

**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, 2018

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, 2018

C O N T E N T S

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	1-3
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 <i>Government Auditing Standards</i>	4-5
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	7-8
Schedule of Findings and Questioned Costs	9-18
Required Auditee Information:	
Management's Summary Schedule of Prior Audit Findings	19-22
Management's Corrective Action Plan	23-25



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE 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, 2018. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings 2018-001 through 2018-003. Our opinion on each major federal program is not modified with respect to these matters.

The College's 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 2018-001 through 2018-003 that we consider to be significant deficiencies.

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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the College, as of and for the year ended June 30, 2018. We issued our report thereon dated October 12, 2018, 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'Connell and Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

February 25, 2019

(except for the Schedule of Expenditures of Federal Awards, for which the date is October 12, 2018)



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, 2018, 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 12, 2018.

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 Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

February 25, 2019

**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, 2018

	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	\$ 96,056	\$ -
Federal Work-Study Program	84.033	N/A	N/A	88,712	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	677,686	-
Federal Pell Grant Program	84.063	N/A	N/A	2,503,673	-
Federal Direct Student Loans	84.268	N/A	N/A	<u>11,895,969</u>	<u>-</u>
Total Student Financial Assistance Cluster				<u>15,262,096</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>10,000</u>	<u>-</u>
Total Non-Cluster				<u>10,000</u>	<u>-</u>
Total Federal Funds				<u>\$ 15,272,096</u>	<u>\$ -</u>

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

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

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Note 1 - **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Massachusetts College of Art and Design (the “College”) under programs of the Federal Government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to, and does not, present the financial position, changes in net 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, 2018, \$0 of loans were advanced under the Perkins program and \$0 of administrative costs were incurred. As of June 30, 2018, loan balances receivable under Perkins was \$646,377.

There was no federal capital contribution or match by the College during the current year. During the year there was \$10,376 returned to the Federal Government and \$1,564 returned to the College.

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

Notes to the Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2018

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

Direct Student Loan Program

The College disbursed \$11,895,969 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, 2018. 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
(an Agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

Section I – Summary of Auditors’ Results:

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted? yes no

Federal Awards

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

Internal control over major programs:

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

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

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

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2018

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	
Federal Supplemental Educational Opportunity Grant Program	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
(an Agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2018

Section II – Financial Statement Findings:

None

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

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs:

Finding number: 2018-001
Federal agency: U.S. Department of Education
Programs: Federal Supplemental Education Opportunity Grants
Federal Pell Grants
Federal Direct Student Loans
CFDA #'s: 84.007, 84.063, 84.268
Award year: 2018

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
(an Agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2018

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 seventeen students who withdrew from the institution and found the following:

- a. One student who withdrew before the 60% mark of the semester was not returned the correct amount of funds based on their calculation.
- b. One student who withdrew before the 60% mark of the semester did not have their funds returned in a timely manner. The funds were returned 132 days after the required date on August 31, 2018. The funds were returned as of the date of this report.

Cause

The College failed to ensure the refund amount agreed to their calculation and failed to properly report for the withdrawal on student account statement.

Effect

Students who withdrew before the 60% mark of the semester did not have their withdrawal appropriately recorded to their respective student account statements.

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

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2018

Questioned Costs

Not Applicable.

Perspective

Our sample was not, and was not intended to be, statistically valid. Of seventeen students who withdrew from the College who were selected for testing, one student's Title IV funds were returned for an incorrect amount on the student statement. Additionally, another student's funds were not returned timely.

Identification as a Repeat Finding, if applicable

See finding 2017-001 included in the summary schedule of prior year findings.

Recommendation

The College should 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 should ensure that amounts reported for the Return of Title IV calculations are reported on the student account statement.

View of Responsible Officials

The College agrees with the finding. Additional oversight is needed to ensure that human error does not lead to mistakes in the returning of Title IV Funds.

