

**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, 2020

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, 2020

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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 (an agency of the Commonwealth of Massachusetts) (the "college") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the college's major federal program for the year ended June 30, 2020. The college's major federal program is 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 the college's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the college's compliance.

Opinion on 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 its major federal program for the year ended June 30, 2020.

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 2020-001 through 2020-003. 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 2020-001 through 2020-003 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, 2020. We issued our report thereon dated October 13, 2020, 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.



**Certified Public Accountants
Braintree, Massachusetts**

March 29, 2021

(except for the Schedule of Expenditures of Federal Awards, for which the date is October 13, 2020)



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 the business-type activities of Massachusetts College of Art and Design (the "college"), and its discretely presented major component units, as of and for the year ended June 30, 2020, 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, 2020.

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") as a basis for designing 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 financial statements. 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.



**Certified Public Accountants
Braintree, Massachusetts**

March 29, 2021

**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, 2020

	CFDA		Pass-Through Entity	Federal	Passed
	Number	Pass-Through Entity	Award Number	Expenditures	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	\$ 104,961	\$ -
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	569,732	-
Federal Perkins Loan Program (current year expenditures)	84.038	N/A	N/A	-	-
Federal Pell Grant Program	84.063	N/A	N/A	2,532,426	-
Federal Direct Student Loans	84.268	N/A	N/A	<u>12,104,816</u>	<u>-</u>
Total Student Financial Assistance Cluster				<u>\$ 15,400,647</u>	<u>\$ -</u>
NON-CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Higher Education Emergency Relief Fund ("HEERF") - Student Aid portion	84.425E	N/A	N/A	<u>564,400</u>	<u>-</u>
Total Non-cluster				<u>564,400</u>	<u>-</u>
Total Federal Funds				<u>\$ 15,965,047</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 - Continued

Year Ended June 30, 2020

Note 1 - **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Bridgewater State College (the “college”) under programs of the Federal Government for the year ended June 30, 2020. 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, 2020, \$0 of loans were advanced under the Perkins program and \$0 of administrative costs were incurred. As of June 30, 2020, loan balances receivable under Perkins was \$548,027.

Direct Student Loan Program

The college disbursed \$12,104,816 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, 2020. 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, 2020

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

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Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2020

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
Non-Cluster	
Higher Education Emergency Relief Fund ("HEERF") – Student Aid Portion	84.425E

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

\$750,000

Auditee qualified as a low-risk auditee?

 x yes no

Section II – Financial Statement Findings:

None.

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

Year Ended June 30, 2020

Section III – Federal Award Findings and Questioned Costs:

Finding number: 2020-001
Federal agency: U.S. Department of Education
Programs: Federal Pell Grants
CFDA #: 84.063
Award year: 2020

Criteria

According to 34 CFR 690.83(b)

(1) An institution shall report to the Secretary any change for which a student qualifies including any related Payment Data changes by submitting to the Secretary the student's Payment Data that discloses the basis and result of the change in award for each student. The institution shall submit the student's Payment Data reporting any to the Secretary by the reporting deadlines published by the Secretary in the Federal Register.

(2) An institution shall submit, in accordance with the deadline dates established by the Secretary, through publication in the Federal Register, other reports and information the Secretary requires and shall comply with the procedures the Secretary finds necessary to ensure that the reports are correct.

According to the Federal Register (Volume 83, Number 233):

An institution must submit Pell Grant, Iraq and Afghanistan Service Grant, Direct Loan, and TEACH Grant disbursement records to COD, no later than 15 days after making the disbursement or becoming aware of the need to adjust a previously reported disbursement. In accordance with 34 CFR 668.164(a), title IV, Higher Education Act ("HEA") program funds are disbursed on the date that the institution:

- (a) Credits those funds to a student's account in the institution's general ledger or any subledger of the general ledger; or
- (b) pays those funds to a student directly.

Title IV, HEA program funds are disbursed even if an institution uses its own funds in advance of receiving program funds from the Department.

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Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2020

Condition

Federal regulations require the College to report to the Federal Government's Common Origination and Disbursement System ("COD") Federal Pell Grant disbursements made to students within 15 days of the funds being disbursed to the student. During our testing, we noted 1 student, out of a sample of 40, was not reported within the required timeframe by 42 days.

Cause

The College has policies and procedures in place to report the disbursement records to the Department of Education through the COD system within the required fifteen calendar days, however, in this case the procedures were not completed properly.

Effect

The College did not report Pell Grant disbursements to COD within the required time frame.

Questioned Costs

Not applicable

Perspective

Our sample was not, and was not intended to be, statistically valid. Of the 40 students selected for testing, 1 student, or 2.5% of our sample, was determined to be reported late to the COD by 42 days.

Recommendation

We recommend that management of the College review, and if necessary, update the policies and procedures to ensure all Pell Grant funds are reported within the required timeframe.

View of Responsible Officials

The College agrees with the finding.

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

Year Ended June 30, 2020

Finding number: 2020-002
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
CFDA #: 84.063
Award year: 2020

Criteria

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

Timeframe for the return of title IV funds. 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 as defined in paragraph (l)(3) of this section.

