

HOLYOKE 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, 2014

**O'Connor
& Drew P.C.**
Certified Public Accountants

HOLYOKE 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, 2014

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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
Holyoke Community College
Holyoke, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited Holyoke 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 the College's major federal programs for the year ended June 30, 2014. 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 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 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 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 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, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 Findings 2014-001 and 2014-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 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 were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items Finding 2014-001 and 2014-002, which 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.

Purpose of Report

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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the College as of and for the year ended June 30, 2014 and have issued our report thereon dated October 8, 2014, 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 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 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.

O'Connor and Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

February 26, 2015

(except for the Schedule of Expenditures of Federal Awards, for which the date is October 8, 2014)



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
Holyoke Community College
Holyoke, 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 the Holyoke Community College (the "College"), which comprise the statements of net position as of June 30, 2014 and 2013, the related statements of revenues, expenses and changes in net position and cash flows for the years 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 dated October 8, 2014.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College'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 College'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 was not designed to 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 the College'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*.

Purpose of 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 entity'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**

October 8, 2014

HOLYOKE COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Schedule of Current Year Findings and Questioned Costs

June 30, 2014

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 are not considered to be material weaknesses? None reported

Noncompliance material to the financial statements noted? No

Federal Award

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes

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

June 30, 2014

Major programs of Holyoke Community College include:

<u>Program Title</u>	<u>CFDA Number</u>
Student Financial Assistance Cluster	Various
TRIO Cluster:	
Student Support Services	84.042
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282
Higher Education-Institutional Aid	84.031
Career and Technical Education - Basic Grants to States	84.048

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 does not qualify as a low-risk auditee because the College has had findings in at least one of the prior two years.

HOLYOKE COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Schedule of Current Year Findings and Questioned Costs - Continued

June 30, 2014

Finding number: 2014-001
Federal agency: U.S. Department of Education
Program: Federal Supplemental Educational Opportunity Grants, Federal Pell Grant Program, Federal Direct Student Loans
CFDA #'s: 84.007, 84.063, 84.268
Award year: 2014

Condition

Out of a sample of forty students, five students that had credit balances in their accounts caused by financial aid, were not issued a refund within 14 days.

Criteria

34 C.F.R. Section 668.164(e) states:

Whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but:

- (1) No later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or
- (2) No later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

Cause/Effect

The College relied on reports for student refunds that the system did not automatically calculate. The responsibility of the creation of one of these reports was with an individual who was unavailable to generate the report in enough time for the Bursar's Office to complete the process to issue the refunds within 14 days for the five students.

HOLYOKE COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Schedule of Current Year Findings and Questioned Costs - Continued

June 30, 2014

Recommendation

We recommend that management of the College review the policies and procedures to ensure that there are back-up individuals to perform all necessary tasks for refunding student financial aid credit balances. We also suggest that the College process as many refunds automatically to avoid late refunds in the future.

Questioned Costs

None

Views of Responsible Officials

Banner is the College's administrative software package which does have an automatic student refund process that had not been used by Holyoke Community College in the spring of 2014. Refunds were issued through a separate system which heavily relied on reports generated by individuals. Due to an individual's bereavement absence, a report was not generated in enough time for the Bursar's office to process the 5 refunds within the required 14 days. The latest of the five refunds was processed within 19 days.

In the fall of 2013, the college had identified the necessity to automate and completely use the Banner system to generate refunds. Due to staff transition, that project was completed in the summer of 2014. The report mentioned above is no longer necessary to generate refunds. Prior to the implementation of the Banner refund product, multiple individuals had been given the ability to generate the report mentioned above.

Contact Person

NAME: John E. O'Rourke III
TITLE: Comptroller

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

June 30, 2014

Finding number: 2014-002
Federal agency: National Science Foundation
Programs: Education and Human Resources
CFDA #: 47.076
Award year: 2014

Condition

During our testing we discovered a piece of equipment with a useful life of over one year and an acquisition cost of over \$5,000 for which the College did not maintain proper records.

Criteria

2 C.F.R. Section 215.34(f) states:

The recipient's property management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following:

- (1) Equipment records shall be maintained accurately and shall include the following information:
 - (i) A description of the equipment.
 - (ii) Manufacturer's serial number, model number, federal stock number, national stock number, or other identification number.
 - (iii) Source of the equipment, including the award number.
 - (iv) Whether title vests in the recipient or the Federal Government.
 - (v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.
 - (vi) Information from which one can calculate the percentage of federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).
 - (vii) Location and condition of the equipment and the date the information was reported
 - (viii) Unit acquisition cost.
 - (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the federal awarding agency for its share.

HOLYOKE COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Schedule of Current Year Findings and Questioned Costs - Continued

June 30, 2014

Criteria – Continued

- (2) Equipment owned by the Federal Government shall be identified to indicate federal ownership.
- (3) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.
- (4) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the recipient shall promptly notify the federal awarding agency.
- (5) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.
- (6) Where the recipient is authorized or required to sell the equipment, proper sales procedures shall be established which provide for competition to the extent practicable and result in the highest possible return.

Cause/Effect

While the College has procedures in place to keep accurate records of equipment purchased with Federal funds; in this instance the custodian of the property did not fill out an *Property Addition Form*. The equipment addition form allows the store keeper to inventory the equipment. The equipment was located in a closet of a locked faculty's office. Without adding equipment purchased with Federal funds to the inventory, the College runs the risk of the item becoming lost, damaged or stolen.

Recommendation

We recommend that the College reinforce, and if necessary update, its policies and procedures for maintaining records for equipment purchased with Federal funds.

