

**MONTGOMERY COLLEGE
REPORT ON SINGLE AUDIT
YEAR ENDED JUNE 30, 2018**

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**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 activity and the discretely presented component unit of Montgomery College (the College), a component unit of Montgomery County, Maryland, as of and for the years ended June 30, 2018 and 2017, 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 5, 2018.

The financial statements of Montgomery College Foundation, Inc. (the Foundation) were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

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 College'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.

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*.

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 College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
October 5, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Montgomery College
Rockville, Maryland

Report on Compliance for Each Major Federal Program

We have audited Montgomery College's (the College) compliance with the types of compliance requirements described in the *OMB 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, 2018. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. The College's basic financial statements include the operations of Montgomery College Foundation, Inc., a discretely presented component unit. Federal awards received, if any, by the discretely presented component unit are not included in the College's schedule of expenditures of federal awards during the year ended June 30, 2018. Our audit, described below, did not include the operations of the discretely presented component unit because it did not receive federal awards.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. 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 the Uniform Guidance, 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 a 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and discretely presented component unit of the College as of and for the year ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 5, 2018, 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 the Uniform Guidance 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 expenditures 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 3, 2018

**MONTGOMERY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Federal Grant Number/Pass Through Grantor's Number | Amounts Passed Through to Subrecipients | Expenditures: 7/1/2017 to 06/30/2018 |
|--------------------------------------------------------------------------------------------------------------|---------------------------|----------------------------------------------------------|--------------------------------------------------|--------------------------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | | |
| Direct Programs | | | | |
| Student Financial Aid Cluster | | | | |
| Federal Pell Grant | 84.063 | N/A | \$ - | \$ 27,314,222 |
| Federal Supplemental Educational Grant | 84.007 | N/A | - | 614,508 |
| Federal Work Study | 84.033 | N/A | - | 717,743 |
| Federal Direct Loans | 84.268 | N/A | - | 14,528,532 |
| Total Student Financial Aid Cluster | | | - | 43,175,005 |
| TRIO Cluster | | | | |
| Student Support Services Program | 84.042 | P042A101204 | - | 273,357 |
| Educational Opportunity Centers Program | 84.066 | P066A160184 | - | 241,437 |
| Total TRIO Cluster | | | - | 514,794 |
| Total Direct Programs | | | | |
| | | | - | 43,689,799 |
| Passed Through State Department of Education | | | | |
| Title IC Program Improvement | 84.048 | 180774 | - | 400,021 |
| Title IC Program Improvement | 84.048 | 170547 | - | 10,039 |
| | | | - | 410,060 |
| Child Care & Professional Development Fund | 93.575 | 180787 | - | 94,757 |
| Total Child Care & Development Cluster | | | - | 94,757 |
| Total Passed Through State Department of Education | | | | |
| | | | - | 504,817 |
| Passed Through Maryland Department of Labor, Licensing, and Regulation | | | | |
| Consolidated Adult Education & Family Literacy | 84.002 | POOP8400026 | - | 1,856,783 |
| Total Passed Through MD Dept of Labor, Licensing, and Regulation | | | | |
| | | | - | 1,856,783 |
| Passed Through University System of Maryland | | | | |
| First in the World | 84.116 | P116F150201-2016-8 | - | 13,255 |
| Total Passed Through MD Dept of Labor, Licensing, and Regulation | | | | |
| | | | - | 13,255 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | | |
| | | | - | 46,064,654 |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | | |
| Direct Programs | | | | |
| FY2017 Citizenship and Integration Direct Services Grant Program | 97.010 | 17CICET00035 | - | 97,135 |
| FY2015 Citizenship and Integration Direct Services Grant Program | 97.010 | 2015-CS-010-000037 | - | 34,408 |
| TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY | | | | |
| | | | - | 131,543 |
| RESEARCH & DEVELOPMENT (R&D) CLUSTER | | | | |
| NATIONAL SCIENCE FOUNDATION | | | | |
| Direct Programs | | | | |
| On Ramp to STEM | 47.076 | DUE-1154289 | - | 78,284 |
| Graduate and Transfer STEM Talent Expansion Program | 47.076 | DUE-1161231 | - | 76,498 |
| Achieving Community College Excellence, Success and Scholarship (ACCESS) in Engineering and Computer Science | 47.076 | DUE-1458093 | - | 80,249 |
| Montgomery College Noyce: Excellent Teachers for STEM (NEXT-STEM) | 47.076 | DUE-1555634 | - | 130,933 |
| Collaborative Research: Equipment for the PSI MUSE Experiment | 47.079 | PHY-1612495 | - | 11,445 |
| Collaborative Research: Equipment for the PSI MUSE Experiment | 47.079 | DUE-1624158 | - | 9,704 |
| Total Direct Programs | | | | |
| | | | - | 387,113 |

The accompanying notes are an integral part of this schedule.

