



MIDDLESEX COMMUNITY COLLEGE

Independent Auditors' Reports as Required by Office of
Management and Budget (OMB) Circular A-133 and
Government Auditing Standards and Related Information

Year ended June 30, 2015

MIDDLESEX COMMUNITY COLLEGE

Independent Auditors' Reports as Required by Office of
Management and Budget (OMB) Circular A-133 and
Government Auditing Standards and Related Information

Year ended June 30, 2015

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KPMG LLP
Two Financial Center
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Exhibit I

Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

The Board of Trustees
Middlesex Community College:

Report on Compliance for Each Major Federal Program

We have audited Middlesex Community College's (the College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the College's major federal programs for the year ended June 30, 2015. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of current year findings and questioned costs (Exhibit III).

The College's financial statements include the operations of the Middlesex Community College Foundation, Inc. (the Foundation) for the year ended June 30, 2015. Our audit, described below, did not include the operations of the Foundation because the Foundation engaged other auditors to perform their audit in accordance with OMB Circular A-133, as applicable.

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 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 College's major federal programs. However, our audit does not provide a legal determination on 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 its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying schedule of current year findings and questioned costs as item 2015-001, 2015-002 and 2015-003. Our opinion on the College's major federal programs 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 current year 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 response.

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 compliance 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 OMB Circular A-133, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002 and 2015-003 that we consider to be significant deficiencies.



Exhibit I

The College's responses to the internal control over compliance 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities and the discretely presented component unit of Middlesex Community College as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated November 12, 2015 which referred to the report of other auditors and which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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.

KPMG LLP

March 30, 2016

MIDDLESEX COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Federal grantor/pass-through grantor/program title	CFDA number	Expenditures
U.S. Department of Education:		
Direct:		
Student Financial Assistance Cluster:		
Federal Pell Grant Program	84.063	\$ 11,904,042
Federal Supplemental Educational Opportunity Grants	84.007	208,945
Federal Work-Study Program	84.033	183,047
Federal Perkins Loan Program (note 3)	84.038	416,269
Federal Direct Loan Program (note 4)	84.268	4,807,354
Total Student Financial Assistance Cluster		<u>17,519,657</u>
TRIO Cluster:		
Student Success Program	84.042	550,046
Talent Search	84.044	337,902
Upward Bound	84.047	250,904
Total TRIO Cluster		<u>1,138,852</u>
Passed through the Massachusetts Department of Education:		
Adult Education – Basic Grants to States	84.002	272,608
GEAR UP	84.334	315,457
Carl D. Perkins Career & Technical Education Act Allocation	84.048	297,323
Passed through the Massachusetts Department of Higher Education:		
College Access Challenge Grant	84.378	94,758
Total U.S. Department of Education		<u>19,638,655</u>
U.S. Department of Labor:		
Passed Through Metro North Regional Employment Board:		
WIA Cluster:		
WIA Adult Program	17.258	375,426
WIA Youth Activities	17.259	423,105
Rapid Response	17.278	80,329
WIA Dislocated Workers	17.278	520,688
Total WIA Cluster		<u>1,399,548</u>

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Federal grantor/pass-through grantor/program title	CFDA number	Expenditures
Employment Service Cluster:		
Employment Service/Wagner-Peyser Funded Activities	17.207	\$ 1,121,186
Disabled Veterans' Outreach Program (DVOP)	17.801	20,375
Local Veterans' Outreach Program (LVER)	17.804	8,250
Total Employment Service Cluster		<u>1,149,811</u>
Direct:		
Healthcare Science and Technology NEG	17.277	107,956
Trade Case Management	17.245	18,891
Green Jobs Innovation Fund Grant	17.279	71,396
Workforce Innovation Grant	17.283	206,903
Passed Through Quinsigamond Community College:		
Trade Adjustment Assistance Community College and Career Training Grant	17.282	192,076
Total U.S. Department of Labor		<u>3,146,581</u>
U.S. Department of Housing and Urban Development:		
Direct:		
Community Development Block Grant	14.218	7,991
Total U.S. Department of Housing and Urban Development		<u>7,991</u>
U.S. National Science Foundation:		
Passed through University of Massachusetts:		
Education and Human Resources – Stokes	47.076	46,830
Education and Human Resources – BATEC	47.076	2,496
Total U.S. National Science Foundation		<u>49,326</u>
U.S. Agency for International Development:		
Direct:		
Higher Education For Development (American Council on Education)	98.012	76,647
Total U.S. Agency for International Development		<u>76,647</u>
Total Expenditures of Federal Awards		<u>\$ 22,919,200</u>

See accompanying notes to schedule of expenditures of federal awards.

