OAKTON COMMUNITY COLLEGE
DISTRICT NUMBER 535
DES PLAINES, ILLINOIS

SINGLE AUDIT REPORT

For the Year Ended
June 30, 2012
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INDEPENDENT AUDITOR’S 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
Oakton Community College
District Number 535
Des Plaines, Illinois

We have audited the financial statements of the business-type activities and the discretely
presented component unit that comprise the basic financial statements of Oakton Community
College District 535 as of and for the year ended June 30, 2012, and have issued our report
thereon dated September 12, 2012. We conducted our audit 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 the College’s discretely presented component
unit, Oakton Community College, were not audited in accordance with Government Auditing
Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oakton Community College District 535’s
internal control over financial reporting as a basis for designing our auditing procedures for the
purpose of expressing our opinion on the financial statements, but not for the purpose of
expressing an opinion on the effectiveness of Oakton Community College District 535’s internal
control over financial reporting. Accordingly, we do not express an opinion on the effectiveness
of Oakton Community College District 535’s internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose
described in the first paragraph of this section and would not necessarily identify all deficiencies
in internal control over financial reporting that might be deficiencies, significant deficiencies or
material weaknesses. We did not identify any deficiencies in internal control over financial
reporting that we consider to be material weaknesses, as defined above.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oakton Community College District 535's financial statements are free of 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.

We noted certain matters that we reported to management of Oakton Community College District 535, in a separate letter dated September 12, 2012.

This report is intended solely for the information and use of the Board of Trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Naperville, Illinois
September 12, 2012
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Oakton Community College
District Number 535
Des Plaines, Illinois

Compliance

We have audited the compliance of Oakton Community College - Community College District 535 with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Oakton Community College’s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Oakton Community College - Community College District 535's management. Our responsibility is to express an opinion on Oakton Community College - Community College District 535’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oakton Community College - Community College District 535’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. Our audit does not provide a legal determination on Oakton Community College - Community College District 535’s compliance with those requirements.

In our opinion, Oakton Community College - Community College District 535 complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 12-01.
Internal Control Over Compliance

The management of Oakton Community College - Community College District 535 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Oakton Community College - Community College District 535’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oakton Community College - Community College District 535’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.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Oakton Community College - Community College District 535’s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Oakton Community College - Community College District 535’s responses and, accordingly, we express no opinion on the responses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Oakton Community College - Community College District 535 as of and for the year ended June 30, 2012, and have issued our report thereon dated September 12, 2012. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the 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 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 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 financial statements as a whole.
This report is intended for the information and the use of the Board of Trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Naperville, Illinois
September 12, 2012

Sikich LLP
Oakton Community College  
District Number 535  
Schedule of Federal Expenditures of Federal Awards  
Year Ended June 30, 2012

<table>
<thead>
<tr>
<th>Federal grantor / pass-through grantor / program or cluster title</th>
<th>Federal CFDA Number</th>
<th>Contract Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAJOR PROGRAMS</td>
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<td></td>
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<tr>
<td>U.S. Department of Education:</td>
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<tr>
<td>Student Financial Aid Cluster:</td>
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<tr>
<td>Federal Supplemental Educational Opportunity Grants</td>
<td>84.007</td>
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<td>Federal Pell Grant Program</td>
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<td>Federal Work Study Program</td>
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<td>Federal Direct Student Loans</td>
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<td>Academic Competitiveness Grant</td>
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<tr>
<td>Adult Education - Basic Grants to States - Federal Basic</td>
<td>8.002A</td>
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<td>Total major programs</td>
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<td>NONMAJOR PROGRAMS</td>
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<td>U.S. Department of Education:</td>
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<td>ARRA - Vocational Rehabilitation Grants to States</td>
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<td>Undergraduate International Studies and Foreign Language Programs</td>
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<td>Pathways to South Asia Yr 3</td>
<td>84.016</td>
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<td>Total U.S. Department of Education</td>
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<td>U.S. Department of Agriculture:</td>
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<td>Tech-Prep Education -</td>
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<td>Child &amp; Adult Care Food Program (CACFP) FY 11</td>
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<td>10.558</td>
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<td>Passed through Illinois State Board of Education</td>
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<tr>
<td>Total U.S. Department of Agriculture</td>
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<td>10,005</td>
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(This schedule is continued on the following page.)

