

MONTGOMERY COLLEGE
REPORT ON SINGLE AUDIT
JUNE 30, 2017

**MONTGOMERY COLLEGE
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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 activities and the discretely presented component unit of Montgomery College (the College), as of and for the year ended June 30, 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 13, 2017.

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 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness listed as item 2017-001.

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

The College's response to the 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 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 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 13, 2017



**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, 2017. 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 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, 2017. 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-002 through 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

The College's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-002 through 2017-004, that we consider to be significant deficiencies.

Board of Trustees
Montgomery College

The College's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the aggregate discretely presented component unit of the College as of and for the year ended June 30, 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 13, 2017, 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 4, 2017

MONTGOMERY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017
(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
U.S. DEPARTMENT OF EDUCATION				
Direct Programs				
Student Financial Aid Cluster				
Federal Pell Grant	84.063	N/A	\$ -	\$ 27,433,429
Federal Supplemental Educational Grant	84.007	N/A	-	676,950
Federal Work Study	84.033	N/A	-	657,334
Federal Direct Loans	84.268	N/A	-	18,079,835
Total Student Financial Aid Cluster			-	46,847,548
TRIO Cluster				
Student Support Services Program	84.042	P042A101204	-	217,185
Educational Opportunity Centers Program	84.066	P066A160184	-	185,669
Educational Opportunity Centers Program	84.066	P066A110272	-	46,514
Total TRIO Cluster			-	449,368
Total Direct Programs				
			-	47,296,916
Passed Through State Department of Education				
Title IC Program Improvement	84.048	170547	-	382,325
Title IC Program Improvement	84.048	165074	-	7,831
			-	390,156
Child Care & Professional Development Fund	93.575	170856	-	63,056
Total Child Care & Development Cluster			-	63,056
Total Passed Through State Department of Education				
			-	453,212
Passed Through Maryland Department of Labor, Licensing, and Regulation				
Consolidated Adult Education & Family Literacy	84.002	POOP7400145	-	1,525,771
Total Passed Through MD Dept of Labor, Licensing, and Regulation				
			-	1,525,771
Passed Through University System of Maryland				
First in the World	84.116	P116F150201-2016-8	-	10,538
Total Passed Through MD Dept of Labor, Licensing, and Regulation				
			-	10,538
TOTAL U.S. DEPARTMENT OF EDUCATION				
			-	49,286,437
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Programs				
FY2015 Citizenship and Integration Direct Services Grant Program	97.010	2015-CS-010-000037	-	120,079
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				
			-	120,079
RESEARCH & DEVELOPMENT (R&D) CLUSTER				
NATIONAL SCIENCE FOUNDATION				
Direct Programs				
On Ramp to STEM	47.076	DUE-1154289	-	99,432
Graduate and Transfer STEM Talent Expansion Program	47.076	DUE-1161231	-	662,602
Achieving Community College Excellence, Success and Scholarship (ACCESS) in Engineering and Computer Science	47.076	DUE-1458093	-	68,464
Montgomery College Noyce: Excellent Teachers for STEM (NEXT-STEM)	47.076	DUE-1555634	-	117,306
Collaborative Research: Equipment for the PSI MUSE Experiment	47.079	PHY-1612495	-	22,764
Total Direct Programs				
			-	970,568

The accompanying notes are an integral part of this schedule.

