

**MASSACHUSETTS COLLEGE OF
ART AND DESIGN**

(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, 2016

MASSACHUSETTS COLLEGE OF ART AND DESIGN
(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, 2016

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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
Massachusetts College of Art and Design
Boston, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited Massachusetts College of Art and Design's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2016. 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 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, 2016.

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 2016-001 through 2016-004. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses; however, material weaknesses may exist that have not been identified.

We identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Findings 2016-001 through 2016-004 that we consider to be significant deficiencies.

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, 2016. We issued our report thereon dated October 13, 2016, 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. 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'Connor and Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

March 1, 2017

(except for the Schedule of Expenditures of Federal Awards, for which the date is October 13, 2016)



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
Massachusetts College of Art and Design
Boston, 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 Massachusetts College of Art and Design (the "College"), which comprise the statement of net position as of June 30, 2016, the related statements of revenues, expenses and 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 dated October 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 13, 2016

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

Massachusetts College of Art and Design
(an Agency of the Commonwealth of Massachusetts)

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	\$ 125,678	\$ -
Federal Work-Study Program	84.033	N/A	N/A	150,364	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	661,692	-
Federal Perkins Loan Program (current year expenditures)	84.038	N/A	N/A	39,500	-
Federal Pell Grant Program	84.063	N/A	N/A	2,147,747	-
Federal Direct Student Loans	84.268	N/A	N/A	<u>10,989,890</u>	<u>-</u>
Total Student Financial Assistance Cluster				<u>14,114,871</u>	<u>-</u>
NON-CLUSTER					
National Endowment for the Arts:					
Direct Awards:					
Promotion of the Arts - Grants to Organizations and Individuals	45.024	N/A	N/A	<u>25,000</u>	<u>-</u>
Total Non-Cluster				<u>25,000</u>	<u>-</u>
Total Federal Funds				<u>\$ 14,139,871</u>	<u>\$ -</u>

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

MASSACHUSETTS COLLEGE OF ART AND DESIGN
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Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Note 1 - **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Massachusetts College of Art and Design (the “College”) under programs of the Federal Government for the year ended June 30, 2016. 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 position 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 following 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.

Note 4 - **Federal Student Loan Programs**

Perkins Loan Program

The Federal Perkins Loan Program (“Perkins”) is administered directly by the College and balances and transactions relating to this program are included in the College’s basic financial statements. During the year ended June 30, 2016, \$39,500 of loans were advanced under the Perkins program and \$0 of administrative costs were incurred. As of June 30, 2016, loan balances receivable under Perkins was \$661,486.

There was no federal capital contribution or match by the College during the current year.

MASSACHUSETTS COLLEGE OF ART AND DESIGN
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Notes to the Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2016

Note 4 - **Federal Student Loan Programs - Continued**

Direct Student Loan Program

The College disbursed \$10,989,890 of loans under the Federal Direct Student Loans program, which include Stafford Subsidized and Unsubsidized Loans and Parent Plus Loans. It is not practical to determine the balances of the loans outstanding to students of the College under the program as of June 30, 2016. 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.

MASSACHUSETTS COLLEGE OF ART AND DESIGN
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Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

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

MASSACHUSETTS COLLEGE OF ART AND DESIGN
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Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2016

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	
Federal Supplemental Educational Opportunity Grant Program	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans (Note 4)	84.268

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

\$750,000

Auditee qualified as a low-risk auditee?

 x yes no

MASSACHUSETTS COLLEGE OF ART AND DESIGN
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Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2016

Section II – Financial Statement Findings:

None

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Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2016

Section III – Federal Award Findings and Questioned Costs:

Finding number: 2016-001
Federal agency: U.S. Department of Education
Program: Federal Work-Study
CFDA #: 84.033
Award year: 2016

Criteria

According to 34 C.F.R. Section 675.19(b):

An institution must also establish and maintain program and fiscal records that: (i) include a certification by the student’s supervisor, an official of the institution or off-campus agency that each student has worked and earned that amount being paid. The certification must include or be supported by, for students paid on an hourly basis, a time record showing the hours each student worked in clock time sequence, or the total hours worked per day.

