

**NORTH SHORE COMMUNITY  
COLLEGE**

**(an agency of the Commonwealth of Massachusetts)**

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**INDEPENDENT AUDITORS' REPORTS AS REQUIRED  
BY THE UNIFORM GUIDANCE AND *GOVERNMENT*  
*AUDITING STANDARDS* AND RELATED  
INFORMATION**

**JUNE 30, 2018**

**NORTH SHORE COMMUNITY COLLEGE**  
(an agency of the Commonwealth of Massachusetts)

**Independent Auditors' Reports as Required by the Uniform Guidance and  
*Government Auditing Standards* and Related Information**

**June 30, 2018**

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## **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**

To the Board of Trustees of  
North Shore Community College  
Danvers, Massachusetts

### **Report on Compliance for Each Major Federal Program**

We have audited North Shore Community College's (an agency of the Commonwealth of Massachusetts) (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.

### **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* (the "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 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 findings 2018-001 through 2018-003. Our opinion on each major federal program is not modified with respect to these matters.

The College's response to the noncompliance findings 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 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 findings 2018-001 through 2018-003, that we consider to be significant deficiencies.

The College's response to the internal control over compliance findings 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.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the College, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon with a dual date of October 17, 2018 and March 6, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not 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 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.

*O'Connell and Duen, P.C.*

**Certified Public Accountants  
Braintree, Massachusetts**

March 13, 2018

(except for the Schedule of Expenditures of Federal Awards, for which the date is October 18, 2017)



## **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***

To the Board of Trustees of  
North Shore Community College  
Danvers, Massachusetts

We have audited, in accordance with 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 North Shore Community College (the "College") which comprise the statement of net position as of June 30, 2018, and the related statements of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon with a dual date of October 17, 2018 and March 6, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered North Shore Community 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 opinion 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether North Shore Community 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 results 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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connell and Dineen, P.C.

**Certified Public Accountants**  
**Braintree, Massachusetts**

October 17, 2018 (except for Management's Discussion and Analysis, Note 2, Note 7, Note 10, Note 12, and Schedule of Proportionate Share of the Net OPEB Liability contained in the financial statements, as to which the date is March 6, 2019)

**SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**

**NORTH SHORE COMMUNITY COLLEGE**  
(an agency of the Commonwealth of Massachusetts)

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2018**

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>					
<b>U.S. Department of Education:</b>					
<b>Direct Awards:</b>					
Federal Supplemental Educational Opportunity Grant Program	84.007	N/A	N/A	\$ 166,589	\$ -
Federal Work-Study Program	84.033	N/A	N/A	151,654	-
Federal Pell Grant Program	84.063	N/A	N/A	9,967,459	-
Federal Direct Student Loans	84.268	N/A	N/A	<u>6,104,694</u>	<u>-</u>
Total Student Financial Assistance Cluster				<u>16,390,396</u>	<u>-</u>
<b>TRIO CLUSTER</b>					
<b>U.S. Department of Education:</b>					
<b>Direct Awards:</b>					
Student Support Services	84.042A	N/A	N/A	507,652	-
Talent Search	84.044A	N/A	N/A	305,322	-
Upward Bound	84.047A	N/A	N/A	<u>373,813</u>	<u>-</u>
Subtotal - Direct Awards				1,186,787	-
<b>Pass-through Awards:</b>					
Educational Opportunities Centers	84.066A	Colleges of Worcester Consortium	P066A110029-14	<u>147,173</u>	<u>-</u>
Total TRIO Cluster				<u>1,333,960</u>	<u>-</u>
<b>NON-CLUSTER</b>					
<b>U.S. Department of Labor:</b>					
<b>Pass-through Awards:</b>					
H-1B Job Training Grant	17.268	Mount Wachusett Community College	HG-29355-16-60-A-25	155,267	-
Trade Adjustment Assistance Community College and Career Training ("TAACCCT") Grant	17.282	Massasoit Community College	V00286761	<u>203,352</u>	<u>-</u>
Subtotal - Pass-through Awards				358,619	-
<b>U.S. Department of Justice:</b>					
<b>Direct Awards:</b>					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	N/A	<u>\$ 25,771</u>	<u>\$ -</u>

See accompanying notes to the schedule of expenditures of federal awards.

