Official Audit Report – Issued May 12, 2011

Massachusetts College of Art and Design
For the period July 1, 2009 through June 30, 2010
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INTRODUCTION
The Massachusetts College of Art and Design (MassArt) is authorized by Chapter 15A, Section 5, of the Massachusetts General Laws and operates under the oversight of the Board of Higher Education. A Board of Trustees appointed by the Governor of the Commonwealth controls its operations, and MassArt's President is responsible for implementing the policies set by the Board of Trustees, in accordance with the policies and procedures established by the Board of Higher Education.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted an audit of MassArt’s Federal Student Financial Assistance programs funded through the United States Department of Education (ED) for the period July 1, 2009 through June 30, 2010. Our audit was conducted in conjunction with the Single Audit of the Commonwealth of Massachusetts for the fiscal year ended June 30, 2010.

AUDIT RESULTS
1. FURTHER IMPROVEMENTS AND ENHANCEMENTS NEEDED IN INTERNAL CONTROL PLAN
   Our audit disclosed that MassArt has prepared and developed an Internal Control Plan (ICP) that is generally in compliance with Chapter 647 of the Acts of 1989 (An Act Relative to Improving the Internal Controls within State Agencies) and Office of the State Comptroller (OSC) guidelines. However, although MassArt updated its ICP in fiscal year 2009, the ICP did not contain an adequate high-level summarization of internal controls to mitigate its identified risks. Our audit disclosed that MassArt needs to develop plans or responses to the risks identified and cross-reference the ICP to its major departmental policies and procedures to support and identify lower-level detail for its organizational areas to ensure that MassArt meets its mission and sustains long-term viability. Moreover, MassArt needs to further update its ICP to be in compliance with the eight components of Enterprise Risk Management (ERM). For the ICP to be considered an effective high-level summarization, all eight components of the ERM must be present as described in the OSC Internal Control Guide. In its response, MassArt stated that it agreed that the ICP needs to be updated and that it will work to make the necessary changes and improvements.

2. DISBURSEMENT NOTIFICATION LETTERS NOT SENT TO STUDENTS
   Our audit disclosed that Federal Family Education Loan (FFEL) and Direct Loan program funds Disbursement Notification Letters were not sent by MassArt to students in compliance with federal notification requirements. Specifically, these letters did not contain the disbursement dates and the proper time frame for cancelling all or part of the FFEL/Direct Loans. Our audit determined that Disbursement Notification Letters were not sent to 20 students in our sample of 25 students receiving FFEL/Direct Loan program funds. According to the Federal Student Aid Handbook, Volume 4, Chapter 2, MassArt must notify a student of the amount of Federal Student Financial Assistance
(SFA) funds the student and his or her parent can expect to receive and how and when those funds will be disbursed. In its response, MassArt claimed that it prepares and submits award letters to students and families in compliance with federal regulations. However, we maintain that, contrary to the requirements of 34 Code of Federal Regulations (CFR) Section 668.165, MassArt’s Disbursement Notification Letters did not include disbursement dates and the proper time frame for canceling all or part of the FFEL/Direct Loans.

3. RETURN OF TITLE IV FUNDS NOT CALCULATED AND RETURNED IN A TIMELY MANNER

MassArt did not calculate the return of Title IV funds for seven of its students identified in our sample of 39 as having unofficially or officially withdrawn. Our audit identified seven Title IV refunds that were not calculated for students who unofficially withdrew. Furthermore, for two students in our sample, MassArt did not process Title IV refunds within the 45-day timeframe required by federal regulations. When a student receiving 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 funds earned by the student as of the student’s withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount disbursed to the student as of the date of the institution’s determination that the student withdrew, the difference must be returned to the Title IV programs, and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement. In its response, MassArt stated that it agrees that funds need to be returned in a timelier manner when it is determined that students may not have fully earned their federal financial assistance and that it will work on reviewing student withdrawal forms in a more expeditious manner.

4. STUDENT STATUS CHANGES NOT SUBMITTED AS REQUIRED

Our audit sample of 25 students disclosed that MassArt did not notify the National Student Loan Data System (NSLDS) in a timely manner the enrollment status changes for 19 students who had withdrawn or properly reported two students’ enrollment status change as required by SFA regulations. Moreover, our audit disclosed that MassArt does not have written policies and procedures identifying the process that it utilizes to ensure that student enrollment changes are reported to NSLDS in the required timeframe. MassArt reports changes in enrollment status to a contracted third party, the National Student Clearinghouse (NSC) a total of 10 times: three times each during the fall and spring semesters and summer session, then once at graduation. MassArt utilizes the NSC to facilitate its responsibility to notify NSLDS of changes in the enrollment status of its students. Of our sample of 25 students, 19 students’ enrollment status changes were reported to NSLDS from 57 to 182 days beyond the 30- or 60-day requirement. The students officially or unofficially withdrew, were on leave of absence, or were dismissed. Additionally, a withdrawn student’s status had not been reported to NSLDS, and another student who requested a leave of absence for the spring semester was reported to NSC or NSLDS as being enrolled less than half-time. As a result of the late or incorrect
reporting, there is inadequate assurance that these students’ deferments, grace periods, or repayment schedules were appropriately determined. In its response, MassArt stated that it will review the process to see how some information is not being submitted on a timely basis and will strengthen the process in regard to students who have withdrawn from the college.

