

**NORTHERN ESSEX
COMMUNITY COLLEGE**

(an agency of the Commonwealth of Massachusetts)

**INDEPENDENT AUDITORS' REPORTS AS REQUIRED
BY OFFICE OF MANAGEMENT AND BUDGET (OMB)
CIRCULAR A-133 AND *GOVERNMENT AUDITING
STANDARDS* AND RELATED INFORMATION**

JUNE 30, 2015

NORTHERN ESSEX COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

**Independent Auditors' Reports as Required by Office of Management and
Budget (OMB) Circular A-133 and *Government Auditing Standards* and
Related Information**

June 30, 2015

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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 OMB CIRCULAR A-133

To the Board of Trustees of
Northern Essex Community College
Haverhill, Massachusetts

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2015-001. Our opinion on each major Federal program is not modified with respect to these matters.

Northern Essex Community 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 Northern Essex Community 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 Northern Essex Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northern Essex Community College's internal control over compliance.

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

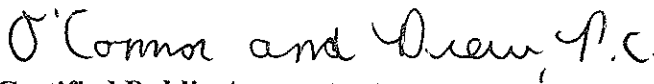
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of current year findings and questioned costs as Finding 2015-001, that we consider to be a significant deficiency.

Northern Essex Community 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.

Report on Schedule of Expenditures of Federal Awards

We have audited the financial statements of Northern Essex Community College as of and for the year ended June 30, 2015, and have issued our report thereon dated December 2, 2015, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken 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 Organization* and 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 basic 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 information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Certified Public Accountants
Braintree, Massachusetts

December 2, 2015



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
Northern Essex Community College
Haverhill, 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 Northern Essex Community College (the "College"), which comprise the statement of net position as of June 30, 2015, 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 Northern Essex Community College's basic financial statements and have issued our report thereon dated December 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northern Essex 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northern Essex 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 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.

O'Connor and Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

December 2, 2015

NORTHERN ESSEX COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedule of Current Year Findings and Questioned Costs

June 30, 2015

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that is (are) not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major program:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that is (are) not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes

NORTHERN ESSEX COMMUNITY COLLEGE
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Schedule of Current Year Findings and Questioned Costs - Continued

June 30, 2015

Major programs of Northern Essex Community College include:

<u>Cluster or Program Title</u>	<u>CFDA Number</u>
Student Financial Assistance Programs Cluster:	
Federal Pell Grant Program	84.063
Federal Direct Student Loans (Note 2)	84.268
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grant Program	84.007
TRIO Cluster:	
Student Support Services Program	84.042
Trade Adjustment Assistance Community College and Career Training (TAACCCT)	17.282

The dollar threshold to distinguish between Type A and Type B programs is \$300,000.

The Office of Management and Budget (OMB) has minimum requirements for a recipient of Federal funds to be considered a low-risk auditee. The College did not qualify as a low-risk auditee.

NORTHERN ESSEX COMMUNITY COLLEGE
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Schedule of Current Year Findings and Questioned Costs - Continued

June 30, 2015

Finding number: 2015-001
Federal Agency: U.S. Department of Education
Program: Student Financial Assistance Cluster
CFDA #'s: Multiple
Award Year: 2015

Condition

The Federal government requires the College to report student enrollment changes to the National Student Loan Data System (NSLDS) within sixty days. Out of a sample of forty students with enrollment status changes, two of the students' status change dates were not reported within the appropriate time frame to the NSLDS. Of those two students, one student's change in status was reported after one hundred nine days while the other student's change in status was never reported to the NSLDS.

Criteria

According to 34 CFR 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, Direct PLUS Loan or Federal Pell Grant 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
- 3) Has changed his or her permanent address

NORTHERN ESSEX COMMUNITY COLLEGE
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Schedule of Current Year Findings and Questioned Costs - Continued

June 30, 2015

Cause/Effect

The College reports student enrollment status changes to NSLDS through the National Student Clearinghouse (NSC), a third-party contractor, and is responsible for ensuring that student enrollment status changes are reported to NSLDS in a timely and accurate manner. It is the responsibility of the Registrar to submit the enrollment status changes to NSC and to ensure that controls are in place to timely submit updates once the Registrar's office receives a student withdrawal form.

After withdrawing from NECC in Fall 2014 semester, one student was removed from the NSLDS student roster. The student re-enrolled in the Spring 2015 semester and then withdrew again. Since the student had been removed from NSLDS student roster, the NSC and NSLDS databases did not have corresponding records of the student and the student's withdrawn status change in Spring 2015 was not properly updated in NSLDS. The College routinely submits a Transfer Monitoring File to NSLDS at the beginning of every semester to update NSLDS's student roster, but that file only includes new transfer students and does not include students previously enrolled at NECC.

The second student whose enrollment status change was not reported timely to the NSLDS was due to issues between NSC and NSLDS. Although data was submitted to NSC within the sixty day period for this student, NCS did not timely submit the data to NSLDS. The Financial Aid Office's had implemented a system of randomly selecting five to ten students from each submitted report to review within NSLDS and ensure the correct enrollment status has been reported. This control failed to ensure data had been transmitted for all students.