MONTGOMERY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017
(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	-	95,032
Total Passed Through University of Maryland Baltimore County			-	95,032
Passed Through Sinclair Community College				
Increasing Technician Preparedness in the Built Environment	47.076	MC1600455	-	10,384
Total Passed Through University of Maryland Baltimore County			-	10,384
TOTAL NATIONAL SCIENCE FOUNDATION			-	1,075,984
U.S. DEPARTMENT OF COMMERCE (NIST)				
Direct Programs				
Summer Undergraduate Research Fellowship-EL, ITL, Mat/Sci/NCNR	11.620	70NANB17H085	-	16,500
Summer Undergraduate Research Fellowship-PML/EE, MatSci/NCNR	11.620	70NANB16H145	-	14,529
NIST Measurement Science & Engineer	11.609	70NANB14H033	-	128,750
TOTAL U.S. DEPARTMENT OF COMMERCE			-	159,779
TOTAL R&D CLUSTER			-	1,235,763
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through Maryland Department of Human Resources				
Targeted Assistance Program	93.584	FIA/TAP-17-481	-	239,287
Targeted Assistance Program	93.584	FIA/TAP-16-481	-	281,098
English as a Second Language Training Program for Refugees	93.566	FIA/ORA-16-484	-	224,981
Total Passed Through Maryland Department of Human Resources			-	745,366
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	745,366
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	3,314,750	4,308,987
H-1B TechHire Partnership Grants	17.268	HG-29354-16-60-A-24	-	281,543
	17.268	HG-30135-17-60-A-24	-	11,677
TOTAL DEPARTMENT OF LABOR			3,314,750	4,602,207
U.S. DEPARTMENT OF STATE				
Direct Programs				
Passport to India Innovation Grant	19.040	N/A	-	300
TOTAL DEPARTMENT OF LABOR			-	300
NATIONAL ENDOWMENT FOR THE ARTS				
Passed Through Mid Atlantic Arts Foundation				
ETHEL with Robert Mirabal Present the River	45.024	28565	-	5,200
TOTAL DEPARTMENT OF LABOR			-	5,200
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,314,750	\$ 55,995,352

The accompanying notes are an integral part of this schedule.

MONTGOMERY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

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, 2017. 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, 2017, 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	\$18,079,835

**MONTGOMERY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiency(ies) identified that is (are) not considered to be a material weakness(es).	<u> X </u>	Yes	<u> </u>	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)	<u> X </u>	Yes	<u> </u>	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 Direct Loans	84.268

MONTGOMERY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017
(CONTINUED)

Identification of Major Programs (Continued)

<u>Name of Federal Program or Cluster</u>			
Consolidated Adult Education and Family Literacy		84.002	
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

MONTGOMERY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017
(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS

2017 – 001: Capitalization of Software License

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

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.

Criteria or specific requirement: *Per GASB Codification Section 1400.719.8, Question*, when a government acquires a commercially available computer software through a five year licensing agreement, in which the government is required to make annual installment payments to the software vendor for the right to use the software over the life of the agreement should be recorded as an intangible asset. A long term liability representing the government's obligation to make annual payments over the life of the contract should also be reported.

Context: CLA obtained a listing of all Workday-related expenses and signed agreements during the year to test that amounts are appropriately capitalized and/or expensed. We noted that the right to use the Workday license and related liability for future payments was not reflected in the College's financial statements as of the date that agreements were executed with Workday in April 2016.

Effect: The College reclassified prior year financial statements to reflect the recognition of the lease intangible asset and related liability of \$3.795 million.

Cause: Management did not have procedures in place to ensure that Workday related costs were recognized and recorded correctly in accordance with generally accepted accounting principles and therefore non-cash entries to record the right to use the software were not recorded.

Repeat Finding: No

Recommendation: We recommend that management evaluate over long-term leases to ensure that recognition is appropriate and timely upon execution of the lease agreement. These procedures should be reviewed with accounting and other personnel responsible for authorizing long-term leases to ensure accounting records are complete and accurate.

Views of responsible officials and planned corrective actions: The accounting and procurement staff will complete professional development training on the government accounting guidelines as set forth by the Governmental Accounting Standards Board (GASB). The training will enhance staff understanding and develop expertise in the reporting related to leases. Upon the execution of a long-term lease, the procurement director will provide to the finance director the documentation related to the lease who will ensure the appropriate accounting of the lease. The finance director will evaluate quarterly the list of lease agreements executed by procurement office.

