

**MASSACHUSETTS BAY
COMMUNITY COLLEGE**

(an agency of the Commonwealth of Massachusetts)

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

June 30, 2017

MASSACHUSETTS BAY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

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Independent Auditor's Report on Supplementary Information
Required by the Uniform Guidance

To the Board of Trustees
Massachusetts Bay Community College

We have audited the financial statements of the business-type activities and the discretely presented component unit of Massachusetts Bay Community College (an agency of the Commonwealth of Massachusetts) as of and for the year ended June 30, 2017, which collectively comprise Massachusetts Bay Community College's basic financial statements, and our report thereon dated November 29, 2017, which included an emphasis of matter paragraph, expressed unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the 2017 financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and is not a required part of the 2017 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2017 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 financial statements or to the 2017 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 2017 financial statements as a whole.



Boston, Massachusetts
November 29, 2017

Independent Auditor's 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
Massachusetts Bay Community College

We have audited, in accordance with the 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 and discretely presented component unit of Massachusetts Bay Community College (the "College") (an agency of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 29, 2017, which includes an emphasis of matter paragraph.

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 opinions 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Boston, Massachusetts
November 29, 2017

Independent Auditor's Report on Compliance for
Each Major Federal Program and on Internal Control over
Compliance Required by the Uniform Guidance

To the Board of Trustees
Massachusetts Bay Community College

Report on Compliance for Each Major Federal Program

We have audited Massachusetts Bay Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Massachusetts Bay Community College's major federal programs for the year ended June 30, 2017. Massachusetts Bay Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Massachusetts Bay Community 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* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("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 Massachusetts Bay Community 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 Massachusetts Bay Community College's compliance.

Opinion on Each Major Federal Program

In our opinion, Massachusetts Bay Community 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 three 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 items 2017-001, 2017-002, and 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

Massachusetts Bay Community College's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Massachusetts Bay Community 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 Massachusetts Bay Community 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 Massachusetts Bay Community 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 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 Massachusetts Bay Community 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.

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.

A handwritten signature in dark ink, reading "CohnReznick LLP". The signature is written in a cursive, flowing style.

Boston, Massachusetts
November 29, 2017

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Labor				
Trade Adjustment Assistance Community College and Career Training Grants (Passed through from Quinsigamond and Massasoit Community College)	17.282	17	-	\$ 288,902
Total U.S. Department of Labor				<u>288,902</u>
National Science Foundation				
Education and Human Resources	47.076		-	336,052
Education and Human Resources (Passed through from Boston College)	47.076	47	-	47,504
Education and Human Resources (Passed through from Batec)	47.076	47	-	<u>28,929</u>
Total National Science Foundation				<u>412,485</u>
Corporation for National and Community Service				
Federal AmeriCorps Program	94.006		-	<u>15,473</u>
Total Corporation for National and Community Service				<u>15,473</u>
U.S. Department of Health and Human Services				
National Institutes of Health - Biomedical Research and Research Training - Bridges to the Baccalaureate (Passed through from University of Massachusetts - Boston)	93.859	93	-	<u>6,626</u>
Total U.S. Department of Health and Human Services				<u>6,626</u>
U.S. Department of Education				
Higher Education - Institutional Aid	84.031A		-	12,624
Special Education Cluster (IDEA)				
Special Education Grants to States (Passed through from Perkins Post secondary)				
- Total Special Education Cluster (IDEA)	84.027	84	-	108,022

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Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<u>Student Financial Assistance Cluster:</u>				
Federal Supplemental Educational Opportunity Grants	84.007		-	178,616
Federal Work-Study Program	84.033		-	76,058
Federal Pell Grant Program	84.063		-	3,911,414
Federal Direct Student Loans	84.268		-	<u>2,537,562</u>
Total Student Financial Assistance Cluster				<u>6,703,650</u>
Total U.S. Department of Education				<u>6,824,296</u>
Total Expenditures of Federal Awards				<u>\$ 7,547,782</u>

See Notes to Schedule of Expenditures of Federal Awards.