MONTGOMERY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018
(CONTINUED)

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Federal Grant Number/Pass Through Grantor's Number | Amounts Passed Through to Subrecipients | Expenditures: 7/1/2016 to 06/30/2017 |
|-----------------------------------------------------------------------------------------------------------------|---------------------------|----------------------------------------------------------|--------------------------------------------------|--------------------------------------------|
| RESEARCH & DEVELOPMENT (R&D) CLUSTER (Continued) | | | | |
| Passed Through University of Maryland Baltimore County | | | | |
| Building SFS Relationships between Community College and Four Year Schools: A Research-Based Cohort Approach | 47.076 | 0000017767 | - | 105,371 |
| Total Passed Through University of Maryland Baltimore County | | | - | 105,371 |
| TOTAL NATIONAL SCIENCE FOUNDATION | | | | |
| | | | - | 492,484 |
| U.S. DEPARTMENT OF COMMERCE (NIST) | | | | |
| Direct Programs | | | | |
| Summer Undergraduate Research Fellowship-EL, ITL, Mat/Sci/NCNR | 11.620 | 70NANB18H027 | - | 27,358 |
| Summer Undergraduate Research Fellowship-PML/EE, MatSci/NCNR | 11.620 | 70NANB18H099 | - | 4,400 |
| Summer Undergraduate Research Fellowship-EL, ITL, Mat/Sci/NCNR | 11.620 | 70NANB17H085 | - | 11,000 |
| NIST Measurement Science & Engineer | 11.609 | 70NANB14H033 | - | 126,250 |
| TOTAL U.S. DEPARTMENT OF COMMERCE | | | | |
| | | | - | 169,008 |
| TOTAL R&D CLUSTER | | | | |
| | | | - | 661,492 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | |
| Passed Through Maryland Department of Human Resources | | | | |
| Targeted Assistance Program | 93.584 | FIA/TAP-17-481 | - | 225,433 |
| Targeted Assistance Program | 93.584 | FIA/TAP-16-481 | - | 110,522 |
| English as a Second Language Training Program for Refugees | 93.566 | FIA/ORA-18-484 | - | 114,653 |
| English as a Second Language Training Program for Refugees | 93.566 | FIA/ORA-16-484 | - | 54,969 |
| Total Passed Through Maryland Department of Human Resources | | | - | 505,577 |
| TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | |
| | | | - | 505,577 |
| 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 | 2,399,960 | 3,456,537 |
| H-1B TechHire Partnership Grants | 17.268 | HG-29354-16-60-A-24 | - | 659,978 |
| America's Promise Job Driven Grant Program | 17.268 | HG-30135-17-60-A-24 | 154,450 | 675,995 |
| TOTAL DEPARTMENT OF LABOR | | | | |
| | | | 2,554,410 | 4,792,510 |
| NATIONAL ENDOWMENT FOR THE HUMANITIES | | | | |
| Direct Programs | | | | |
| Global Humanities: Many Voices, One College | 45.162 | AE-255920-17 | - | 33,674 |
| TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES | | | | |
| | | | - | 33,674 |
| NATIONAL ENDOWMENT FOR THE ARTS | | | | |
| Passed Through Mid Atlantic Arts Foundation | | | | |
| ETHEL with Robert Mirabal Present the River | 45.024 | 29418 | - | 2,000 |
| TOTAL NATIONAL ENDOWMENT FOR THE ARTS | | | | |
| | | | - | 2,000 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 2,554,410 | \$ 52,191,450 |

The accompanying notes are an integral part of this schedule.

MONTGOMERY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Montgomery College (the College) for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, change in net position or cash flows of the College.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (A) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.
- (B) Pass-through entity identifying numbers are presented where available.
- (C) The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 LOAN PROGRAMS

During the year ended June 30, 2018, the College processed the following amount of new loans under the Federal Direct Lending Program. Since this program is administered by outside financial institutions, new loans made during the fiscal year relating to this program are considered current year expenditures in the schedule.

| <u>CFDA Number</u> | <u>Program Name</u> | <u>Loan Expenditures</u> |
|--------------------|------------------------|--------------------------|
| 84.268 | Federal Direct Lending | \$14,528,532 |

**MONTGOMERY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Type of auditors’ report issued on compliance for major programs: Unmodified

| | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|-----|-------|----|
| Any audit findings disclosed that are required to be reported in accordance with Uniform Administrative Requirements, <i>Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance) | X | Yes | _____ | No |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|-----|-------|----|

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 Direct Loans | 84.268 |

**MONTGOMERY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

SECTION I – SUMMARY OF AUDITORS’ RESULTS (CONTINUED)

Identification of Major Programs (Continued)

| Name of Federal Program or Cluster | | | |
|----------------------------------------------------------------------------------|--------|------------------|-------------|
| Trade Adjustment Assistance Community College and Career Training Grants Program | 17.282 | | |
| H-1B Tech Hire Partnership Grants | 17.268 | | |
| H-1B America’s Promise Grants | | | |
| Dollar threshold used to distinguish between type A and type B programs | | <u>\$750,000</u> | |
| Auditee qualified as low-risk auditee? | ___ | Yes | ___ |
| | | | <u>X</u> No |

SECTION II – FINANCIAL STATEMENT FINDINGS

No financial statement findings have been identified for the year ended June 30, 2018.