MONTGOMERY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017
(CONTINUED)

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

2017 – 002: 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, 2016 – June 30, 2017

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 yielded error records that were not corrected and resubmitted within the required 10 days.

Questioned costs: None

Context: This condition occurred for all monthly submissions to NSLDS during FY17.

Cause: The College utilizes the National Student Clearinghouse (NSC) as a third party provider in order to submit student information to NSLDS. NSC had software conversion issues that failed in monitoring and correcting submission errors. However, beginning during FY17, 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: Student enrollment statuses may not be correctly or timely reported to the NSLDS.

Repeat Finding: Yes, prior year finding 2016-002.

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

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, 2017
(CONTINUED)

2017 – 003: NSLDS Enrollment 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, 2016 – June 30, 2017

Type of Finding:

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

Criteria or specific requirement: All schools participating (or approved to participate) in the Federal Student Aid programs must have an arrangement to report student enrollment data to the 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).

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

Questioned costs: None

Context: For 2 of 40 status changes selected for testing, the students' enrollment statuses were reported more than 60 days after the change in status.

Cause: For the students identified, two students were not reported in a timely fashion. One case is being researched. The other case was due to the time required to determine the student's last date of attendance.

Effect: The NSLDS system is not updated with the student information which can cause overawarding should the student transfer to another institution and the students may not properly enter the repayment period.

Repeat Finding: Yes, prior year finding 2016-003.

Recommendation: We recommend the College review its reporting procedures to ensure that students' statuses are timely reported to NSLDS as required by regulations.

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, 2017
(CONTINUED)

2017 – 004: Time and Effort Reporting

Federal agency: Department of Education

Federal program title: Consolidated Adult Education & Family Literacy

CFDA Number:

84.002 – Consolidated Adult Education & Family Literacy

Award Period: July 1, 2016 – June 30, 2017

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: 2 CFR 200.62 Internal control over compliance requirements for federal awards requires processes to be implemented to provide reasonable assurance regarding the achievement of program objectives.

Cost Circular A-21 requires that After the Fact activity reports reflect a reasonable estimate of the work performed by the employee during the period. Charges may be made initially on the basis of estimates provided that such charges are promptly adjusted if significant differences are indicated by activity records.

Condition/Context: 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.

Questioned costs: None

Cause: The Time and Effort reporting format used for the Consolidated Adult Education & Family Literacy grant does not adequately support reconciling the effort data to the salaries paid.

Effect: Amounts paid to employees do not agree to time and effort report documentation.

Repeat Finding: No.

Recommendation: We recommend the College review its time and effort procedures to ensure that proper hours are reported and hours agree to those reported as actual hours worked per the time and effort certifications. We recommend the College perform a “spot check” of time and effort certifications on a sample basis to ensure that procedures have been implemented.

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

**MONTGOMERY COLLEGE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017**

SECTION IV – PRIOR YEAR FINDINGS

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

2016 – 001: Capitalization of Construction in Progress

The College erroneously recorded Construction in Progress and related appropriations for the portion of the Rockville parking garage that is funded by debt issued by the Foundation. The portion funded by the Foundation is recorded as Construction in Progress on the books of the Foundation until placed into service, at which point it will transfer to the College in accordance with the capital lease agreement.

Current year status: Refer to the College's response on their letterhead as attached.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2016 – 002: SFA Cluster – Error Reporting to NSLDS

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

Current year status: Refer to the College's response on their letterhead as attached.

2016 – 003: SFA Cluster – NSLDS Enrollment Reporting

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

Current year status: Refer to the College's response on their letterhead as attached.

2016 – 004: Research & Development Cluster – Time and Effort Reporting

For 1 of 40 payroll disbursements selected for testing, the actual hours charged to the grant exceeded the hours reported per time and effort reports.

Current year status: Refer to the College's response on their letterhead as attached.