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

(1) Definition of Reporting Entity

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal financial assistance programs of Middlesex Community College (the College). All expenditures of federal financial assistance received directly from federal agencies and passed through other governmental entities is included on the Schedule. The Schedule does not include expenditures of federal awards of the Middlesex Community College Foundation, Inc., which is a component unit of the College.

(2) Basis of Presentation

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis of accounting.

(3) Federal Perkins Loan Program

During the year ended June 30, 2015, \$4,500 of loans were advanced under the Federal Perkins Loan Program (Perkins) and \$15,190 of administrative costs were incurred. As of June 30, 2015, loan balances receivable, net under Perkins was \$348,608.

(4) Federal Direct Loan Program

During the year ended June 30, 2015, the College processed \$4,807,354 of new loans under the Federal Direct Loan Program (which includes Direct Subsidized and Unsubsidized Stafford Loans and Direct Parents' Loan for Undergraduate Students).

With respect to the Federal Family Education Loan Program, the College is responsible only for the performance of certain administrative duties and, accordingly, these loan balances are not included in the College's financial statements. It is not practical to determine the balances of loans outstanding from students of the College under this program at June 30, 2015.

(5) Federally Funded Contracts

In addition to the direct and pass-through Federal funding the College receives, the College provides training services, principally to the Commonwealth of Massachusetts, that are paid for out of Federal funds. With regard to these contracts, the College is considered a vendor rather than a subrecipient and have excluded these amounts from the Schedule.

MIDDLESEX COMMUNITY COLLEGE
 Schedule of Current Year Findings and Questioned Costs
 Year ended June 30, 2015

(1) **Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to the financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? x yes _____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? x yes _____ no

Identification of Major Programs

Name of federal program or cluster	CFDA number
Student Financial Assistance Cluster	Various
GEAR UP	84.334
Employment Services Cluster	Various
WIA Cluster	Various
TRIO Cluster	Various

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? x yes _____ no

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Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2015

(2) Findings Related to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None.

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Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2015

(3) Findings and Questioned Costs Relating to Federal Awards

Finding 2015-001

Federal Agency: Department of Education

Program: Student Financial Assistance – Federal Direct Loan Program

CDFA Number: CFDA#84.268

Finding: Special Tests and Provisions – Disbursements to Students

Criteria:

The institution must notify the student, or parent, in writing of (1) the date and amount of the disbursement; (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan or the TEACH Grant payments returned to ED; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, TEACH Grant, or TEACH Grant disbursement. The notification requirement for loan funds applies only if the funds are disbursed by EFT payment or master check (34 CFR section 668.165). Institutions that implement an affirmative confirmation process (as described in 34 CFR section 668.165 (a)(6)(i)) must make this notification to the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution with Direct Loan, FPL funds, or TEACH Grants. Institutions that do not implement an affirmative confirmation process must notify a student no earlier than 30 days before, but no later than 7 days after, crediting the student's account and must give the student 30 days (instead of 14) to cancel all or part of the loan

Condition:

Of a sample of 25 students, we noted that notification of disbursements for 6 students were not made in accordance with the Federal regulations

Questioned Costs:

None

Cause:

The College's internal control over ensuring proper and timely notification did not operate effectively.

Recommendation:

The College needs to strengthen its internal controls in this area to ensure student notification is timely and accurate.

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Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2015

Views of Responsible Officials:

The college agrees with this finding.

Middlesex Community College recognizes the importance of notifying student borrowers of their loan disbursements and their rights and responsibilities therein within the appropriate time frame. The finding, in this case, is attributed to user error. One instance revealed that the wrong date was applied, while a similar oversight involved an incorrect time stamp in the query report dynamic prompts. Training has been accomplished and a new electronic letter tracking process has been implemented which will provide regular management oversight.

All loan disclosure letters will be processed within the 14-day time frame once the student loan funds are disbursed to the students' account. The weekly practice of generating loan disclosure letters will continue.