Condition

Federal regulations require proper supervision and authorization of student workers' timesheets. In our testing sample of 25 students participating in the Federal Work-Study Program (“FWS”), we noted 5 instances where the students' timesheets were signed off by the supervisor prior to the last day of the work week. Additionally, in our testing sample of 25 students participating in the FWS, we noted 3 instances where the students' timesheets were signed off by the supervisor without a date to accompany their signature.

Cause

The College has policies and procedures regarding FWS students, which require completed timesheets be submitted to the Financial Aid office no later than Friday of the bi-weekly payroll. Staff focuses on ensuring that students have signed and dated their timesheets properly. Staff also ensures that supervisors sign off on the timesheets. However, the timesheets are not reviewed to ensure that the supervisor has signed off and dated their signature after the students’ last day of work was completed.

Effect

Supervisors approved and signed off on timesheets prior to the last day of the pay period in which the students worked. In some cases supervisors approved timesheets, but did not include a date to document that they approved the students’ hours at the end of the pay week.

MASSACHUSETTS COLLEGE OF ART AND DESIGN
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Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2016

Questioned Costs

Not applicable

Perspective

Our sample was not, and was not intended to be, statistically valid. Of 25 FWS students selected for testing, 5 students had timesheets that were signed off by the supervisor prior to the last day the student worked and prior to the student signing the timesheet (20% of the total sample). Additionally in our sample of 25 students, 3 students had timesheets signed off by the supervisor without a date to accompany their signature (12% of the total sample).

Identification as a Repeat Finding, if applicable

See finding 2015-002 included in the summary schedule of prior year findings.

Recommendation

The College needs to continue to develop their procedures to review FWS students' timesheets. This includes reviewing supervisor signatures and date of signature in addition to reviewing that the students completed their timesheets properly.

View of Responsible Officials

The College agrees with the finding.

Over the past few years, the College has continued to review more and more items with the emphasis on ensuring students do not work during class time and that all signatures are on the timesheets. While the Office of Student Financial Assistance was focusing on checking for student and supervisor signatures, the Office did not fully review that each supervisor had a date by his/her name or that the date was the latest date on the timesheet. The Office of Student Financial Assistance has now added those two items to its checklist.

MASSACHUSETTS COLLEGE OF ART AND DESIGN
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Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2016

Finding number: 2016-002
Federal agency: U.S. Department of Education
Programs: Federal Supplemental Education Opportunity Grants
Federal Pell Grants
Federal Direct Student Loans
CFDA #'s: 84.007, 84.063, 84.268
Award year: 2016

Criteria

General Requirement

According to 34 CFR 668.22(a)(1):

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date in accordance with paragraph (e) of this section.

Specific Attributes of the Calculation

According to 34 CFR 668.22(e):

1) *General*. The amount of Title IV grant or loan assistance that is earned by the student is calculated by:

- (i) Determining the percentage of Title IV grant or loan assistance that has been earned by the student, as described in paragraph (e)(2) of this section; and
- (ii) Applying this percentage to the total amount of Title IV grant or loan assistance that was disbursed to the student, or on the student's behalf, for the payment period or period of enrollment as of the student's withdrawal date.

2) *Percentage earned*. The percentage of Title IV grant or loan assistance that has been earned by the student is:

- (i) Equal to the percentage of the payment period or period of enrollment that the student completed as of the student's withdrawal date, if this date occurs on or before:
 - a) Completion of 60 percent of the payment period or period of enrollment for a program that is measured in credit hours.

3) *Percentage unearned*. The percentage of Title IV grant or loan assistance that has not been earned by the student is calculated by determining the complement of the percentage of Title IV grant or loan assistance earned by the student.

MASSACHUSETTS COLLEGE OF ART AND DESIGN
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Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2016

4) *Total amount of unearned Title IV assistance to be returned.* The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance earned by the student as calculated from the amount of Title IV aid that was disbursed to the student as of the date of the institution's determination that the student withdrew.

Timeframe to Return Funds

According to 34 CFR 668.22(j):

An institution must return the amount of Title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew.

