93.566	FIA/ORA-15-484	125,758
English as a Second Language Training Program for Refugees	93.566	FIA/ORA-14-484	60,689
Total Passed Through Maryland Department of Human Resources			610,827
Passed Through Health Resources and Services Administration			
Health Care and Other Facilities	93.887	C76HF12918-01-01	895
Biotech Equipment	93.887	C76HF19604-01-00	83,156
Total Passed Through Maryland Department of Human Resources			84,051
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			975,336

MONTGOMERY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Grant Number/Pass Through Grantor's Number	Expenditures: 7/1/2014 to 06/30/2015
U.S. DEPARTMENT OF LABOR			
Direct Programs			
Trade Adjustment Assistance Comm. College and Career Training Grants Program	17.282	TC-26466-14-60-A-24	\$ 621,970
Total Direct Programs			621,970
TOTAL DEPARTMENT OF LABOR			621,970
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 61,682,991

This schedule should be read only in connection with the accompanying notes to Schedule of Expenditures of Federal Awards.

MONTGOMERY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards has been prepared using the accrual basis of accounting as fully described in the Summary of Significant Accounting Policies accompanying the College's component unit financial statements.

NOTE 2 – REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Montgomery College for the fiscal year ended June 30, 2015.

NOTE 3 – LOAN PROGRAMS

During the year ended June 30, 2015, the College processed \$23,248,787 of new loans under the Federal Direct Lending Program. Since these programs are administered by outside financial institutions, new loans made during the fiscal year relating to these programs are considered current year expenditures in the Schedule of Expenditures of Federal Awards.

NOTE 4 – SUBRECIPIENTS

Of the expenditures presented in the Schedule of Expenditures of Federal Awards, the College provided awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Subrecipient Name</u>	<u>Amount Provided to Subrecipients</u>
Trade Adjustment Assistance Community College and Career Training Grant Program	17.282	Allegany Community College	\$ 84,468
Trade Adjustment Assistance Community College and Career Training Grant Program	17.282	CCBC/Community College of Baltimore County	47,848
Trade Adjustment Assistance Community College and Career Training Grant Program	17.282	Carroll Community College	47,437
Trade Adjustment Assistance Community College and Career Training Grant Program	17.282	College of Southern Maryland	25,056
Trade Adjustment Assistance Community College and Career Training Grant Program	17.282	Frederick Community College	2,950
Trade Adjustment Assistance Community College and Career Training Grant Program	17.282	Garrett College	17,057
Trade Adjustment Assistance Community College and Career Training Grant Program	17.282	Harford Community College	19,842
Trade Adjustment Assistance Community College and Career Training Grant Program	17.282	Hagerstown Community College	30,940
Trade Adjustment Assistance Community College and Career Training Grant Program	17.282	Howard Community College	13,440
Trade Adjustment Assistance Community College and Career Training Grant Program	17.282	Prince George's Community College	9,711
Trade Adjustment Assistance Community College and Career Training Grant Program	17.282	Wor-Wic Community College	191
			<u>\$ 298,940</u>

This information is an integral part of the accompanying schedule.

MONTGOMERY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Significant deficiency(ies) identified that is (are) not considered to be a material weakness(es).	<u> X </u>	Yes	_____	None Reported
Noncompliance material to financial statements noted?	_____	Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Significant deficiency(ies) identified that is (are) not considered to be a material weakness(es).	<u> X </u>	Yes	_____	None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u> X </u>	Yes	_____	No
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Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number(s)
Student Financial Aid Cluster:	
Federal Pell Grant	84.063
Federal Supplemental Educational Opportunity Grant	84.007
Federal Work Study	84.033
Federal Perkins Loans	84.038
Federal Direct Loans	84.268

MONTGOMERY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015
(Continued)

Identification of Major Programs (Continued)

<u>Name of Federal Program or Cluster</u>		
TRIO Cluster		
Student Support Services Program	84.042A	
Educational Opportunity Centers Program	84.066A	
Trade Adjustments Assistance Community College & Career Training Grants Program	17.282	
Dollar threshold used to distinguish between type A and type B programs		<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No

II. Findings relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

1. Significant Deficiencies in Internal Control

Finding 2015-001: Compensated Absences Leave Balance

Condition
The College’s liability for unused annual leave as of June 30, 2015 improperly excluded certain employees.