**NORTH SHORE COMMUNITY COLLEGE**  
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**Schedule of Expenditures of Federal Awards - Continued**

**Year Ended June 30, 2018**

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
<b>NON-CLUSTER - CONTINUED</b>					
<b>U.S. Department of Education:</b>					
<b>Direct Awards:</b>					
Special Education - State Personnel Development	84.323	N/A	N/A	243	-
<b>Pass-through Awards:</b>					
Adult Education -- Basic Grants to States	84.002	Massachusetts Department of Education	340-0186-1225-Q	237,258	-
Career and Technical Education -- Basic Grants to States	84.048	Massachusetts Department of Education	401-002-6-1225-Q	299,108	-
Subtotal - Pass-through Awards				536,366	-
Total Non-Cluster				920,999	-
<b>Total Federal Funds</b>				<b>\$ 18,645,355</b>	<b>\$ -</b>

*See accompanying notes to the schedule of expenditures of federal awards.*

**NORTH SHORE COMMUNITY COLLEGE**  
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**Notes to Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2018**

Note 1 - **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of North Shore Community College (the “College”) under programs of the Federal Government for the year ended June 30, 2018. The information on this Schedule is prepared 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, changes in net assets or cash flows of the College.

Note 2 - **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized in accordance with the cost principles contained in the Uniform Guidance.

Note 3 - **Indirect Cost Rate**

The College has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. The College charges the indirect cost rate as negotiated with the cognizant agency or the requisite program. For some grants, the College elected not to use the applicable indirect cost rate in order to provide additional funds for programmatic needs.

Note 4 - **Federal Direct Student Loans**

The College disbursed \$6,104,694 of loans under the Federal Direct Student Loans program, which include Stafford Subsidized and Unsubsidized Loans and Parent Plus Loans. The College is only responsible for the performance of certain administrative duties and, accordingly, there are no significant continuing compliance requirements and these loans are not included in the College’s financial statements.

**NORTH SHORE COMMUNITY COLLEGE**  
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**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2018**

**Section I – Summary of Auditors’ Results:**

***Financial Statements***

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  no

Noncompliance material to the financial statements noted?  yes  no

***Federal Awards***

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

Internal control over major programs:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  no

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?  yes  no

**NORTH SHORE COMMUNITY COLLEGE**  
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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2018**

*Identification of Major Programs*

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	
Federal Supplemental Educational Opportunity Grant Program	<b>84.007</b>
Federal Work-Study Program	<b>84.033</b>
Federal Pell Grant Program	<b>84.063</b>
Federal Direct Student Loans (Note 4)	<b>84.268</b>
Adult Education – Basic Grants to States	<b>84.002</b>

Dollar threshold used to distinguish between  
 type A and type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

  x   yes           no

**NORTH SHORE COMMUNITY COLLEGE**  
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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2018**

**Section II – Financial Statement Findings:**

None

**NORTH SHORE COMMUNITY COLLEGE**  
(an agency of the Commonwealth of Massachusetts)

**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2018**

**Section III – Federal Award Findings and Questioned Costs:**

**Finding number:** 2018-001  
**Federal agency:** U.S. Department of Education  
**Program:** Student Financial Assistance Cluster  
**CFDA #'s:** 84.063, 84.268  
**Award year:** 2018

***Criteria***

According to 34 CFR Section 685.309(b)(2):

A school shall, unless it expects to submit its next student status confirmation report to the Secretary within the next sixty days, notify the Secretary within thirty days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who:

- 1) Enrolled at that school but has ceased to be enrolled on at least a half-time basis;
- 2) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or
- 3) Has changed his or her permanent address.