Condition

When a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the proper amount of Title IV funds to be refunded as of the recipient's withdrawal date. The institution should complete a "Treatment of Title IV Funds when a Student Withdraws from a Credit-Hour Program" worksheet in order to determine the proper amount of Title IV funds to be refunded. Once a recipient's withdrawal date is determined, an institution needs to calculate the percentage of the payment period or period of enrollment completed. The percentage of the payment period or period of enrollment completed represents the percentage of Title IV funds earned by the recipient.

We tested 10 students who withdrew from the institution and found the following:

- a. 2 students who withdrew before the 60% mark of the semester did not have an R2T4 form completed timely. The funds were returned 66 and 67 days passed the required 45-day time frame.
- b. 2 students had the incorrect withdrawal date recorded on the R2T4 form, resulting in the incorrect amount of Title IV aid to be returned.

Cause

The Financial Aid Office does not review the withdrawn student list on a weekly basis and did not recognize students who had withdrawn from the institution.

Effect

Students who withdrew before the 60% mark of the semester did not have an R2T4 form completed timely and incorrect withdrawal dates were used resulting in incorrect amount of Title IV aid being returned to the students.

MASSACHUSETTS COLLEGE OF ART AND DESIGN
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Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2016

Questioned Costs

Unknown

Perspective

Our sample was not, and was not intended to be, statistically valid. Of 10 students who withdrew from the College who were selected for testing, 2 students' Title IV funds were returned passed the required 45-day time frame (20% of the total sample). Additionally in our sample of 10 students, 2 students had the incorrect withdrawal date used to complete the R2T4 form (20% of the total sample).

Identification as a Repeat Finding, if applicable

See finding 2015-004 included in the summary schedule of prior year findings.

Recommendation

The College must provide training to employees responsible for completing the Return of Title IV calculations and ensure that they have adequate knowledge in the related rules and regulations. The College needs to implement a formal review process of the Return of Title IV calculations by an individual with proper knowledge of the Federal regulations. The College also needs to review the list of withdrawn students on a timely basis and ensure that the dates being used are correct.

View of Responsible Officials

The College agrees with the finding.

In one case, the Director of Student Financial Assistance failed to notice the student taking a leave. In the other case, the Director was notified about an initial decision in a timely manner, but did not follow-up to determine the student had indeed withdrawn.

MASSACHUSETTS COLLEGE OF ART AND DESIGN
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Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2016

Finding number: 2016-003
Federal agency: U.S. Department of Education
Programs: Federal Supplemental Education Opportunity Grants
Federal Pell Grants
Federal Direct Student Loans
CFDA #'s: 84.007, 84.063, 84.268
Award year: 2016

Criteria

According to 34 CFR 668.22(f)(2)(i)

The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to completed, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period.

According to Volume 5 Page 76 of the 2016 Student Financial Aid Handbook:

For a credit-hour program, the percentage of the period completed is determined by dividing the number of calendar days completed in the payment period or period of enrollment, as of the day the student withdrew, by the total number of calendar days in the same period. The number of calendar days in the numerator or denominator includes all days within the period, except for institutionally scheduled breaks of five or more consecutive days. Days in which the student was on an approved leave of absences would be excluded. The day the student withdrew is counted as a completed day.

Condition

The Federal Government requires that when the student withdraws from all classes, the College calculate the student's percentage to Title IV aid earned. This is calculated by dividing the number of days the student attended classes by the total number of days in the payment period. The total number of days in the payment period (semester) includes all calendar days between the start and end of academic activities. During our testing of 10 students who withdrew from the College, 3 students' percentage of Title IV earned was calculated using an incorrect number of total days in the spring semester.

MASSACHUSETTS COLLEGE OF ART AND DESIGN
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Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2016

Cause

During the spring 2016 semester, the period of enrollment ran from the first day of classes, January 20, 2016 to the last day of final exams, May 17, 2016 for a total of 112 days. When completing the student's Return of Title IV calculation, the College used May 18, 2016 as the last day of the period of enrollment for a total of 113 days. The College failed to update the total days calculation for the Return of Title IV form after there was a change made to the academic calendar. As a result, the College used an incorrect number of total days on the student's return of title IV calculation for the spring 2016 semester.

Effect

By using an incorrect number of total days, the College calculated the students' percentage of earned aid incorrectly for the spring 2016 semester.