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Notes to 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 Bay Community College (the "College") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented 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, wherein certain types of expenditures are not allowable or are limited as to a reimbursement. The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - **Federal Direct Student Loans ("FDL")**

The Schedule includes FDL ("CFDA 84.268") which are made directly from the U.S. Department of Education to individual students.

MASSACHUSETTS BAY COMMUNITY COLLEGE

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Schedule of Findings and Questioned Costs Year Ended June 30, 2017

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Massachusetts Bay Community College were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies related to the audit of the financial statements were reported in the Independent Auditor's 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*. No material weaknesses were reported.
3. No instances of noncompliance material to the financial statements of Massachusetts Bay Community College, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit and reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weaknesses were reported.
5. The auditor's report on compliance for the major federal award programs for Massachusetts Bay Community College expresses an unmodified opinion on all major federal programs.
6. There are three audit findings (Finding 2017-001, 2017-002, and 2017-003) required to be reported in accordance with 2 CFR Section 200.516(a) in this Schedule.
7. The programs tested as major programs were:

Agency	Title	CFDA #
<u>Student Financial Assistance Cluster:</u>		
U.S. Department of Education	Federal Supplemental Educational Opportunity Grants	84.007
U.S. Department of Education	Federal Work-Study Program	84.033
U.S. Department of Education	Federal Pell Grant Program	84.063
U.S. Department of Education	Federal Direct Student Loans	84.268

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Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

8. The threshold for distinguishing between Type A and B programs for Massachusetts Bay Community College was \$750,000.
9. Massachusetts Bay Community College was determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

See Findings 2017-001, 2017-002, and 2017-003 on the Schedule of Findings and Questioned Costs.

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Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Federal Direct Student Loans (84.268)

Federal Award Number: P268K161601

Award Year: 2017

U.S. Department of Education

Finding Reference: 2017-001

Criteria:

A school shall (1) Upon receipt of an enrollment report from the Secretary, must update all information included in the report and return the report to the Secretary (i) In the manner and format prescribed by the Secretary; and (ii) Within the timeframe prescribed by the Secretary; and (2) Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that (i) A loan under title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended or; (ii) A student who is enrolled at the school and who received a loan under title IV of the Act has changed his or her permanent address (34 CFR 685.309 (b)).

Statement of Condition:

Massachusetts Bay Community College's policy is to report student enrollment to a contracted third party, the National Student Clearinghouse ("NSC"). Massachusetts Bay Community College utilized the NSC to facilitate its responsibility to notify the National Student Loan Data System ("NSLDS") of changes in the enrollment status of students. However, Massachusetts Bay Community College is ultimately responsible to ensure that NSLDS is properly and timely notified of all student enrollment status changes. Massachusetts Bay Community College reports an initial enrollment status and subsequent changes in enrollment status to the NSC based on a pre-determined schedule throughout each semester. This is a repeat finding (see Finding 2016-001 in the fiscal 2016 Schedule of Findings and Questioned Costs).

Context:

In our sample of 50 students, we noted one student who had a status change and these changes were not reported at all to NSLDS.

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Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Statement of Cause:

This student's status was submitted to the NSC but the student's status was not requested by NSLDS for reporting. Management contacted a representative from NSLDS to understand why this occurred and how it could be correctly reported in the future. Although management was not able to receive information on this specific instance, it was communicated that there are two reasons why this might occur:

1. The student information was not properly communicated to NSLDS and therefore was not on the Student Status Confirmation Report (SSCR).
2. The student information was properly communicated to NSLDS however a request through SSCR to NSC did not occur.

Statement of Effect:

The College is not in compliance with U.S. Department of Education regulations.

Auditor's Recommendation:

The College should enhance their policies and procedures to ensure the reporting of enrollment data to NSLDS in accordance with federal regulations requirements.