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<table>
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<tr>
<th>Federal grantor / pass-through grantor / program or cluster title</th>
<th>Federal CFDA Number</th>
<th>Contract Number</th>
<th>Federal Expenditures</th>
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<tr>
<td><strong>NONMAJOR PROGRAMS (Continued)</strong></td>
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<td><strong>U.S. Department of Veteran Affairs</strong></td>
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<td>Post-9/11 Veterans Educational Assistance</td>
<td>64.028</td>
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<td>Total U.S. Department of Veteran Affairs</td>
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<td><strong>National Science Foundation - Education and Human Resources:</strong></td>
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<tr>
<td>Mathematical and Physical Science - NSF URC ( Yr 4 of 5)</td>
<td>47.049</td>
<td>DUE-0629174</td>
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<td>Mathematical and Physical Science - NSF URC ( Yr 5 of 5)</td>
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<td><strong>Federal Mediation and Conciliation Service:</strong></td>
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<td>Labor Management Cooperation</td>
<td>34.002</td>
<td>09-IL/PS-004</td>
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<tr>
<td>Total Federal Mediation and Conciliation Service</td>
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<td>11,761</td>
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<td><strong>U.S. Department of Labor:</strong></td>
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<tr>
<td>WIA Cluster</td>
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<td>WIA Adult Program - FY10</td>
<td>17.258</td>
<td>2010-0101003</td>
<td>49,125</td>
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<td>WIA Dislocated Workers Program - FY10</td>
<td>17.260</td>
<td>2010-0101003</td>
<td>34,655</td>
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<td>WIA Adult Program - FY11</td>
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<td>2011-0101003</td>
<td>55,650</td>
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<td>WIA Adult Program - FY12</td>
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<td>2012-0101003</td>
<td>70,688</td>
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<td>WIA Dislocated Workers Program - FY12</td>
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<td>2012-0101003</td>
<td>21,372</td>
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<td>Total WIA Cluster</td>
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<td>231,490</td>
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<tr>
<td>Total U.S. Department of Labor</td>
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<td>231,490</td>
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<tr>
<td>Total nonmajor programs</td>
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<td>1,497,854</td>
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<tr>
<td>Total expenditures of federal awards</td>
<td></td>
<td></td>
<td>$ 11,450,516</td>
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</table>

The accompanying notes are an integral part of this statement.
Note A - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards has been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). It is a summary of the activity of Oakton Community College’s federal awards program prepared on the accrual basis of accounting. Accordingly, expenditures are recognized when the liability has been incurred and revenues are recognized when the qualifying expenditure has been incurred.

Note B - Federal Loan Program

For the year ended June 30, 2012, Oakton Community College acted as a pass-through agency for Federal Stafford Loans (subsidized and unsubsidized) to students in the amount of $993,132.

Note C - Other Information

Oakton Community College did not receive any federal insurance or federal non-cash assistance and did not provide any amounts to sub-recipients.
OAKTON COMMUNITY COLLEGE
DISTRICT NUMBER 535
DES PLAINES, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

Section I - Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unqualified

Internal control over financial reporting:
Material weakness(es) identified? _____ yes   _____ no
Significant deficiency(ies) identified? _____ yes   _____ no

Noncompliance material to financial statements noted? _____ yes   _____ no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? _____ yes   _____ no
Significant deficiency(ies) identified? _____ yes   _____ no

Type of auditor’s report issued on compliance for major programs:
unqualified opinion on Student Financial Aid Program Cluster

unqualified opinion on Adult Education – Basic Grants to States

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? _____ yes   _____ no

Identification of major programs:

CFDA Number(s)   Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.268, 84.375 Student Financial Aid Program Cluster
84.002A Adult Education – Basic Grants to States
Section I - Summary of Auditor's Results (Continued)

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee?  
- x yes  
- no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

12-01 INCORRECT PELL DISBURSEMENT AMOUNT – STUDENT FINANCIAL AID CLUSTER - CFDA#s 84.007, 84.033, 84.063, 84.268, 84.375, GRANT PERIOD - YEAR ENDED JUNE 30, 2012

Condition: During our student file testing we noted one student out of forty was not disbursed the correct Pell Grant award. The College did not identify the change in enrollment status and therefore the College over awarded a Pell grant to the student in the amount of $688. We consider the over award of $688 to be a questioned cost and this incorrect disbursement amount to be an instance of non-compliance relating to the Eligibility Compliance Requirement.

Criteria: According to 34 CFR 690.63 students may qualify for a maximum Pell Grant award of $5,550 for an award year. The maximum amount is awarded to students with a zero Expected Family Contribution (EFC) and full-time enrollment status. Students with less than full-time enrollment or more than a zero EFC are eligible for a reduced Pell award.

Effect: A student received an incorrect amount of Pell award in the amount of $688 which is considered a questioned cost and will need to be returned to the U.S. Department of Education.

