

**MASSACHUSETTS COLLEGE OF  
ART AND DESIGN**

(an Agency of the Commonwealth of Massachusetts)

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**INDEPENDENT AUDITORS' REPORTS AS REQUIRED  
BY THE UNIFORM GUIDANCE AND *GOVERNMENT*  
*AUDITING STANDARDS* AND RELATED  
INFORMATION**

**JUNE 30, 2017**

**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, 2017**

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## **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, 2017. 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, 2017.

### **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 2017-001 through 2017-004. 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 2017-001 through 2017-004 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, 2017. We issued our report thereon dated October 13, 2017, 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 Duen, P.C.*

**Certified Public Accountants  
Braintree, Massachusetts**

December 18, 2017

(except for the Schedule of Expenditures of Federal Awards, for which the date is October 13, 2017)



## **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, 2017, 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, 2017.

### **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'Connell and Duen, P.C.

**Certified Public Accountants  
Braintree, Massachusetts**

December 18, 2017

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**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, 2017**

	<b>CFDA Number</b>	<b>Pass-Through Entity</b>	<b>Pass-Through Entity Award Number</b>	<b>Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>					
<b>U.S. Department of Education:</b>					
<b>Direct Awards:</b>					
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	\$ 123,106	\$ -
Federal Work-Study Program	84.033	N/A	N/A	169,138	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	661,486	-
Federal Perkins Loan Program (current year expenditures)	84.038	N/A	N/A	58,000	-
Federal Pell Grant Program	84.063	N/A	N/A	2,127,290	-
Federal Direct Student Loans	84.268	N/A	N/A	<u>11,450,377</u>	<u>-</u>
Total Student Financial Assistance Cluster				<u>14,589,397</u>	<u>-</u>
<b>NON-CLUSTER</b>					
<b>National Endowment for the Arts:</b>					
<b>Direct Awards:</b>					
Promotion of the Arts - Grants to Organizations and Individuals	45.024	N/A	N/A	<u>15,000</u>	<u>-</u>
Total Non-Cluster				<u>15,000</u>	<u>-</u>
<b>Total Federal Funds</b>				<u>\$ 14,604,397</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, 2017**

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, 2017. 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, 2017, \$58,000 of loans were advanced under the Perkins program and \$0 of administrative costs were incurred. As of June 30, 2017, loan balances receivable under Perkins was \$677,686.

There was no federal capital contribution or match by the College during the current year. During the year there was \$46,982 returned to the Federal Government and \$7,082 returned to the College.

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

**Year Ended June 30, 2017**

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

*Direct Student Loan Program*

The College disbursed \$11,450,377 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, 2017. 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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**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
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**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2017**

**Section I – Summary of Auditors’ Results:**

***Financial Statements***

Type of auditors’ report issued:	Unmodified	
Internal control over financial reporting:		
• Material weaknesses identified?	___ yes	_x_ no
• Significant deficiencies identified that are not considered to be material weaknesses?	___ yes	_x_ no
Noncompliance material to the financial statements noted?	___ yes	_x_ no

***Federal Awards***

Type of auditors’ report issued on compliance for major programs:	Unmodified	
Internal control over major programs:		
• Material weaknesses identified?	___ yes	_x_ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_x_ yes	___ no
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	_x_ yes	___ no

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

**Year Ended June 30, 2017**

*Identification of Major Programs*

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

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

\$750,000

Auditee qualified as a low-risk auditee?

  x   yes           no

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

**Year Ended June 30, 2017**

**Section II – Financial Statement Findings:**

None

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

**Year Ended June 30, 2017**

**Section III – Federal Award Findings and Questioned Costs:**

**Finding number:** 2017-001  
**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:** 2017

***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.

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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2017**

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

- a. 1 student who withdrew before the 60% mark of the semester was not returned the correct amount of funds based on their calculation.
- b. 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.

***Cause***

The director of student financial assistance was not reviewing the withdrawn student list and other pertinent emails on a consistent basis which led to Title IV funds not being returned in a timely manner.

***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.

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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2017**

***Questioned Costs***

Calculation error of \$345. Funds returned error of \$4,212.

***Perspective***

Our sample was not, and was not intended to be, statistically valid. Of 15 students who withdrew from the College who were selected for testing, 1 student's Title IV funds were returned for an incorrect amount. Additionally, 2 students had funds that were not returned.

***Identification as a Repeat Finding, if applicable***

See finding 2016-002 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.

***View of Responsible Officials***

The College agrees with the finding. See the corrective action plan.

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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2017**

**Finding number:** 2017-002  
**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:** 2017

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

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

**Year Ended June 30, 2017**

***Cause***

During the Fall 2016 semester, the period of enrollment ran from the first day of classes, September 2, 2016 to the last day of final exams, December 23, 2016 for a total of 113 days. When completing the students' Return of Title IV calculation, the College did not account for a Thanksgiving holiday of 5 days which would result in a total of 108 days to be used in the calculation. 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 students' return of title IV calculation for the Fall 2016 semester.

***Effect***

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

***Questioned Costs***

Unknown

***Perspective***

Our sample was not, and was not intended to be, statistically valid. Of 15 withdrawal students selected for testing, 11 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 (73% of the total sample). This resulted in the miscalculation of the earned percentage of financial aid for all students who withdrew in the Fall 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.