The Dear Colleague Letter GEN-12-06 (the “Letter”) issued by the U.S. Department of Education (“ED”) on March 30, 2012 states that in addition to student loan borrowers, Enrollment Reporting files will include two additional groups of students: Pell Grant and Perkins Loan recipients.

According to 2 CFR Part 200, Appendix XI Compliance Supplement updated April 2018:

Under the Pell Grant and loan programs, institutions must complete and return within 15 days the Enrollment Reporting roster file placed in their Student Aid Internet Gateway mailboxes sent by ED via NSLDS. The institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

**NORTH SHORE COMMUNITY COLLEGE**  
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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2018**

***Condition***

The Federal Government requires the College to report student enrollment changes to NSLDS within sixty days. During our testing of forty students with enrollment status changes we noted the following:

- One student's status change was never reported to NSLDS.
- One student's status change was not reported to NSLDS within the required 60-day time frame. Reporting of this status change occurred 24 days after the required deadline.

***Cause***

The failure to report the student to NSLDS was due to a communication issue between the College and the third-party servicer the College uses to report status changes, the National Student Clearinghouse ("NSC").

***Effect***

The College did not properly report the students to NSLDS. For students receiving loan funds, improper enrollment reporting may result in the student's loan deferment period being incorrectly calculated. Additionally, those students would be responsible for any interest charges.

***Questioned Costs***

Not applicable

***Perspective***

Our sample was not, and was not intended to be, statistically valid. Of 40 students selected for testing, we noted the following three instances of non-compliance:

	<b>Number of Instances</b>	<b>Percentage of Sample</b>
Reported late to NSLDS	1	2.5%
Status never reported to NSLDS	1	2.5%

***Identification as a Repeat Finding, if applicable***

See finding 2017-001 included in the Management's Summary Schedule of Prior Audit Findings.

**NORTH SHORE COMMUNITY COLLEGE**  
(an agency of the Commonwealth of Massachusetts)

**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2018**

***Recommendation***

We recommend that the College ensure that the Registrar's Office has the proper policies and procedures in place so that student records are included on the National Student Clearinghouse reports.

***Views of Responsible Officials***

The College agrees with this finding.

Over the past ten years, NSCC has continued to review and refine their enrollment reporting to their 3rd party contractor, the National Student Clearinghouse (NSC). The goal of all of these efforts has always been to better meet the compliance requirements of our Enrollment reporting to NSLDS. During this time frame, among other things, we increased the number of semester enrollment reports to monthly; we have added a number of special graduation reports to ensure that NSCC is reporting enrollment separation within the appropriate timeframe and we worked closely with the Audit Department at the NSC to better understand the timing of their ask/request relationship with NSLDS. We have also worked diligently to resolve all error reporting.

**NORTH SHORE COMMUNITY COLLEGE**  
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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2018**

**Finding number:** 2018-002  
**Federal agency:** U.S. Department of Education  
**Program:** Student Financial Assistance Cluster  
**CFDA #'s:** 84.007, 84.033, 84.063, 84.268  
**Award year:** 2018

***Criteria***

According to 34 C.F.R. Sections 668.59:

(b) For the Federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must—

(1) Recalculate the applicant's Federal Pell Grant on the basis of the EFC on the corrected valid SAR or valid ISIR; and

(2)(i) Disburse any additional funds under that award only if the institution receives a corrected valid SAR or valid ISIR for the applicant and only to the extent that additional funds are payable based on the recalculation

(c) For the subsidized student financial assistance programs, excluding the Federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, the institution must—

(1) Adjust the applicant's financial aid package on the basis of the EFC on the corrected valid SAR or valid ISIR; and

(2)(i) Comply with the procedures specified in §668.61 for an interim disbursement if, as a result of verification, the financial aid package must be reduced

***Condition***

The Financial Aid award process includes consideration of financial and demographic data provided by the student applicant. To evaluate the reliability of this data, a participating institution is required by the Federal Government to select a sample from its student population and verify certain prescribed data. The selected students' files should be revised to incorporate any changes in the supplied data. The College's policy is to verify the information of those students identified by the Federal Government's processor.