Cause: The College's internal controls did not identify the change in enrollment status when the student dropped a course. The reduced course load changed the student's status from a full-time to three-quarter time student. According to the Department of Education's Pell matrix chart, this student should have received $688 less Pell than the amount disbursed to the student by the College.
Section III - Federal Award Findings and Questioned Costs (Continued)

12-01 INCORRECT PELL DISBURSEMENT AMOUNT — STUDENT FINANCIAL AID CLUSTER - CFDA#s 84.007, 84.033, 84.063, 84.268, GRANT PERIOD - YEAR ENDED JUNE 30, 2012 (Continued)

Recommendation: We recommend the institution closely monitor all changes to a student’s enrollment status to ensure all students receiving financial aid are disbursed the correct amount.

Corrective Action Plan:

The College agrees with the Auditor’s finding and refunded $687 on June 20, 2012, to the Department of Education. We also presented the finding to our financial aid staff members in June 2012 to assess and, wherever possible, revise our current practices to prevent this issue from occurring again. During our meeting we reviewed regulation and current procedures, including the multiple screens within Banner and Powerfaids that each advisor must review when making a financial aid disbursement. Complex financial aid regulations require advisors to review student enrollment, repeat courses, grades, academic progress, tuition charges, and financial aid types for each student who has been awarded financial aid.

We will adopt a new procedure, beginning in Fall 2012, to ensure student disbursements are accurate. The Office of Student Financial Assistance will work collaboratively with the Information Technology Department to generate additional reports to streamline the disbursement process. These reports will include enrollment information for each student on the census date and provide the financial aid advisors an accurate and more efficient record of a student’s enrollment. This will in turn reduce the risk of financial aid advisors checking multiple screens within Banner during the disbursement process. Staff will continue to receive training at professional conferences, staff meetings, and through just in time training prior to disbursements to ensure they understand rules and process to disburse financial aid accurately.
Section IV - Prior Year Audit Findings

11-01 ACADEMIC COMPETITIVENESS GRANT ELIGIBILITY
STUDENT FINANCIAL AID CLUSTER – ACADEMIC COMPETITIVENESS GRANT
CFDA#84.375, GRANT PERIOD - YEAR ENDED JUNE 30, 2011

Condition: During the student file testing for eligibility on the Academic Competitiveness Grant (ACG) it was discovered that three students out of a sample of forty students were eligible to receive the grant, but were not awarded the ACG by the College. We consider this Single Audit Finding to be an instance of non-compliance with the Eligibility Compliance Requirement.

Criteria: For all students who self-certify that they meet the ACG eligibility requirements described at 34 CFR section 691.15, the College must determine and document the student’s eligibility before awarding this grant.

Effect: Three students were eligible to receive the ACG in the amount of $3,187 but were not awarded these Title IV funds.

Cause: The College’s internal control system within the financial aid department did not detect that three eligible students who should have received an ACG award.

Recommendation: We recommend that the Financial Aid Department review all students who self-certify that they may be eligible for the Academic Competitiveness Grant.

Corrective Action Plan:

Financial aid advisors routinely review financial aid applications for Academic Competitiveness Grant (ACG) when awarding federal, state, and institutional funds. However, as an open admission community college, some students submit their high school transcripts after federal Pell Grant eligibility has been determined. This requires the financial aid advisor to regularly monitor federal Pell Grant students who self-certify ACG eligibility throughout the year. Unfortunately, the amount of time available to monitor students who submitted high school transcripts to the registrar’s office, after federal Pell Grant eligibility was determined, was more limited in 2010-11 due to the significant increase in financial aid applications over prior years. Thus, the College is continuing to monitor financial aid application volume, student service, and compliance in order to determine appropriate staffing. In addition, if the ACG program is reinstated in the future, the College will implement a process whereby the Registrar’s Office aids in the monitoring of the receipt of high school transcripts in order to ensure all students who self-certify ACG are routinely considered for eligibility.
11-01 ACADEMIC COMPETIVENESS GRANT ELIGIBILITY
STUDENT FINANCIAL AID CLUSTER – ACADEMIC COMPETIVENESS GRANT
CFDA#84.375, GRANT PERIOD - YEAR ENDED JUNE 30, 2011 (Continued)

2012 Update

This finding was not repeated for the Year Ended June 30, 2012.

11-02 LATE POST-WITHDRAWAL DISBURSEMENT
STUDENT FINANCIAL AID CLUSTER –CFDAs#84.007, 84.033, 84.063, 84.268, and
84.375, GRANT PERIOD - YEAR ENDED JUNE 30, 2011

Condition: One student out of a sample of twenty-five selected for Return of Title IV
testing did not receive a post-withdrawal disbursement within the required forty-five days
from the date the College determined the student withdrew. We consider this to be an
instance of noncompliance with respect to the Special Tests and Provisions Compliance
Requirement.