***Views of Responsible Officials***

The College agrees with the finding. See the corrective action plan.

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

***Criteria***

According to 34 C.F.R. Section 676.20:

- a) An institution may award an FSEOG for an academic year in an amount it determines a student needs to continue his or her studies. However, except as provided in paragraph c. of this section, an FSEOG may not be awarded for a full academic year that is:
  1. Less than \$100; or
  2. More than \$4,000
- b) For a student enrolled for less than a full academic year, the minimum allowable FSEOG may be proportionately reduced.
- c) The maximum amount of the FSEOG may be increased from \$4,000 to as much as \$4,400 for a student participating in a program of study abroad that is approved for credit by the home institution, if reasonable costs for the study abroad program exceed the cost of attendance at the home institution.

***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.

***Cause***

The Financial Aid Office has not established a procedure or policy for reviewing federal Supplemental Education Opportunity Grants award amounts to ensure they are within federal guidelines.

***Effect***

As a result of the student being awarded an improper amount of FSEOG awards, the student's financial aid award was not within federal guidelines.

***Questioned Costs***

The \$5,000 FSEOG exceeded the \$4,000 limit.

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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2017**

***Perspective***

Our sample was not, and was not intended to be, statistically valid. Of 40 students selected for testing, 1 student was found to have been awarded an inappropriate amount (2.5% of the sample).

***Identification as a Repeat Finding, if applicable***

Not applicable.

***Recommendation***

We recommend that management implement a step in the financial aid process to review the amounts of individual awards given to ensure they are within appropriate amounts as stated by federal guidelines.

***View of Responsible Officials***

The College agrees with the finding. See the corrective action plan.

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

***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, 2 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.

***Effect***

Student enrollment status changes were not reported accurately.

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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2017**

***Questioned Costs***

Not applicable.

***Perspective***

Our sample was not, and was not intended to be, statistically valid. Of 40 students selected for testing, 2 students were found to have an incorrect effective date reported to the NSLDS

***Identification as a Repeat Finding, if applicable***

Not applicable.

***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 inaccurate 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. See the corrective action plan.

## Management's Summary Schedule of Prior Audit Findings

### 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

#### *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").

OCD 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.

#### *Current Year Status*

The College was able to correct this condition and this was not a finding in the FY2017 Audit. The purchase of a new timesheet Software in the current year has corrected this issue.

## Management's Summary Schedule of Prior Audit Findings - Continued

### Year Ended June 30, 2016

**Finding number:** 2016-002  
**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:** 2016

#### *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.

#### *Current Year Status*

The College was not able to correct this condition and it is a finding in the FY2017 Audit (Finding 2017-001).

## Management's Summary Schedule of Prior Audit Findings - Continued

### Year Ended June 30, 2016

**Finding number:** 2016-003  
**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:** 2016

#### *Condition*

The Federal Government requires that when a 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.

#### *Current Year Status*

The College was not able to correct this condition and it is a finding in the FY2017 Audit (Finding 2017-002).

## Management's Summary Schedule of Prior Audit Findings - Continued

### Year Ended June 30, 2016

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

#### *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.

#### *Current Year Status*

There were no issues for timely reporting to NSLDS in the sample selected in 2017 and this was not a finding in the FY2017 Audit.

## Management's Corrective Action Plan - Continued

### Year Ended June 30, 2017

**Finding number:** 2017-001  
**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:** 2017

**Corrective Action Plan:** The Office of Student Financial Assistance will incorporate the return of funds into its regular awarding cycles. The Office on a weekly basis will review any student withdrawals and calculate any unearned funds and make the appropriate change in our computer system. These student changes and return of federal funds will be a part of the next financial aid transmittal.

At the end of each term, a full review and student analysis will be performed. In the event a student may have slipped through, it will be addressed immediately.

**Timeline for Implementation of Corrective Action Plan:** January 2018

**Contact Person:** Aurelio Ramirez, Director of Student Financial Assistance

**Finding number:** 2017-002  
**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:** 2017

**Corrective Action Plan:** With recent changes in the academic calendar, students effectively do not participate in academic activity from the Wednesday before Thanksgiving until the Sunday after Thanksgiving. Therefore, the Thanksgiving break is a five-day break and should be excluded from the count of class days during the fall term. Each year, the Director of Financial Assistance will monitor the academic calendar to ensure the proper dates are utilized.

**Timeline for Implementation of Corrective Action Plan:** Fall 2017

**Contact Person:** Aurelio Ramirez, Director of Student Financial Assistance

## Management's Corrective Action Plan - Continued

### Year Ended June 30, 2017

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

**Corrective Action Plan:** The Office of Student Financial Assistance will implement a new business process which will be utilized prior to transmittal to ensure that the SEOG is not over awarded in the future.

**Timeline for Implementation of Corrective Action Plan:** Academic year 2017-2018

**Contact Person:** Aurelio Ramirez, Director of Student Financial Assistance

**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

**Corrective Action Plan:** The Office of Student Financial Assistance will continue to work with the Registrar to be sure the effective date is accurate and is communicated to the National Student Loan Data System.

**Timeline for Implementation of Corrective Action Plan:** Academic year 2017-2018

**Contact Person:** Aurelio Ramirez, Director of Student Financial Assistance