Questioned Costs

Unknown

Perspective

Our sample was not, and was not intended to be, statistically valid. Of 10 withdrawal students selected for testing, 3 students' percentage of Title IV aid earned (and as a result, Title IV aid earned) was calculated using an incorrect number of total days in the payment period (30% of the total sample). This resulted in the miscalculation of the earned percentage of financial aid for all students who withdrew in the spring 2016 semester.

Identification as a Repeat Finding, if applicable

Not applicable

Recommendation

The College must provide training to employees responsible for completing the Return of Title IV calculations and ensure that they have adequate knowledge in the related rules and regulations. The College needs to implement a formal review process of the Return of Title IV calculations by an individual with proper knowledge of the Federal regulations. The College also needs to ensure that if changes are made to the academic calendar, the respective changes need to be made in Colleague as well to prevent miscalculations.

MASSACHUSETTS COLLEGE OF ART AND DESIGN
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Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2016

Views of Responsible Officials

The College agrees with the finding.

The Director of Student Financial Assistance used 113 days due to when the System Set-Up data was programmed in the Winter of 2015, the term end date was May 19, 2016. Commencement was scheduled to be the next day May 20th. Over the summer, the commencement activity was moved to May 19th, therefore the term ended on May 18th which is why there was the day difference. The System Set-Up was not updated to reflect the change in the Academic calendar.

MASSACHUSETTS COLLEGE OF ART AND DESIGN
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Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2016

Finding number: 2016-004
Federal agency: U.S. Department of Education
Programs: Federal Pell Grants and Federal Direct Student Loans
CFDA #'s: 84.063 and 84.268
Award year: 2016

Criteria

According to 34 C.F.R. 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:

- i. Enrolled at that school but has ceased to be enrolled on at least a half-time basis;
- ii. 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
- iii. Has changed his or her permanent address.

The Dear Colleague Letter GEN-12-6 (the "Letter") issued by DOE 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 Loans recipients.

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 40 students with enrollment status changes, 6 students were not reported in a timely manner to the NSLDS. The time frame taken to report the status change ranged from 61 to 72 days. Additionally, out of a sample of 40 students with enrollment status changes, 6 of the students' effective dates were inaccurately reported to the NSLDS.

Cause

The College uses a third party, the National Student Clearinghouse (the "NSC") to facilitate the reporting of changes in enrollment data to the NSLDS. As with any third party arrangements for the administration of Title IV programs, the College remains responsible for submitting timely, accurate and complete information within federal guidelines.

MASSACHUSETTS COLLEGE OF ART AND DESIGN
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Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2016

Effect

Student enrollment status changes were not reported accurately and within the required timeframe, which may result in the students entering repayment status later than the required time frame.

Questioned Costs

Not applicable

Perspective

Our sample was not, and was not intended to be, statistically valid. Of 40 students selected for testing, 6 students were not reported timely to NSLDS (15% of the total sample). Additionally in our sample of 40 students, 6 students did not have the correct effective date reported to the NSLDS (15% of the total sample).

Identification as a Repeat Finding, if applicable

See finding 2015-003 included in the summary schedule of prior year findings.

Recommendation

We recommend that management strengthen their oversight of the NSLDS reporting to ensure that timely and accurate reporting of enrollment information is made to the NSLDS in order for them to be in compliance with the requirements. We also recommend that management establish and enforce specific administrative procedures, according to which those students who unofficially withdrew from the College will be identified and subsequently reported to the NSLDS within prescribed time frames. We recommend that the College discuss the reason(s) for the delay in reporting from the NSC to NSLDS with the NSC audit resource team. Submitting additional roster files would also reduce the likelihood of this finding occurring in the future.

View of Responsible Officials

The College agrees with the finding.

It is important to note that none of the findings were over 12 days late and one of the findings was only 1 day late. Two records that were late were processed on the day the paperwork was received and uploaded on the scheduled upload date. The Office of the Registrar could not have processed these two changes any faster. A new method of manually reporting must be undertaken to avoid these in the future. The Office of the Registrar also notes that in 2013, 93% of records chosen were reported late compared to 15% for this year. Each year we make significant strides in correcting any internal issues and the Office of the Registrar is confident that this trend will continue going forward.