**MONTGOMERY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

2018 - 001: NSLDS Error Reporting

Federal agency: Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number:

84.007 – Federal Supplemental Education Opportunity Grants

84.033 – Federal Work Study

84.063 – Federal Pell Grant Program

84.268 – Federal Direct Student Loans

Award Period: July 1, 2017 – June 30, 2018

Type of Finding:

- Significant Deficiency in Internal Control over Compliance, Other Matters (Nonmaterial Noncompliance)

Criteria or specific requirement: Federal regulation requires 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 do not pass the NSLDS enrollment reporting edits.

Condition: National Student Loan Data System (NSLDS) rosters or roster updates yielded error records that were not corrected and resubmitted within the required 10 days.

Questioned costs: None

Context: This condition occurred during all months during FY18.

Cause: The College utilizes the National Student Clearinghouse (NSC) as a third party provider in order to submit student information to the NSLDS. There have been procedures designed and implemented to ensure compliance with this requirement including utilizing the Enrollment Reporting Summary Report (SCHER1) to properly verify that its submissions through NSC had been completed and recognized as complete by the NSLDS. However, the College did not review the Enrollment Errors Report (SCHER5) which provides detail at the student level enabling an easier cross-reference between the College's submission through NSC and the output from NSLDS. In addition, the College recognizes that while it was trying to be pro-active by reporting error submissions directly to NSLDS, it is possible that there may have been overlap between this direct reporting to NSLDS and the reporting done by NSC on behalf of the College resulting in untimely or incomplete submissions.

Effect: Student enrollment statuses may not be correctly or timely reported to the NSLDS.

Repeat Finding: Yes, prior year finding 2017-002.

Recommendation: We recommend that the College continue to refine and implement processes to ensure determination of all students who withdraw, graduate, or have a change in status are accurately and timely reported to NSLDS.

Management response and Corrective Action Plan: Refer to the College's response on their letterhead as attached.

**MONTGOMERY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

2018 - 001: NSLDS Error Reporting

Federal agency: Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number:

84.007 – Federal Supplemental Education Opportunity Grants

84.033 – Federal Work Study

84.063 – Federal Pell Grant Program

84.268 – Federal Direct Student Loans

Award Period: July 1, 2017 – June 30, 2018

Type of Finding:

- Significant Deficiency in Internal Control over Compliance, Other Matters (Nonmaterial Noncompliance)

Criteria or specific requirement: Federal regulation requires 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 do not pass the NSLDS enrollment reporting edits.

Condition: National Student Loan Data System (NSLDS) rosters or roster updates yielded error records that were not corrected and resubmitted within the required 10 days.

Questioned costs: None

Context: This condition occurred during all months during FY18.

Cause: The College utilizes the National Student Clearinghouse (NSC) as a third party provider in order to submit student information to the NSLDS. There have been procedures designed and implemented to ensure compliance with this requirement including utilizing the Enrollment Reporting Summary Report (SCHER1) to properly verify that its submissions through NSC had been completed and recognized as complete by the NSLDS. However, the College did not review the Enrollment Errors Report (SCHER5) which provides detail at the student level enabling an easier cross-reference between the College's submission through NSC and the output from NSLDS. In addition, the College recognizes that while it was trying to be pro-active by reporting error submissions directly to NSLDS, it is possible that there may have been overlap between this direct reporting to NSLDS and the reporting done by NSC on behalf of the College resulting in untimely or incomplete submissions.

Effect: Student enrollment statuses may not be correctly or timely reported to the NSLDS.

Repeat Finding: Yes, prior year finding 2017-002.

Recommendation: We recommend that the College continue to refine and implement processes to ensure determination of all students who withdraw, graduate, or have a change in status are accurately and timely reported to NSLDS.

Management response and Corrective Action Plan: Refer to the College's response on their letterhead as attached.



**MONTGOMERY COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

U.S. Department of Education

Montgomery College respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2018.

Audit period: July 1, 2017 – June 30, 2018

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2017 – 001: Capitalization of Software License

Condition: Prior year total assets and liabilities were understated by \$3.795 million representing future installment payments for the right of use for Workday software.