Recommendation

We recommend management submit a Transfer Monitoring File of all NECC students, rather than only new transfer students, to NSLDS every semester. Submitting the Transfer Monitoring File of all NECC students ensures students removed from the NSLDS student roster will still be updated when NSC submits data to NSLDS. To ensure timely and accurate reporting of student enrollment, management should strengthen their oversight of NSLDS reporting by assigning responsibility to an individual employee to perform enrollment data submissions on a consistent schedule while management monitors and reviews the process.

NORTHERN ESSEX COMMUNITY COLLEGE
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Schedule of Current Year Findings and Questioned Costs - Continued

June 30, 2015

Questioned Costs

None

Views of Responsible Officials

Upon review of the two students in question, it was determined that one of the two students enrolled and withdrew from the College in Fall 2014, which was reported correctly to the Clearinghouse and then NSLDS by the College. The student then re-enrolled and withdrew again in the Spring 2015 semester. After discussions with NSLDS regarding this student, we were notified that since we reported the student as enrolled and then withdrawn from the Fall 2014 semester, which was reported three times, the student was removed from our NSLDS roster. Since the student was removed from the NSLDS roster, the enrollment information sent to the Clearinghouse in Spring 2015 was never updated in NSLDS. Per NSLDS, the only way to resolve this issue is for the College to submit a Transfer Monitoring File of all NECC students, not just those who transfer in for the Spring semester. Beginning with Spring 2016, we will submit that file to NSLDS.

When reviewing the second student, it was determined that the student was submitted to the Clearinghouse and then sent to NSLDS, however it was sent back to the Clearinghouse with issues. Several attempts were made to resubmit to NSLDS. Due to this continued issue for 2015, the Registrar's Office will maintain their current enrollment reporting schedule to the Clearinghouse of every 25-28 days over the course of the academic year. To strengthen our reporting efforts and to help ensure that the Clearinghouse reports the information within the sixty day rule, the Financial Aid Office will continue to randomly select five to ten students from each submitted report, including the graduation reports which the student in question came from, ensuring that the students were reported within the 60 day window.

Contact Person(s)

Alexis Fishbone, Director of Financial Aid

William Heineman, Vice President of Academic Affairs

NORTHERN ESSEX COMMUNITY COLLEGE
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Schedule of Prior Year Findings and Questioned Costs

June 30, 2015

Finding number: 2014-001
Federal agency: U.S. Department of Education
Programs: Federal Work Study Program
CFDA #: 84.033
Award year: 2014

Condition

Federal regulations require an institution to monitor and ensure that a work study student is not working during his/her designated class time.

Our testing revealed 2 out of 10 sampled students were working during class time.

Auditors' Current Year Comment

Our current year testing revealed no findings in this area.

Finding number: 2014-002
Federal Agency: U.S. Department of Education
Program: Student Financial Assistance Cluster
CFDA #'s: Multiple
Award Year: 2014

Condition

The Federal government requires the College to report student enrollment changes to the National Student Loan Data System (NSLDS) within sixty days. Out of a sample of twenty-five students with enrollment status changes, four of the students' status change dates were not reported within the appropriate time frame to the NSLDS. The timeframe for reporting the change in status ranged from sixty-three to ninety-seven days.

Auditors' Current Year Comment

This finding was not corrected. See finding 2015-001 for information and corrective action plan.

NORTHERN ESSEX COMMUNITY COLLEGE
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Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal Expenditures
<u>Student Financial Assistance Cluster:</u>		
<i>U.S. Department of Education:</i>		
Federal Supplemental Educational Opportunity Grants	84.007	\$ 203,374
Federal Work-Study Program	84.033	195,315
Federal Pell Grant Program	84.063	12,421,734
Federal Direct Student Loans	84.268	<u>8,409,277</u>
Total Student Financial Assistance Cluster		<u>21,229,700</u>
 <u>TRIO Cluster</u>		
<i>U.S. Department of Education:</i>		
PACE	84.042	<u>351,489</u>
 <i>U.S. Department of Labor</i>		
<i>Passed Through Quinsigamond Community College:</i>		
Trade Adjustment Assistance Community College and Career Training Grants Program	17.282	240,863
<i>Passed Through Massasoit Community College</i>		
Trade Adjustment Assistance Community College and Career Training Grants Program	17.282	<u>115,134</u>
Total U.S. Department of Labor		<u>355,997</u>
 <i>U.S. Department of Education:</i>		
Special Education - Grants to States - VocRehab	84.027	90,000
Higher Education Institutional Aid - Title V	84.031	615,000
Gallaudet University	84.910	104,000
<i>Passed through State Department of Education:</i>		
Special Education - Grants for Infants and Families FSLA	84.181	<u>105,000</u>
Total U.S. Department of Education		<u>914,000</u>
Total Expenditures of Federal Awards		<u>\$ 22,851,186</u>

See accompanying notes to schedule of expenditure of Federal awards.

NORTHERN ESSEX COMMUNITY COLLEGE
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Notes to the Schedule of Expenditures of Federal Awards

June 30, 2015

Note 1 - **Basis of Presentation**

The schedule of expenditures of federal awards includes the federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 - **Federal Direct Student Loans**

The College disbursed \$8,409,227 of loans under the Federal Direct Student Loans program, which includes subsidized and unsubsidized Stafford loans and parent loans (i.e. PLUS). It is not practical to determine the balances of the loans outstanding to students of the College under this program as of June 30, 2015. The College is only responsible for the performance of certain administrative duties and, accordingly, these loans are not included in the College's financial statements.