Out of a sample of forty students, the College's verification process identified that financial and demographic information for twenty students required verification. Two of the twenty students requiring verification had data that changed however, the College failed to revise the students' ISIR.

**NORTH SHORE COMMUNITY COLLEGE**  
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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2018**

***Cause***

The College failed to have the proper review procedures in place to ensure that all changes due to the verification process were properly reflected on the students' SAR or ISIR.

***Effect***

The students' EFC was calculated using incorrect data. Since the students' EFC is used to calculate the financial aid award, an incorrect EFC can result in an improper award.

***Questioned Costs***

Could not be determined

***Perspective***

Our sample was not, and was not intended to be, statistically valid. Of forty students selected for testing, twenty students were flagged for verification of which two students' ISIR's or 10% were not updated for the results of verification.

***Identification as a Repeat Finding, if applicable***

Not applicable

***Recommendation***

The College needs to continue to strengthen their controls surrounding verification. The College should implement policies that require all student ISIR's subject to verification be reviewed once the verification process is complete. The reviewer should be well-versed in the verification process and requirements. Once reviewed, all verified ISIR's should be re-submitted to the Federal Government's processor for recalculation of the applicant's EFC prior to awarding aid.

***Views of Responsible Officials***

The College agrees with this finding.

North Shore Community College agrees with this finding. The files identified were corrected and there was no change to the students' Estimated Family Contribution (EFC) or their awards received. Samples of the 2017-2018 verification files have been reviewed and we have found no further findings or issues.

**NORTH SHORE COMMUNITY COLLEGE**  
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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2018**

**Finding number:** 2018-003  
**Federal agency:** U.S. Department of Education  
**Program:** Student Financial Assistance Cluster  
**CFDA #'s:** 84.007, 84.033, 84.063, 84.268  
**Award year:** 2018

***Criteria***

According to 34 C.F.R. Sections 685.203(j):

*Maximum loan amounts.* In no case may a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan amount exceed the student's estimated cost of attendance for the period of enrollment for which the loan is intended, less –

- (1) The student's estimated financial assistance for that period; and
- (2) In the case of a Direct Subsidized Loan, the borrower's expected family contribution for that period.

According to 2 CFR Part 200, Appendix XI Compliance Supplement updated April 2018:

In determining loan amounts for unsubsidized Stafford loans, the financial aid administrator subtracts from the COA, the EFC and the estimated financial assistance for the period of enrollment that the student (or parent on behalf of the student) will receive from federal, state, institutional or other sources. Unsubsidized Stafford loans, PLUS loans, loans made by a school to assist the student, and State-sponsored loans may be used to substitute for EFC.

According to Volume 3 Page 143 of the 2017-2018 Student Financial Aid Handbook:

Except for Pell Grants, FSA ("federal student aid") award amounts are also constrained by the other aid that a student receives, known as *Estimated Financial Assistance*. The general rule is that the student's total aid may not exceed the student's financial need (Need = Cost of Attendance minus EFC).

The cost of attendance for the Campus-Based, TEACH Grant, and Direct/Direct PLUS Loan programs is based on the student's enrollment status and costs for the period in which the aid is intended. The Cost of Attendance used for Pell Grants and Iraq & Afghanistan Service Grants is always the full-year costs for a full-time student, so you may have to prorate actual or average costs up for students who are attending less than an academic year (or who are part-time in a term program) or prorate down for students who are attending for periods longer than an academic year.

**NORTH SHORE COMMUNITY COLLEGE**  
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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2018**

***Condition***

The Financial Aid Office is responsible for awarding federal, state and institutional financial aid. The Federal Government requires the College to compare the student's Cost of Attendance ("COA") with the student's Estimated Family Contribution ("EFC") and Estimated Financial Assistance ("EFA"). EFA must include all grants and scholarships the College anticipates the student will receive regardless of the source. The total aid awarded to a student cannot exceed the student's COA. Federal, state and institutional aid is awarded by the Financial Aid Office. Financial aid awarded by outside sources is often sent directly to the Student Financial Services Office to be applied against the student's account. The Student Financial Services Office notifies the Financial Aid Office to ensure the outside aid is included in the student's EFA. Out of a sample of forty students, one student received aid in excess of their financial need and cost of attendance.