According to 34 CFR 668.173(b):

Timely return of Title IV, HEA program funds. In accordance with procedures established by the Secretary or Federal Family Education Loan (“FFEL”) program lender, an institution returns unearned Title IV, HEA program funds timely if –

- (1) The institution deposits or transfers the funds into the bank account it maintains under 34 CFR Sections 668.163 no later than 45 days after the date it determines the student withdrew;
- (2) The institution initiates an electronic funds transfer no later than 45 days after the date it determines that the student withdrew;
- (3) The institution initiates an electronic transaction no later than 45 days after the date it determines that the student withdrew, that informs a FFEL lender to adjust the borrower’s loan account for the amount returned; or
- (4) The institution issues a check no later than 45 days after the date it determines that the student withdrew. An institution does not satisfy this requirement if –
 - (i) The institution’s records show that the check was issued more than 45 days after the date the institution determined the student withdrew; or

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Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2020

- (ii) The date on the cancelled check shows that the bank used by the Secretary or FFEL Program lender endorsed that check more than 60 days after the date the institution determined that the student withdrew.

Condition

Federal regulations state that any unearned Title IV grant or loan assistance received by a student must be refunded to the Title IV programs upon a student's withdrawal from the institution. The College has 45 days from the date they determined the student withdrew to return any unearned portions of Title IV funds. During our testing, we noted 1 student, out of a sample of 5, had unearned Title IV aid that was not returned to the Federal Government, within 45 days of the determined withdrawal date, by 3 days.

Cause

The College did not consistently follow the procedures in place to monitor student withdrawals related to Title IV funds that must be returned to the Department of Education within 45 days due to management oversight.

Effect

The College did not return unearned Title IV funds within the required 45-day time frame.

Questioned Costs

Not applicable

Perspective

Our sample was not, and was not intended to be, statistically valid. Of the 5 students selected for testing, 1 student, or 20% of our sample, had unearned Title IV funds that were not returned to the Department of Education within the 45-day required time frame.

Recommendation

The College should strengthen their controls surrounding the review Return of Title IV calculations in a timely manner to ensure that all funds are returned to the Department of Education within the required time frame.

View of Responsible Officials

The College agrees with the finding.

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

Year Ended June 30, 2020

Finding number: 2020-003
Federal agency: U.S. Department of Education
Programs: Higher Education Emergency Relief Fund - Student Aid Portion
CFDA #: 84.425E
Award year: 2020

Criteria

Section 18004(a)(1) of the Coronavirus Aid, Relief, and Economic Security Act required that institutions submit an Annual Report to the Department of Education that details the institution's annual expenditures accurately and that the expenditures reconcile with institution's underlying records.

Condition

During our testing, we noted that the Annual Report submitted by the College was not accurate and did not reconcile with the College's underlying records. The College included the student aid amount award through December 31, 2020 in the institutional aid section of the report therefore overstating the amount of institutional aid expended.

Effect

The College's annual report submitted to the Department of Education was not accurate.

Identification as a Repeat Finding, if applicable

Not applicable

Recommendation

The College should create procedures to ensure College is in compliance with the program's reporting requirements.

View of Responsible Officials

The College included the student aid amount award through December 31, 2020 in the institutional aid section of the report therefore overstating the amount of institutional aid expended.

Management's Corrective Action Plan

Year Ended June 30, 2020

Finding number: 2020-001
Federal agency: U.S. Department of Education
Programs: Federal Pell Grants
CFDA #'s: 84.063
Award year: 2020

Corrective Action Plan: When changes are made to the Pell Grant, the changes will be tracked by the Pell Grant Coordinator. The Pell Grant Coordinator makes the necessary disbursements and exports the changes to COD. After the changes are exported and received back from COD, the Pell Grant Coordinator will reconcile COD disbursements at the end of each transmittal cycle. Pell Grant disbursements will occur monthly and more often (weekly) if the return of Title IV aid is needed as a result of a leave of absence or withdrawal.

Timeline for Implementation of Corrective Action Plan: Spring 2021

Contact Person: Aurelio Ramirez, Director of Student Financial Assistance

Finding number: 2020-002
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
CFDA #'s: 84.063
Award year: 2020

Corrective Action Plan: The Registrar will send a report weekly notifying various members of the College community about changes in enrollment. A weekly reporting of these changes may not be sufficient to capture students on Title IV aid in a timely manner. Therefore, the Director of Student Financial Assistance will run the report twice a week to ensure that enrollment changes are noted. The Director will review the list to determine who has Title IV aid. After that list is determined, the Director will use data from the report, specifically the Last Date of Attendance and the Date of Determination, to calculate the Return of Title IV aid. Each week, the Director will work with the Associate Director of Student Financial Assistance and the Bursar to ensure that funds are returned as required. At the end of the month, the Director will generate a report of students who have Title IV aid and have left the college to ensure that all refunds and updates are processed and reconciled.

Timeline for Implementation of Corrective Action Plan: Spring 2021

Contact Person: Aurelio Ramirez, Director of Student Financial Assistance

Management's Corrective Action Plan

Year Ended June 30, 2020

Finding number: 2020-003
Federal agency: U.S. Department of Education
Programs: Higher Education Emergency Relief Fund - Student Portion
CFDA #: 84.425E
Award year: 2020

Corrective Action Plan: The college has notified the US Department of Education and will update the report. The narrative instructions included in section 8 reference the sum of quarterly reports. The report as submitted incorrectly included the student aid portion in order for the total of the report to equal the total of all funds expended from March - December of 2020. The party responsible for the submission will seek clarifying instructions for future reports to ensure that all expenditures are reported correctly.

Timeline for Implementation of Corrective Action Plan: Immediate, an updated report submitted March 24, 2021.

Contact Person: Gina Spaziani, Associate Vice President of Fiscal Affairs