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

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2018

Finding number: 2018-002
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: 2018

Criteria

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

The total number of calendar days in a payment 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 of 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 academic period. The total number of days in the academic period (semester) includes all calendar days between the start and end of academic activities. During our testing of 17 students who withdrew from the College, the incorrect number of total days in the Fall and Spring semester were used in all calculations of the students' percentage of Title IV earned.

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

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2018

Cause

During the Fall 2017 and Spring 2018 semesters, the College incorrectly used the opening day instead of the first day of classes in calculating the period of enrollment. Additionally, during the Spring 2018 semester the College utilized Commencement as the last day of the enrollment period in place of the last day of finals. When completing the students' Return of Title IV calculation, the College incorrectly accounted for the enrollment period, which caused the refund calculation to be incorrect.

Effect

The extra days included in both the Fall 2017 and Spring 2018 semester caused a miscalculation, which resulted in the College returning an excess of funds to the Federal government.

Questioned Costs

Not applicable

Perspective

Our sample was not, and was not intended to be, statistically valid. Of seventeen withdrawal students selected for testing, seven students' percentage of Title IV aid earned required a Return of Title IV aid calculation to be completed since enrollment ended before the 60% point of the semester. Of these seven students in which a refund calculation was performed, all refunds were calculated using an incorrect number of total days in the payment period (100% of the total sample in which a refund calculation was performed). This resulted in the miscalculation of the earned percentage of financial aid for all students who withdrew in the Fall 2017 and Spring 2018 semester.

Identification as a Repeat Finding, if applicable

See finding 2017-002 included in the summary schedule of prior year findings.

Recommendation

The College should 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.

Views of Responsible Officials

Historically, the College considered Opening Day to be a day in which students would receive academic advising in their majors. While this advising takes place and is recommended, it is not required. In addition, the College has always utilized Commencement as the last day of academic activity and it may be used for graduating students for that purpose.

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

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2018

Finding number: 2018-003
Federal agency: U.S. Department of Education
Programs: Federal Direct Student Loans and Federal Pell Grants
CFDA #'s: 84.268, 84.063
Award year: 2018

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 with an accurate effective date. Out of a sample of 40 students with enrollment status changes, 5 student's effective dates were inaccurately reported to NSLDS. The 5 instances of incorrect date related to dates reported to NSLDS differently than the supporting forms provided.

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
(an Agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2018

Effect

Student enrollment status changes were not reported accurately.

Questioned Costs

Not applicable.

Perspective

Our sample was not, and was not intended to be, statistically valid. Of 40 students selected for testing, 5 students were found to have an incorrect effective date reported to the NSLDS

Identification as a Repeat Finding, if applicable

See finding 2017-004 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 follow 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 inaccurate reporting from the NSC to NSLDS with the NSC audit resource team.

View of Responsible Officials

The effective date for NSLDS Enrollment Reporting is the date in which current enrollment status changes. In a few cases, the Registrar used the date of determination rather than the effective date. While these dates may coincide, in some cases the last date of attendance may predate the date of determination and in those cases, the earlier date must be used.

Management's Summary Schedule of Prior Audit Findings

Year Ended June 30, 2017

Finding number: 2017-001
Federal agency: U.S. Department of Education
Program: Federal Supplemental Education Opportunity Grants Federal Pell Grants, Federal Direct Student Loans
CFDA #: 84.007, 84.063, 84.268
Award year: 2017

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.

Award Year 2017

Out of a sample of 15 students who withdrew from the institution, 1 student who withdrew before the 60% mark of the semester was not returned the correct amount of funds based on their calculation, 2 students who withdrew before the 60% mark of the semester did not have their funds returned in a timely manner. The funds were not returned as of the date of this report.

Award Year 2016

Out of a sample of 10 students who withdrew from the institution, 2 students who withdrew before the 60% mark of the semester did not have an R2T4 form completed timely, 2 students had the incorrect withdrawal date recorded on the R2T4 form, resulting in the incorrect amount of Title IV aid being returned

Award Year 2015

Out of a sample of 18 student who withdrew from the institution, 3 students who withdrew before the 60% mark of the semester did not have an R2T4 form completed timely.