Status: Montgomery College financial accounting and procurement staff attended the 2018 Government & Not-For-Profit Conference hosted by the Maryland Association of Certified Public Accountants on April 27, 2018. The purpose of this training was to gain a more thorough understanding of the accounting, reporting and implementation requirements of certain pronouncements of the Government Accounting Standard Board (GASB) affecting state and local government entities such as Montgomery College. Specific focus was on GASB Statements 74-87 spanning topics including Other Postemployment Benefits (OPEB), Lease Accounting, and Blending Requirements for Certain Component Units.

In addition, all invoices and supporting documentation related to software and maintenance contracts over \$5,000 were reviewed semi-weekly by financial accounting staff to ensure correct expense or capitalization accounting treatment. The Director of Procurement and Finance Director met periodically throughout the year to review new procurements involving software, leases and contracts to ensure compliance with College policy and procedure and proper accounting treatment.

This finding was not repeated in the audit period July 1, 2017 - June 30, 2018.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2017 – 002: NSLDS Error Reporting

Condition: National Student Loan Data System (NSLDS) rosters yielded error records that were not corrected and resubmitted within the required 10 days.

Status: The College utilizes the National Student Clearinghouse (NSC) as a third party provider in order to submit student information to the NSLDS. There have been procedures designed and implemented to ensure compliance with this requirement. As of June 30, 2018, the College has made improvements, ultimately reducing the number of errors that remain each month. These actions include:

- Use of the NSC online error reporting tool to correct errors monthly. Errors are corrected using this tool within eight days of receipt of the error report, which provides the NSC two days to resubmit the information and meet the ten day resolution requirement.
- Review of error reports by an employee not responsible for correcting the errors to ensure completeness and timeliness of the corrections submitted.
- Use of internal weekly reports to identify students who dropped below half time status or withdrew entirely from a semester.
- Utilize the Enrollment Reporting Summary Report (SCHER1) to ensure completeness and timeliness of error correction submissions.
- Submit corrections directly to NSLDS on an as-needed basis.

The College recognizes that the Enrollment Reporting Summary Report (SCHER1) provides insufficient detail to properly verify that its submissions through NSC have been timely completed and recognized as complete by the NSLDS. Therefore, in addition to the SCHER1 report, the College will also review the Enrollment Errors Report (SCHER5), which provides detail at the student level enabling an easier cross-reference between the College's submission through NSC and the output from NSLDS. In addition, the College recognizes that while it was trying to be pro-active by reporting error submissions directly to NSLDS, it is possible that there may have been overlap between this direct reporting to NSLDS and the reporting done by NSC on behalf of the College resulting in untimely and/or incomplete submissions. This finding repeated in the audit period July 1, 2017 - June 30, 2018.

2017 – 003: NSLDS Enrollment Reporting

Condition: The College did not report the enrollment status of certain students to the NSLDS in a timely manner.

Status: For students withdrawn from the College or registered for less than half time, enrollment specialists utilize a weekly report, entitled the Less Than Half Time Report, to identify students who dropped below half time status or withdrew entirely. The student's status was updated directly in both the National Student Clearinghouse (NSC) and in the National Student Loan Data System (NSLDS) to meet the 30-day reporting requirement for change in status and the 60-day date of determination for withdrawals.

This finding was not repeated in the audit period July 1, 2017 - June 30, 2018.

2017 – 004: Time and Effort Reporting

Condition: For 2 of 40 payroll disbursements selected for testing, the actual hours charged to the grant did not agree to the hours reported per time and effort reports.

In addition, for 1 of 40 payroll disbursements selected for testing, time and effort reports reported the incorrect employee when a substitute teacher was used.

Status: The staff of the Office of Grants and Sponsored Programs and the Office of Business Services perform spot checks at the end of each term using Time & Effort Reports and Payroll Reports.

In December 2017, the College's grants accountant collaborated with the grants compliance specialist to redesign the format for the Time and Effort Report used for the Department of Education, Consolidated Adult Education & Family Literacy program. The program director was made aware of the need to capture substitute instructor effort and pay. The revised report is certified by the grant program director and submitted to the grants accountant within 15 days of the end of the course term. The grants accountant reconciles the Time and Effort Report to the general ledger meeting the objective for accuracy and completeness. The program director and the grants accountant meet timely to discuss any discrepancies between hours reported and hours recorded in the general ledger. All discrepancies are resolved either by a revision and recertification to the Time and Effort Report by the program director, or, an adjustment to the payroll expenses in the general ledger proposed by the grants accountant and approved by a supervisor. The grants accountant also certifies the Time and Effort Report.

The director of Grants and Sponsored Programs and the grants compliance specialist meet, as needed, with the finance director and grants accountants regarding Time and Effort Reporting.

This finding was not repeated in the audit period July 1, 2017 - June 30, 2018.

If the U.S. Department of Education has questions regarding this schedule, please call Elizabeth Greaney, Interim Chief Business/Financial Strategy Officer at 240-567-5326.