Criteria: In a situation where a student has earned Title IV funds that exceed the amount
of funds disbursed, the student is entitled to a post-withdrawal disbursement. According
to 34 CFR 668.22 the institution must disburse directly to a student any amount of a post-
withdrawal disbursement of grant funds that is not credited to the student’s account. The
institution must make the disbursement as soon as possible, but no later than 45 days after
the date of the institution’s determination that the student withdrew.

Effect: One student did not receive their entitled post-withdrawal disbursement until day
57 which exceeds the maximum time period of 45 days as allowed by the U.S.
Department of Education.

Cause: The College’s internal control system within the financial aid department did not
detect that one student was due a post-withdrawal disbursement within the forty-five day
time requirement.

Recommendation: We recommend that the Financial Aid Department review all students
who are owed a post-withdrawal disbursement and make sure these disbursements are
offered to the students within forty-five days of the date the College determined the
student withdrew from their classes.
11-02  LATE POST-WITHDRAWAL DISBURSEMENT
STUDENT FINANCIAL AID CLUSTER –CFDAs#84.007, 84.033, 84.063, 84.268, and 84.375, GRANT PERIOD - YEAR ENDED JUNE 30, 2011 (Continued)

Corrective Action Plan:

Existing processes include generating a weekly list of students who need a Return of Title IV funds calculated; financial aid advisors calculating the appropriate amount of financial aid; and the technical specialist confirming the calculation was performed correctly, adjusting financial aid on student accounts, and reporting financial aid to the Department of Education. As a result of this audit, the College is adding to our processes the expectation that the financial aid advisor will perform all Return of Title IV calculations within 5 business days from the date the weekly list is generated. This will allow more time for the technical specialist to review work and update records. In addition, the financial aid staff has attended a webinar provided by NASFAA that details the changes made to the Return of Title IV calculations as part of the program integrity rules in order to incorporate these changes to the College’s current practices. Staff receive continual training and updates on Return of Title IV regulations at regularly scheduled staff meetings.

2012 Update

This finding was not repeated for the Year Ended June 30, 2012.

11-03  STUDENT VERIFICATION
STUDENT FINANCIAL AID CLUSTER –CFDAs#84.007, 84.033, 84.063, 84.268, and 84.375, GRANT PERIOD - YEAR ENDED JUNE 30, 2011

Condition: One student’s file out of a sample of forty student files selected for testing contained incorrect data on the number of family members attending college that was not detected by the College during their verification procedures. A student included their parent as a family member attending college which is not permitted. The error in number of family members reported affected the Expected Family Contribution and caused an overaward of the Pell Grant in the amount of $1,524. We consider this overaward of Pell to be a questioned cost and instance of noncompliance with respect to the Eligibility Compliance Requirement.

Criteria: According to instructions on the Free Application for Federal Student Aid students are not permitted to include parents as family members attending college. Students may only enter themselves and the number of siblings who are attending college
11-03 STUDENT VERIFICATION
STUDENT FINANCIAL AID CLUSTER –CFDAs#84.007, 84.033, 84.063, 84.268, and 84.375, GRANT PERIOD - YEAR ENDED JUNE 30, 2011 (Continued)

Effect: Due to the fact the incorrect number of family members attending college was used to calculate the Expected Family Contribution a Pell overaward in the amount of $1,524 was given to the student. We consider the $1,524 to be a questioned cost.

Cause: The College’s internal control system over verification did not catch the error in the number of family members attending college.

Recommendation: We recommend that the Financial Aid Department develop a process to review a sample of students each term who report additional family members attending college in order to test the number used in the calculation of expected family contribution.

Corrective Action Plan:

First, the College returned the $1,524 of federal funds cited in the audit report on July 18, 2011 and discussed the error with the financial aid staff members. Secondly, the College currently verifies all students selected through the federal edit system and all students who meet institutional determined edits in order to ensure application data is accurate when awarding financial aid funds. In 2010-11, 69% of students who completed a FAFSA and submitted documents to the College’s financial aid office were verified. Additionally, the College’s financial aid office has an existing annual process to randomly check the financial aid advisors’ verification of student files.

In order to improve compliance, the College will add to the annual review of financial aid advisor work a purposeful review of student files who report 2 or more in college. It is anticipated that 1,300 student files selected for verification will report 2 or more in college in 2011-12. The College will purposefully sample 10% (130 student files) as part of its annual review of financial aid advisor work in 2011-12 to ensure only siblings attending at least half-time are counted as family members enrolled in college. In addition, the College is vested in providing the best financial aid service and compliance to students. Not only do we take steps to ensure that staff receive professional development and training opportunities, but the College will also be a site location for a regional training event sponsored by the state financial aid association.

2012 Update

This finding was not repeated for the Year Ended June 30, 2012.