Criteria
COSO/Internal Control Framework defines control activities as “policies and procedures that help ensure management’s directives are carried out.” Management review controls are defined as, “the activities of a person, different than the preparer, through analyzing and performing oversight of activities performed, and is an integral part of any internal control structure.”

Cause
A new class of administrative employees was created during the fiscal year and therefore was not captured in the report used to calculate the liability.

Effect
An entry was posted during the audit in the amount of \$793,139 to increase the liability related to compensated absences and benefit expenses.

Recommendation
We recommend the College update the closing process for annual leave to include certain tests for reasonableness such as: a) review the number of employees in the report year over year; b) review of total balance year over year; and/or c) compare the number of employees in the leave report to total employees eligible for leave.

MONTGOMERY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015
(Continued)

Management's Response: Concur. Management concurs with recommendations and has added additional testing and analysis to the year-end-close and annual accrual process to include a comparison of the total number of active employees with benefits in the Banner system to the compensated absences leave report. The payroll manager will perform quarterly analysis and reconciliations which includes a year over year comparison of total number of eligible employees, and a review of the year over year liability balance. The reconciliation will be reviewed by the Director of Finance to ensure data is accurate and complete in the leave report.

2. Compliance and Other Matters

None

III. Findings and Questioned Costs for Federal Awards – Internal Control and Compliance

Finding Reference: 2015-002 – Enrollment Reporting to NSLDS

Federal Agency: U.S. Department of Education

Federal Program: Student Financial Aid Cluster

Compliance

Requirement: Special Tests and Provisions – Enrollment Reporting

Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Finding: National Student Loan Data Systems (NSLDS) rosters returned yielded error reports that were not corrected and resubmitted within the required 10 days.

Cause: The College utilizes the National Student Clearinghouse (NSC), a third party service provider, to submit student information to NSLDS. NSC had software conversion problems that failed in monitoring and correcting submission errors across many institutions. However, it is possible for the College to create an Enrollment Reporting Summary Report after reporting student status changes on NSLDS, which would have detected these types of errors.

Effect: Students enrollment status may not be correctly or timely reported to NSLDS.

Context: This condition occurred for all monthly submissions to NSLDS during the fiscal year ended June 30, 2015.

Criteria: Federal regulation requires the enrollment status for each student be reported accurately to NSLDS. In addition, regulations require that an institution make necessary corrections and return the records within 10 days for any roster files that don't pass the NSLDS enrollment reporting edits.

Questioned Costs: None

Recommendation: We recommend that the College put a process in place to ensure determination of all students who withdraw or graduate are accurately and timely reported to NSLDS. The system should include understanding if and when the NSC third party servicer has corrected the failed software programming.

MONTGOMERY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015
(Continued)

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: On a monthly basis, both SCHER and National Student Clearinghouse (NSC) error reports will be drawn down and compared. MC will correct the errors manually through the National Student Loan Data System (NSLDS) if they were not already corrected by NSC. Montgomery College will investigate the feasibility of reporting directly to NSLDS instead of contracting with NSC for federal reporting.

Responsible Party: College Registrar

Planned completion date for corrective action plan: February 2016

Planned to monitor completion of correction action plan: The College Registrar will ensure that both NSLDS and National Student Clearinghouse error reports are retrieved, compared and corrected manually in NSLDS.

Corrective Action Plan: Management concurs with this internal control recommendation and will implement an immediate review and correction of error reports manually to meet the 10 day correction requirement. It should be noted that when making corrections manually, a later date may be recorded if the National Student Clearinghouse also updates the record after the fact.

MONTGOMERY COLLEGE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2015

Finding Reference: 2014-001 – Enrollment Reporting (Loan Programs)
Federal Agency: U.S. Department of Education
Federal Program: Student Financial Aid Cluster
Compliance
Requirement: Special Tests and Provisions – Enrollment Reporting
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Finding: The College incorrectly reported the enrollment status of a student receiving loan funds to the National Student Loan Data System (NSLDS).

Cause: The College does not take attendance, therefore students who withdraw and receive all F grades may not be identified until the end of the semester. Professors are then contacted for a last known date of attendance which then becomes the Date of Determination for withdraw. The financial aid department then updates the student's status manually in NSLDS within 30 days of the end of the semester.

Effect: The College is not in compliance with enrollment reporting requirements for Federal loan programs. Student loans will not properly enter repayment status for those students who withdrew or dropped below half-time status.

Context: For 1 of 60 status changes selected for testing, the student was not reported as withdrawn in the NSLDS.