MASSACHUSETTS COLLEGE OF ART AND DESIGN
(an Agency of the Commonwealth of Massachusetts)

Management's Summary Schedule of Prior Audit Findings

Year Ended June 30, 2016

Finding number: 2015-001
Federal agency: U.S. Department of Education
Program: Federal Pell Grants
CFDA #: 84.063
Award year: 2015

Condition

Federal regulations require institutions to report to the Federal Government's Common Origination and Disbursement System ("COD") payments to students for Federal Pell Grants within 30 days of disbursement to students.

Award Year 2015:

Out of a sample of 40 students, the College reported the disbursements of Pell Grant funds for 1 student late. The days between the student disbursement and the required reporting date were 33 days.

Current Year Status

The College was able to correct this condition and this was not a finding in the FY2016 Audit. Since replacing the Pell Grant Coordinator in the Fall of 2015, the Pell Grant funds are being disbursed with the required time frame of 30 days.

MASSACHUSETTS COLLEGE OF ART AND DESIGN
(an Agency of the Commonwealth of Massachusetts)

Management's Summary Schedule of Prior Audit Findings - Continued

Year Ended June 30, 2016

Finding number: 2015-002
Federal agency: U.S. Department of Education
Program: Federal Work-Study
CFDA #: 84.033
Award year: 2015

Condition

Federal regulations require that the institution must establish and maintain program and fiscal records that (i) include a certification by the student's supervisor, an official of the institution or off-campus agency that each student has worked and earned that amount being paid. The certification must include or be supported by, for students paid on an hourly basis, a time record showing the hours each student worked in clock time sequence, or the total hours worked per day.

Award Year 2015:

In our testing sample of 25 students participating in the Federal Work-Study Program ("FWS"), we noted 2 instances in which the students' timesheets were signed off by the student prior to the last day of the work week. Additionally, in our testing sample of 25 students participating in the FWS Program, we noted 3 instances in which the students' timesheets were signed off by students without a date to accompany their signatures.

Current Year Status

The College was not completely able to correct this condition and it is a finding in the FY2016 Audit (Finding 2016-001).

MASSACHUSETTS COLLEGE OF ART AND DESIGN
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Management's Summary Schedule of Prior Audit Findings - Continued

Year Ended June 30, 2016

Finding number: 2015-003
Federal agency: U.S. Department of Education
Program: Federal Direct Student Loans
CFDA #: 84.268
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.

Award Year 2015:

Out of a sample of 40 students with enrollment status changes, 4 student status changes were not reported in a timely manner to the NSLDS. The time frame taken to report the status changes ranged from 78 to 79 days. Additionally, out of a sample of 40 students with enrollment status changes, 8 of the students' status changes were reported inaccurately.

Award Year 2014 (Finding 2014-001):

Out of a sample of 40 students with enrollment status changes, 7 students who had either officially withdrawn, were on a leave of absence or had been determined to have unofficially withdrawn, were not reported to the NSLDS within the prescribed time frame.

Award Year 2013 (Finding 2013-2):

Out of a sample of 15 students with changes in enrollment status changes, 14 students, who had either officially withdrawn, were on a leave of absence or had been determined to have unofficially withdrawn, were not reported to the NSLDS within the prescribed time frame.

Award Year 2012 (Finding 2012-2):

Out of a sample of 13 students with changes in enrollment status changes, 10 students, who had either officially withdrawn, were on a leave of absence or had been determined to have unofficially withdrawn, were not reported to the NSLDS within the prescribed time frame.

Current Year Status

The College was not completely able to correct this condition and it is a finding in the FY2016 Audit (Finding 2016-004).

MASSACHUSETTS COLLEGE OF ART AND DESIGN
(an Agency of the Commonwealth of Massachusetts)

Management's Summary Schedule of Prior Audit Findings - Continued

Year Ended June 30, 2016

Finding number: 2015-004
Federal agency: U.S. Department of Education
Programs: Federal Supplemental Education Opportunity Grant
Federal Direct Student Loans
Federal Pell Grants
CFDA #'s: 84.007, 84.063, 84.268
Award year: 2015

Condition

The College did not return Title IV program funds into the SFA account or electronic fund transfers initiated to the Department of Education in a timely manner.