Office of Business Services

2017 – 001: Capitalization of Software License

Views of responsible officials and planned corrective actions: The accounting and procurement staff will complete professional development training on the government accounting guidelines as set forth by the Governmental Accounting Standards Board (GASB). The training will enhance staff understanding and develop expertise in the reporting related to leases. Upon the execution of a long-term lease, the procurement director will provide to the finance director the documentation related to the lease who will ensure the appropriate accounting of the lease. The finance director will evaluate quarterly the list of lease agreements executed by procurement office.

2017 – 002: NSLDS Error Reporting

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: Director of enrollment services will devise an internal comparison report to identify discrepant data in advance of the error reports received from the National Student Clearinghouse. A staff member will be tasked with reviewing and submitting correction to National Student Clearinghouse and National Student Loan Data System enrollment information weekly.

Responsible Party: Director of Enrollment Services and College Registrar

Planned completion date for corrective action plan: December 22, 2017

Plan to monitor completion of corrective action plan: Bi-weekly meetings between the staff member and the director of enrollment services and college registrar will be held to ensure the error corrections and updates are being completed in both the National Student Clearinghouse and National Student Loan Data Service (NSLDS) simultaneously and within the required 10-day timeframe.



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2017 – 003: NSLDS Enrollment Reporting

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: Enrollment updates will be made manually in NSLDS based on Less Than Halftime Reports (this year the updates were made to the National Student Clearinghouse). It should be noted that doing so will create errors in the files sent from the National Student Clearinghouse to NSLDS which may or may not impact the certification and received dates in NDSLDS. I will be attending a National Student Clearinghouse webinar on the 60-day issue on December 6, 2017.

Responsible Party: Director of Enrollment Services and College Registrar

Planned completion date for corrective action plan: December 22, 2017

Plan to monitor completion of corrective action plan: Less than Half Time reports will be returned to the financial aid office upon completion of updates.

2017 – 004: Time and Effort Reporting

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 Grant Accountant will collaborate with principal investigator and Grants Compliance Specialist to redesign the reporting format for the Time & Effort certification and submit the report to the Director of Finance for approval. At the end of course term, the principal investigator will prepare and certify the Time & Effort report on the approved format within 15 business days from the end of the course term. The Grants Compliance Specialist will confirm that all require Time and Effort reports are collected. The Grant Accountant will then review and verify the completeness and accuracy of the certified report.

Responsible Party: Rose Garvin Aquilino, Director of Grants and Sponsored Programs and Monica Wong, Director of Finance

Planned completion date for corrective action plan: December 20, 2017



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Plan to monitor completion of corrective action plan: The Director of Finance will meet quarterly with the Grant Accountant, Grant Compliance Specialist, and Director of Grants and Sponsored Programs to ensure the control procedures are implemented enabling effective reconciliation of time and effort data to salaries paid.

Reason for finding's recurrence: The Time and Effort reporting format used for the Consolidated Adult Education & Family Literacy grant does not adequately support reconciling the effort data to the salaries paid.

2016 – 002: SFA Cluster – Error Reporting to NSLDS

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

Reason for finding's recurrence: Repeated as finding 2017-002. The NSC has not corrected the software issue that has resulted in error records remaining uncorrected. We will increase efforts to manage this issue.

2016 – 003: SFA Cluster – NSLDS Enrollment Reporting

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

Reason for finding's recurrence: In cases of status changes, such as a reduction to less than half time, changes were generally certified in the National Student Clearinghouse within 30 days but took additional time to be officially reported to National Student Loan Data System. In the past, when updates were made simultaneously in both systems, we would receive errors and guidance stating that we must work directly with our third party servicer on such updates. In cases of withdrawals, we were not able to determine if a student was actually withdrawn (not returning) until our First of Term enrollment report for the following term, which typically occurs during the third week of the term as we don't currently provide an Early Registration transmission file to the National Student Clearinghouse.