Responsible Party: Robert Baumel, Financial Aid Director

Estimated Completion Date: Completed

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Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2015

Finding 2015-002

Federal Agency: Department of Education

Program: Student Financial Assistance – Federal Pell Grant Program

CFDA Number: #84.063

Finding: Special Tests and Provisions – Return of Title IV Funds

Criteria:

An institution must return to ED (notwithstanding any State law, such as a law that allows funds to escheat to the State) any Title IV funds, except FWS program funds, that it attempts to disburse directly to a student or parent but they do not receive or negotiate those funds. For FWS program funds, the institution is required to return only the Federal portion of the payroll disbursements. If the institution attempted to disburse the funds by check and the check is not cashed, the funds must be returned no later than 240 days after the date it issued the check. If a check is returned, or an EFT is rejected, the institution may make additional attempts to disburse the funds, provided that the attempts are made no later than 45 days after the funds were returned or rejected. If the institution does not make an additional attempt to disburse the funds, the funds must be returned before the end of the 45-day period and no later than 240 days from the date of the initial attempt to disburse the funds (34 CFR section 668.164(h)).

Condition:

Of a sample of 42 students, we noted one student for which the College did not return Title IV funds in accordance with the Federal regulations

Questioned Costs:

None

Cause:

The College's internal control over ensuring timely return of Title IV funds did not operate effectively.

Recommendation:

The College needs to strengthen its internal controls in this area to ensure funds are returned in a timely and accurate fashion.

Views of Responsible Officials:

The college agrees with this finding.

Middlesex Community College recognizes the importance of returning Title IV funds to the Department of Education as soon as possible within the appropriate time frame. This finding was the result of a Pell award

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Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2015

made for an ineligible term due to a failure to lock the Pell record. The Financial Aid office has implemented a process to lock semester Pell grant awards each term to prevent this occurrence in the future. In addition, a new edit report was created and is produced weekly for staff to review that identifies all students with unlocked Pell awards that have officially/unofficially withdrawn from college to assist in quality assurance.

Responsible Party: Robert Baumel, Financial Aid Director

Estimated Completion Date: Complete

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Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2015

Finding 2015-003

Federal Agency: Department of Education

Program: Student Financial Assistance – Federal Pell Grant Program

CFDA Number: #84.063

Finding: Special Tests and Provisions – Enrollment Reporting

Criteria:

Under the Pell grant and ED loan programs, institutions must complete and return within 30 days the Enrollment Reporting roster file [formerly the Student Status Confirmation Report (SSCR)] placed in their Student Aid Internet Gateway (SAIG) (*OMB No. 1845-0002*) mailboxes sent by ED via NSLDS (*OMB No. 1845-0035*). The institution determines how often it receives the Enrollment Reporting roster file with the default set at every 2 months, but the minimum is twice a year. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies to FFEL Program loan holders by ED. Enrollment Reporting in a timely and accurate manner is critical for effective management of the programs. Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence. The Enrollment Reporting roster file is due within 30 days from the creation of the file that is placed in the institution's SAIG (Pell, 34 CFR section 690.83(b)(2); FFEL, 34 CFR section 682.610; Direct Loan, 34 CFR section 685.309).

Condition:

Of a sample of 25 students, we noted that appropriate enrollment reporting for 1 student was not made in accordance with the Federal regulations.

Questioned Costs:

None

Cause:

The College's internal control over ensuring timely reporting of enrollment changes did not operate effectively.

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Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2015

Recommendation:

The College needs to strengthen its internal controls in this area to ensure enrollment changes are reported in a timely and accurate fashion.

Views of Responsible Officials:

The college agrees with this finding.

In keeping with the auditors' recommendation, members of the college administration, including the college Registrar, reviewed and altered the transmission schedule on November 2, 2015, to improve the process of file transmissions to NSLDS. As such, the college amended its' transmission schedule beginning spring 2016 from a monthly transmission to a bi-monthly schedule. The NSC has adjusted their transmission schedule as well, linking with NSLDS on a bi-monthly basis. We believe that the increase in timely transmissions should compensate for any remaining lag time occurring between NSC and NSLDS.

Responsible Party: Daniel Moynihan, College Registrar

Estimated Completion Date: Complete