Criteria: All schools participating (or approved to participate) in the FSA programs must have some arrangement to report student enrollment data to the National Student Loan Data System (NSLDS) through a Roster file (formerly called the Student Status Confirmation Report or SSCR). The School is required to report changes in the student's enrollment status, the effective date of the status and an anticipated completion date. Changes in enrollment to less than half-time, graduated, or withdrawn status must be reported within 30 days. However, if a Roster file is expected within 60 days, you may provide the data on that Roster file. (34CFR section 682.610).

Questioned Costs: None

Recommendation: We recommend that the College revise its policies and procedures to correctly capture students' status who withdraw during the semester, to ensure that NSLDS reporting is accurate and timely.

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: The financial aid office currently reviews student grades for a semester when they are available, within one month of the end of a semester. Financial aid recipients who fail all classes in a semester and stopped attending the College have their semester aid prorated and returned to the federal government within federal timeframes. The office will ensure that the last day of attendance for students is also

MONTGOMERY COLLEGE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2015
(Continued)

reported to the federal National Student Loan Data System accurately and within reporting timelines and that error codes generated in the federal reporting are resolved expeditiously.

Responsible Party: Associate Director of Student Financial Aid

Planned completion date for corrective action plan: December 2014 for reporting/May 2015 for automated process.

Planned to monitor completion of correction action plan: The Associate Director of Student Financial Aid will review students processed in NSLDS by the Financial Aid Accounting Counselor to ensure students who stopped failed all classes and stopped attending have updated records in the system.

Corrective Action Plan: Management concurs with this internal control recommendation and will assign additional staff to review students' grades and enrollment status in order to meet the 30 day reporting requirement. The financial aid office will work with the office of information technology to explore automating the current manual process for reporting students who stop attending classes and receive failing grades (F grade) in all classes in which they are enrolled.

Current Year Status: Finding has been corrected.

Finding Reference: 2014-002 – Escheatment of Title IV Funds

Federal Agency: U.S. Department of Education

Federal Program: Student Financial Aid Cluster

Compliance

Requirement: Special Tests and Provisions – Escheatment of Title IV Funds

Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Criteria: In accordance with 34 CFR 668.164, notwithstanding any State law, an institution must return to the Secretary, lender, or guaranty agency any title IV funds that it attempts to disburse directly to a student or parent but the student or parent does not receive or negotiate those funds. If an institution attempts to disburse the funds by check and the check is not cashed, the institution must return the funds no later than 240 days after the date it issued that check.

Condition: The College is not ensuring that title IV funds disbursed by check directly to students or parents are returned to the Secretary, lender, or guaranty agency within 240 days if the check is not cashed.

Questioned Costs: None

Context: For 4 checks outstanding greater than 240 days relating to federal aid disbursements, the funds were not returned within the required time period.

Cause: The College's process is not performed consistently to ensure that title IV funds disbursed to students are returned to the awarding agency within 240 days after the date the check is issued.

MONTGOMERY COLLEGE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2015
(Continued)

Effect: If not received or negotiated by the student or parent, Title IV funds disbursed to them will eventually escheat to the State of Maryland as abandoned property instead of being returned to the Secretary, lender, or guaranty agency.

Recommendation: We recommend the College implement policies and procedures to ensure that title IV funds do not escheat to the state and are properly returned to the Secretary, lender, or guaranty agency within the required timeline.

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: The period of time to present a check for payment will be changed from six months to three months after which time the check will be stale dated. The director of finance will review bank reconciliations to ensure that checks are timely stale dated. The stale dated check listing will also be reviewed to ensure that students have been identified, notified, and check has either been reissued or monies returned to the appropriate party.

Responsible Party: The director of finance.

Planned completion date for corrective action plan: December 2014

Plan to monitor completion of corrective action: On a monthly basis, bank statements and stale dated check lists will be reviewed to ensure that monies are returned to the Secretary, lender or guaranty agency within the 240 day requirement.

Corrective Action Plan: Management concurs with the internal control recommendation and is changing the period of time allowed before voiding a check. The current timeline with the bank is six months and will be changed to three months to ensure meeting the 240 day requirement for returning monies. This change will provide additional time to identify and contact the students and return the aid to the Secretary, lender or guaranty agency. The process of identifying and notifying the students to whom the check was issued to is also being automated to further reduce the time it takes to ensure a timely return of the monies to the appropriate party.

Current Year Status: Finding has been corrected.