The student received \$9,964 in Federal and State grants, \$4,500 in Federal subsidized loans, \$6,000 in Federal unsubsidized loans and \$4,324 in private loan funds for a total of \$24,788. The student's cost of attendance was \$21,394.

***Cause***

The Student Financial Services Office failed to notify the Financial Aid Office of outside aid received on behalf of a student who received other financial aid. As a result, the student's EFA was incorrect.

***Effect***

The Financial Aid Office awarded the student financial aid based on an incorrect EFA. As a result, the student received Federal and State grants, Federal loans and private loans that in total exceeded their cost of attendance.

***Questioned Costs***

\$3,394

***Perspective***

Our sample was not, and was not intended to be, statistically valid. Of forty students selected for testing, one student, or 2.5% was awarded financial aid in excess of the student's cost of attendance.

***Identification as a Repeat Finding, if applicable***

Not applicable

**NORTH SHORE COMMUNITY COLLEGE**  
(an agency of the Commonwealth of Massachusetts)

**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2018**

***Recommendation***

The College should create formal procedures for when aid is sent directly to the Student Financial Services Office. These procedures should include a review of the student's billing statement to determine if the financial aid has been disbursed and timely notification of the aid to the Financial Aid Office. Once the Financial Aid Office is notified of the outside aid, the student's financial aid award should be reviewed to determine if any adjustment needs to be made to the award.

***Views of Responsible Officials***

The College agrees with this finding.

While North Shore Community College agrees with this finding, the finding notes that the student was over-awarded for an Unsubsidized Loan. Per the FSA Handbook (p. 3-158), "If the over award situation occurs after the Direct Loan has been disbursed to the borrower, there is no Direct Loan over award that needs to be addressed."



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## Management's Summary Schedule of Prior Audit Findings

**Finding number:** 2017-001  
**Federal agency:** U.S. Department of Education  
**Program:** Student Financial Assistance Cluster  
**CFDA #'s:** 84.063, 84.268  
**Award year:** 2017

### ***Condition***

The Federal Government requires the College to report student enrollment changes to the National Student Loan Data System ("NSLDS") within sixty days.

#### *Award Year 2017:*

Out of a sample of forty students with enrollment status changes, one student, who received a Pell Grant, was never reported to NSLDS.

#### *Award Year 2016:*

Out of a sample of forty students with enrollment status changes, one student's change was not reported to the NSLDS. The student withdrew in November 2015, and was later readmitted to the College in the spring semester.

#### *Award Year 2015:*

Out of a sample of twenty-five students with enrollment status changes, two of the students' changes were not reported in a timely manner to the NSLDS.

### ***Current Year Status:***

Corrective action was not fully implemented during the year.

North Shore Community College does not agree with this finding.

### ***Corrective Action***

North Shore Community College (NSCC) takes its compliance requirements regarding enrollment reporting seriously as it understands the importance of accurate loan servicing and deferment information. NSCC did follow their corrective action plan until we were notified by the Department of Education, via the October 5, 2017 Electronic Announcement, that NSLDS was no longer adding students to Enrollment Reporting Rosters based on data received from Colleges/Universities Transfer Monitoring submissions. Please see excerpt below:



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## **Management's Summary Schedule of Prior Audit Findings - Continued**

### ***Corrective Action - Continued***

*“Also, in response to requests from the community, NSLDS has stopped adding students to schools’ Enrollment Reporting rosters based on information from the Transfer Student Monitoring (“TSM”) and Financial Aid History (“FAH”) processes. While a school’s use of the TSM or FAH process is an indication of students’ enrollment at the school, recent enhancements have allowed NSLDS to more easily obtain information about transfer students. This change was made on August 21, 2017.”*

This unexpected change presented a challenge to our 2017 corrective action plan since the College remains contractually obligated to use the National Student Clearinghouse as its primary source for NSLDS Enrollment reporting.