Current Year Status

The College was not able to correct this condition, and this was a finding in the FY2018 Audit. (Finding 2018-001)

Management's Summary Schedule of Prior Audit Findings - Continued

Year Ended June 30, 2017

Finding number: 2017-002
Federal agency: U.S. Department of Education
Program: Federal Supplemental Education Opportunity Grants
Federal Pell Grants
Federal Direct Student Loans
CFDA #: 84.007, 84.063, 84.268
Award year: 2017

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.

Academic Year 2017

During our testing of 15 students who withdrew from the College, 11 students' percentage of Title IV aid earned was calculated using an incorrect number of total days in the Fall semester.

Academic Year 2016

During our testing of 10 student who withdrew from the College, 3 students' percentage of Title IV aid earned was calculated using an incorrect number of total days in the Spring semester.

Current Year Status

The College was not able to correct this condition and it is a finding in the FY2018 Audit (Finding 2018-002).

Management's Summary Schedule of Prior Audit Findings – Continued

Year Ended June 30, 2017

Finding number: 2017-003
Federal agency: U.S. Department of Education
Programs: Federal Supplemental Education Opportunity Grants (“FSEOG”)
CFDA #'s: 84.007
Award year: 2017

Condition

The Federal Government requires the College award FSEOG awards within the amount between \$100 and \$4,000 and up to \$4,400 in certain situations noted above. Out of a sample of 40 students tested for Financial Aid Eligibility, one student was found to have been awarded \$5,000 in FSEOG awards.

Current Year Status

The College was able to correct this condition and it is not a finding in the FY2018 Audit.

Management’s Summary Schedule of Prior Audit Findings – Continued
Year Ended June 30, 2017

Finding number: 2017-004
Federal agency: U.S. Department of Education
Programs: Federal Direct Student Loans and Federal Pell Grants
CFDA #'s: 84.268, 84.063
Award year: 2017

Condition

The Federal Government requires the College to report student enrollment changes to the “National Student Loan Data System (“NSLDS”) within sixty days. Out of a sample of 40 students with enrollment status changes, 2 students’ effective dates were inaccurately reported to the NSLDS.

Current Year Status

The College was not able to correct this condition, and it is a finding in the FY2018 Audit. (Finding 2018-003)

Management's Corrective Action Plan

Year Ended June 30, 2018

Finding number: 2018-001
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: 2018

Corrective Action Plan:

The Director of Student Financial Assistance will complete worksheets both manually and digitally to ensure that the correct amount is being determined. In addition, the Director will check monthly to ensure that amounts are being returned with the required time frame.

Timeline for Implementation of Corrective Action Plan:

Spring 2019

Contact Person:

Aurelio Ramirez, Director of Student Financial Assistance

Management's Corrective Action Plan - Continued

Year Ended June 30, 2018

Finding number: 2018-002
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: 2018

Corrective Action Plan:

Taking into account that the first day of classes is the first day of required academic activity, the College has determined that the First Day of Classes is a more appropriate start to the term and will utilize that date. In addition, the College recognizes that the majority of students do not participate in Commencement and will utilize the Wednesday before Commencement as the last day for the term for which required academic activity is taking place.

Timeline for Implementation of Corrective Action Plan:

Academic Year 2018-19

Contact Person:

Aurelio Ramirez, Director of Student Financial Assistance

Management's Corrective Action Plan - Continued

Year Ended June 30, 2018

Finding number: 2018-003
Federal agency: U.S. Department of Education
Programs: Federal Direct Student Loans and Federal Pell Grants
CFDA #'s: 84.268, 84.063
Award year: 2018

Corrective Action Plan:

The Director of Student Financial Assistance will continue to work with the Registrar to ensure that the effective date is the last date of attendance or the date that the enrollment status changes whichever is earlier.

Timeline for Implementation of Corrective Action Plan:

Academic year 2018-19

Contact Person:

Aurelio Ramirez, Director of Student Financial Assistance