Award Year 2015:

Out of a sample of 18 students with a return of Title IV program funds, 3 of the students' Title IV refunds were calculated properly but were returned after the 45-day limit had expired. The time frame taken to refund Title IV program funds to students ranged from 68 to 104 days.

Current Year Status

The College was not completely able to correct this condition and it is a finding in the FY2016 Audit (Finding 2016-002).

MASSACHUSETTS COLLEGE OF ART AND DESIGN
(an Agency of the Commonwealth of Massachusetts)

Management's Corrective Action Plan

Year Ended June 30, 2016

Finding number: 2016-001
Federal agency: U.S. Department of Education
Program: Federal Work-Study
CFDA #: 84.033
Award year: 2016

Corrective Action Plan:

The College purchased a software program Timesheet X which will move timesheet reporting from a manual process to an electronic one. By moving the process on-line, students will not be able to sign the timesheet before work is completed and supervisors will not be able to approve work until the work is completed. In addition, students will not be allowed to report time while they are in class and all math errors will be eliminated.

Timeline for Implementation of Corrective Action Plan:

The program Timesheet X was purchased in the Fall of 2016. Set-Up and testing of handling time sheets electronically will take place in the Spring 2017 and full implementation will be in place for the 2017-18 academic year. Until this automated process is functioning, the review of dates on the timesheets will be included in the Office checklist.

Contact Person:

Aurelio Ramirez, Director of Student Financial Assistance

MASSACHUSETTS COLLEGE OF ART AND DESIGN
(an Agency of the Commonwealth of Massachusetts)

Management's Corrective Action Plan - Continued

Year Ended June 30, 2016

Finding number: 2016-002
Federal agency: U.S. Department of Education
Programs: Federal Supplemental Education Opportunity Grant
Federal Pell Grants
Federal Direct Student Loans
CFDA #'s: 84.007, 84.063, 84.268
Award year: 2016

Corrective Action Plan:

The Director of Student Financial Assistance will review documents in a timely manner and will check-in about the return of Title IV funds with the Associate Vice President for Administration during his regularly scheduled meetings.

In addition to processing return of Title IV Worksheets in a timelier manner, the Director is organizing his work so that he notifies all parties involved with complete and accurate information.

Timeline for Implementation of Corrective Action Plan:

The Director will participate in Return of Title IV aid training provided by NASFAA in April 2017. He will also review the Financial Aid Handbook and other documents by the end of June 2017.

Contact Person:

Aurelio Ramirez, Director of Student Financial Assistance

MASSACHUSETTS COLLEGE OF ART AND DESIGN
(an Agency of the Commonwealth of Massachusetts)

Management's Corrective Action Plan - Continued

Year Ended June 30, 2016

Finding number: 2016-003
Federal agency: U.S. Department of Education
Programs: Federal Supplemental Education Opportunity Grants
Federal Pell Grants
Federal Direct Student Loans
CFDA #'s: 84.007, 84.063, 84.268
Award year: 2016

Corrective Action Plan:

At the beginning of each academic year, the Director of Student Financial Assistance will verify the dates for the beginning and ending of each term, and make sure that the enterprise software has the accurate information.

Timeline for Implementation of Corrective Action Plan:

The Director will confirm the information for the 2016-2017 academic year and in future years.

Contact Person:

Aurelio Ramirez, Director of Student Financial Assistance

MASSACHUSETTS COLLEGE OF ART AND DESIGN
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Management's Corrective Action Plan - Continued

Year Ended June 30, 2016

Finding number: 2016-004
Federal agency: U.S. Department of Education
Programs: Federal Pell Grants and Federal Direct Student Loans
CFDA #'s: 84.063 and 84.268
Award year: 2016

Corrective Action Plan:

- The Office of the Registrar will submit all Leave or Withdrawal data manually directly to the NSC for two weeks after an automatic upload.
- The Office of the Registrar will continue to audit internal data against NSC data monthly to ensure statuses and dates are correct.
- The Office of the Registrar will continue to work with the NSC Audit Resource Center to strengthen the office's understanding and execution of enrollment reporting.

Timeline for Implementation of Corrective Action Plan:

Immediately

Contact Person:

Jonathan Rand, Registrar