Questioned Costs

None

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

June 30, 2014

Views of Responsible Officials

A *Property Addition Form* informs the store keeper to enter a piece of equipment into the inventory system. The College's policy and procedures require that the requesting department include a *Property Addition Form* for non-information technology equipment of \$1,000 or more when submitting a requisition. A bookkeeper processes the requisition and creates a purchase order. Management has discovered that when a requisition did not include the required form, the former Director of Business Services would voluntarily complete the form at the time of signing the purchase order. In this particular instance the requesting department and the Director of Business Service did not complete a *Property Addition Form*, and the piece of equipment was not added to the inventory system.

The College's internal controls will be updated to require requisitions not accompanied by the required *Property Addition Form* to be returned to the requesting department. The Grant Accountants and Bookkeeper have been directed not to process a requisition until the form is completed. The College will highlight the importance of the *Property Addition Form* in all purchasing trainings. The authorizer of purchase orders will verify that an equipment purchase order has the required form attached prior to signing the purchase order.

The College will require that the bookkeeper give a copy of all *Property Addition Forms* to the Assistant Comptroller. The Assistant Comptroller will perform random audits, and trace the forms to the inventory list. This will ensure that the respective property is listed on the inventory list.

Contact Person

NAME: John E. O'Rourke III
TITLE: Comptroller

HOLYOKE COMMUNITY COLLEGE
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Schedule of Prior Year Findings and Questioned Costs

June 30, 2014

Finding number: 2013-001
Federal agency: U.S. Department of Education
Program: Federal Work-Study Program
CFDA #: 84.033
Award year: 2013

Condition

We reviewed timesheets from the College's payroll for a sample of students. Our review indicated one instance of noncompliance with Federal Work-Study (FWS) regulations. The student's timesheet contained hours worked that conflicted with the student's class schedule. No notations were found on the timesheet to indicate released time or class cancellations.

Auditors' Current Year Comment

The finding has been corrected during award year 2014.

Finding number: 2013-002
Federal agency: U.S. Department of Education
Programs: Federal Supplemental Education Opportunity Grant Program,
Federal Pell Grant Program
CFDA #'s: 84.007, 84.063
Award year: 2013

Condition

The College uses several different worksheets to assist in the calculation of institutional charges for the purposes of returning unearned aid. For three of the forty students tested, the College used the regional tuition rates under the New England Board of Higher Education compact instead of the correct in-state student rates. This higher tuition rate caused the school to return more federal funds than was required by the calculation.

Auditors' Current Year Comment

The finding has been corrected during award year 2014.

HOLYOKE COMMUNITY COLLEGE
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Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>Student Financial Assistance Cluster:</u>		
<i>U.S. Department of Education:</i>		
Federal Supplemental Educational Opportunity Grants	84.007	\$ 165,062
Federal Work-Study Program	84.033	177,670
Federal Pell Grant Program	84.063	13,317,428
Federal Direct Student Loans	84.268	<u>8,290,231</u>
Total Student Financial Assistance Cluster		<u>21,950,391</u>
<u>TRIO Cluster:</u>		
<i>U.S. Department of Education:</i>		
TRIO - Student Support Services	84.042	<u>335,245</u>
<u>Non-Cluster:</u>		
<i>U.S. Department of Labor:</i>		
Passed Through Regional Employment Board:		
Employment Service - Wagner Peyser Funded Activities	17.207	5,000
WIA Adult Program	17.258	5,000
WIA Program National Emergency Grants	17.277	5,290
WIA Dislocated Worker Formula Grants	17.278	11,843
Passed Through Quinsigamond Community College:		
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	<u>415,705</u>
Total U.S. Department of Labor		<u>442,838</u>
<i>National Science Foundation:</i>		
Education and Human Resources	47.076	<u>122,258</u>

HOLYOKE COMMUNITY COLLEGE
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Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>Non-Cluster - Continued:</u>		
<i>U.S. Department of Education:</i>		
Higher Education-Institutional Aid	84.031	\$ 306,563
Passed Through Commonwealth of Massachusetts, Department of Elementary and Secondary Education:		
Adult Education - Basic Grants to States	84.002	276,245
Career and Technical Education - Basic Grants to States	84.048	311,369
Twenty-First Century Community Learning Centers	84.287	79,120
Passed Through Commonwealth of Massachusetts, Department of Education and Care:		
Race to the Top- Family Literacy	84.412	5,134
Passed Through Commonwealth of Massachusetts, Department of Higher Education:		
Improving Teacher Quality State Grants	84.367	48,233
College Access Challenge Grant Program	84.378	<u>133,616</u>
Total U.S. Department of Education Non-Cluster		<u>1,160,280</u>
<i>Health and Human Services:</i>		
Passed Through Western Mass Elder Care:		
Special Programs for the Aging	93.048	<u>2,750</u>
Total Expenditures of Federal Awards		<u>\$ 24,013,762</u>

The accompanying notes are an integral part of this schedule.

HOLYOKE COMMUNITY COLLEGE
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Notes to the Schedule of Expenditures of Federal Awards

June 30, 2014

Note 1 - **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activities of Holyoke Community College (the "College") (an agency of the Commonwealth of Massachusetts) and is presented on the accrual basis of accounting.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the College, agencies, departments of the Federal Government, and all subawards to the College by nonfederal organizations pursuant to federal grants, contracts, and similar agreements.

Note 2 - **Federal Direct Student Loans Program**

The College disbursed \$8,290,231 of loans under the Federal Direct Student Loans program, which includes Stafford Subsidized and Unsubsidized Loans and Parents' Loans. It is not practical to determine the balances of loans outstanding to students of the College under this program as of June 30, 2014. 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.

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