Questioned Costs:

None

Views of Responsible Officials and Corrective Actions:

Management continues to look for improvements to processes and procedures related to NSLDS status reporting. In this instance, the financial aid office has updated the policy and procedure to adjust the criteria for the transfer monitoring file to be submitted to NSLDS. Previously, the file transmission only included recipients of Title IV aid for the term in which the file was being submitted. Effective Fall 2017, the file includes all students enrolled at the College and not just aid recipients. Management believes that this new procedure will prevent a similar finding in the future.

Contact: Lisa Slavin
Assistant Vice President of Enrollment Management

Implementation dates: Fall 2017

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Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Federal Direct Student Loans (84.268)

Federal Award Number: P268K161601

Award Year: 2017

U.S. Department of Education

Finding Reference: 2017-002

Criteria:

If a student borrower withdraws from the school without the school's prior knowledge or fails to complete the exit counseling as required, exit counseling must, within 30 days after the school learns that the student borrower has withdrawn from school or failed to complete the exit counseling as required, be provided either through interactive electronic means, by mailing written counseling materials to the student borrower at the student borrower's last known address, or by sending written counseling materials to an email address provided by the student borrower that is not an email address associated with the school sending the counseling materials.

Statement of Condition:

Massachusetts Bay Community College's policy is to notify the student borrower within 30 days to complete the required exit counseling.

Context:

In our sample of 1 student, we noted this student had an exit counseling notification in excess of the allowable days.

Statement of Cause:

During this time, exit counseling letters were generated on a schedule in the financial aid PowerFacts system. Due to the timing of the transaction, the notification for this student was in excess of the allowable days. This occurred because the internal parameters for exit counseling notifications were not frequent enough to ensure compliance with this requirement.

Statement of Effect:

The College is not in compliance with U.S. Department of Education regulations.

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Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Auditor's Recommendation:

The College should establish policies and procedures to ensure the timely notification of exit counseling information to student borrowers in accordance with federal regulations requirements.

Questioned Costs:

None

Views of Responsible Officials and Corrective Actions:

Management adjusted the exit counseling notification schedule in PeopleSoft to shorter intervals between notifications. Beginning Fall 2017, exit counseling letters will generate every two weeks. Management believes this action will prevent similar findings in the future.

Contact: Curtis Cormier
Director of Financial Aid

Implementation dates: Fall 2017

MASSACHUSETTS BAY COMMUNITY COLLEGE
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Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Federal Direct Student Loans (84.268)

Federal Award Number: P268K161601

Award Year: 2017

U.S. Department of Education

Finding Reference: 2017-003

Criteria:

A school shall, on a monthly basis, reconcile institutional records with Direct Loan funds received from the Secretary and Direct Loan disbursement records submitted to and accepted by the Secretary (34 CFR 685.300 (b)(5)). A school has completed its monthly reconciliation when all differences between the statement of accounts (SAS) and the school's internal records have been resolved or documented. The Department of Education does not mandate or prescribe any particular method of documentation; however, a school must maintain documented results of its monthly reconciliation to provide to auditors at their request.

Statement of Condition:

Massachusetts Bay Community College's policy is to perform internal and external reconciliations for Federal Direct Loans on a monthly basis.

Context:

In our sample of 4 months, we noted the College did not timely reconcile the Federal Direct Loan drawdowns with proper documentation.

Statement of Cause:

Although a reconciliation was completed and each month's SAS file was requested and loaded into the PeopleSoft ERP system, the reconciliation process during the current year was not always completed timely. In addition, because the process is performed in the system, formal documentation of the reconciliation process was not prepared and retained.

Statement of Effect:

The College is not in compliance with U.S. Department of Education regulations.

Auditor's Recommendation:

The College should timely reconcile the Federal Direct Loan drawdowns with proper documentation.

MASSACHUSETTS BAY COMMUNITY COLLEGE
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Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Questioned Costs:

None

Views of Responsible Officials and Corrective Actions:

Management has implemented a procedural change beginning December 2017. The new procedure outlines the time sensitive nature of the process of reconciliation, preparing documentation support for reconciliation as well as proper monitoring controls to ensure compliance in the future. Management believes that this action will result in full compliance in the future.

Contact: Curtis Cormier
Director of Financial Aid

Implementation dates: Fall 2017



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