### ***Timeline***

The Department of Education announced in December 2018 that NSLDS would allow students to again be added to Enrollment Reporting Rosters based on information from Transfer Monitoring submissions. We believe this will allow us to now follow our initial corrective action plan and address the initial finding. We recently submitted a Transfer monitoring file to the NSLDS and are currently addressing the errors related to that submission.

### ***Contact Person***

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## Management's Summary Schedule of Prior Audit Findings - Continued

**Finding number:** 2017-002  
**Federal agency:** U.S. Department of Education  
**Program:** Student Financial Assistance Cluster  
**CFDA #'s:** 84.007, 84.063, 84.268  
**Award year:** 2017

### *Condition*

When a student withdraws from the College, the College must calculate the students earned percentage in order to determine how much aid was earned by the student and how much must be returned to the Department of Education. For clock-hour students, the earned percentage is based on the number of total hours completed by the student prior to withdrawal, divided by the total number of clock hours in the payment period.

During our testing of forty students who withdrew from the College, one student enrolled in a clock-hour program had their earned percentage calculated based on credit hours.

### *Current Year Status:*

Corrective action was implemented during the year.



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## Management's Corrective Action Plan

**Finding number:** 2018-001  
**Federal agency:** U.S. Department of Education  
**Program:** Student Financial Assistance Cluster  
**CFDA #'s:** 84.063, 84.268  
**Award year:** 2018

### *Corrective Action Plan:*

North Shore Community College ("NSCC") agrees with this finding. In response, we will do the following:

- Continue to use the Transfer Monitoring process to update enrollment records directly to NSLDS. This should augment the efforts of the National Student Clearinghouse ("NSC") and ensure that NSCC meets its compliance reporting requirements to NSLDS.
- Contact NSC's Audit department to see if we can better calibrate the timing of our enrollment reports to them with the ask/request cycle that exists between the NSC and NSLDS.
- Review the NSLDS Enrollment Error report to determine if responding to that will improve the timing of our enrollment reporting compliance.
- Continue to investigate and understand the interface between NSC and NSLDS, with particular focus on error reporting.

### *Timeline for Implementation of Corrective Action Plan:*

Transfer Monitoring will be an on-going process and the other items will be pursued within the next 6 months with the intent to improve this process.

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## Management's Corrective Action Plan - Continued

**Finding number:** 2018-002  
**Federal agency:** U.S. Department of Education  
**Program:** Student Financial Assistance Cluster  
**CFDA #'s:** 84.007, 84.033, 84.063, 84.268  
**Award year:** 2018

### *Corrective Action Plan:*

Effective with the 2019 Fiscal Year (2018-2019 financial aid year), North Shore Community College's Student Financial Services Office will sample our Verification files for a secondary review. The sample will include files reviewed by the College's Third-Party Servicer, *ProEducation Solutions*, as well as those verified by North Shore Community College Financial Aid staff.

### *Timeline for Implementation of Corrective Action Plan:*

The new internal review process is effective immediately, with Fiscal Year 2019 (2018-19 financial aid year) Verification files.

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## Management's Corrective Action Plan - Continued

**Finding number:** 2018-003  
**Federal agency:** U.S. Department of Education  
**Program:** Student Financial Assistance Cluster  
**CFDA #'s:** 84.007, 84.033, 84.063, 84.268  
**Award year:** 2018

### *Corrective Action Plan:*

As part of their monthly checklist, Student Financial Services, will run and review an exception report that captures all sources of funding as it relates to student's need calculation. North Shore Community College will review and refine our exception reporting to be certain that it is correctly identifying all sources of funding received by both Financial Aid and Student Accounts.

### *Timeline for Implementation of Corrective Action Plan:*

The exception report will be run monthly and students with a negative unmet need will be adjusted to be certain there are no over-awards.

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