5. EXIT COUNSELING SESSIONS WERE NOT CONDUCTED WITH GRADUATING STUDENTS WHO HAD RECEIVED PERKINS LOANS

MassArt did not conduct exit counseling sessions with graduating students who had received Federal Perkins Loans (FPL). Our review of nine files of students who were recipients of FPLs and had graduated in 2009 disclosed that exit counseling interviews had not been conducted. Federal regulations require institutions to conduct counseling interviews with graduating and or separating students as part of their due diligence in administration of the FPL program. The purpose of an exit interview is to inform student borrowers of their rights and responsibilities relative to repayment of loans such as: the seriousness of their obligations; the nine-month initial grace period granted to borrowers; the average anticipated monthly repayment amount of principal and interest; and consequences of default and the terms of conditions under which a borrower may obtain a deferment and/or cancellation of a loan. Because MassArt did not exercise the general due diligence and exit counseling requirements mandated by the federal government for the proper administration of its FPL program, the prompt and eventual collection of the FPLs by student borrowers could be impacted. In its response, MassArt stated that it will work on a process that provides exit counseling for Perkins Loans in academic year 2010/2011.

6. IMPROVEMENTS NEEDED IN FEDERAL WORK STUDY INTERNAL CONTROL AND PAYROLL PROCEDURES

Our review of internal controls and payroll policies and procedures established for maintaining, monitoring, and controlling MassArt student Federal Work Study (FWS) payroll records and files indicated that it was not complying with FWS regulations, guidelines, and internal controls as identified in MassArt’s student financial aid policies and procedures and certain FWS program regulations. Our audit tests for compliance involved a review of four students, with 40 timesheets, totaling $3,420, taken from payrolls in the fall 2009 semester and the spring 2010 semester. This review indicated conditions of noncompliance within MassArt’s established student financial aid policies and procedures and FWS regulations for three students consisting of Employment Eligibility Verification Forms I-9 not completed, and FWS contracts and timesheets not timely submitted. Our review further disclosed that MassArt does not address the work study payroll procedures within its SFA policies and procedures. Consequently, MassArt did not comply with FWS regulations and the work study contract conditions. The total questioned costs identified for these three students were $792 of the $3,420 earned. In its response, MassArt stated that it will work with area supervisors to assist with better management and oversight of the program along with processing items in a timely manner. Additionally, MassArt stated that the Office of Student Financial Assistance will follow up in a stronger capacity during the year when departments submit late documents. However, MassArt contended that the students were entitled to payments received. We maintain that the processing payment of timesheets after 30 days is
contrary to MassArt work study provisions. Furthermore, MassArt did not or could not explain instances in which work study hours were in direct conflict with the students’ class schedule. Consequently, the payroll costs for the above-mentioned students are questionable.
INTRODUCTION

Background

The Massachusetts College of Art and Design (MassArt) is authorized by Chapter 15A, Section 5, of the Massachusetts General Laws and operates under the oversight of the Board of Higher Education. A Board of Trustees appointed by the Governor of the Commonwealth controls its operations, and MassArt’s President is responsible for implementing the policies set by the Board of Trustees, in accordance with the policies and procedures established by the Board of Higher Education.

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted an audit of MassArt’s Federal Student Financial Assistance programs funded through the United States Department of Education (ED) for the period July 1, 2009 through June 30, 2010. We conducted our audit in conjunction with the Single Audit of the Commonwealth of Massachusetts for the fiscal year ended June 30, 2010. The Commonwealth’s Fiscal Year 2010 Single Audit Report consists of the following volumes:

- Statutory Basis Financial Report
- Comprehensive Annual Financial Report

The audit results contained in this report are also reported in the Fiscal Year 2010 Single Audit of the Commonwealth of Massachusetts Reports OMB Circular A-133 Report, as mentioned above.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was also conducted in accordance with standards set forth in OMB Circular A-133 and the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide,
Audits of State and Local Governments. Additionally, our review evaluated MassArt’s compliance with Office of the State Comptroller (OSC) policies and procedures; Massachusetts General Laws; and other applicable laws, rules, and regulations.

In performing our audit of MassArt’s activities, we referred to OMB Circular A-133, June 2010 Compliance Supplement, to determine the compliance requirements that must be considered in an audit conducted under OMB Circular A-133. Based upon our review, we determined requirements applicable to the Federal Student Financial Assistance program, and designed appropriate tests to determine MassArt’s compliance with those requirements. Specifically, our objectives were to:

- Assess the internal controls in place at MassArt during the audit period.
- Assess and evaluate the programs for compliance with the requirements of the Compliance Supplement, ED, and the OSC.
- Follow up on prior Audit Results, if any, to determine what corrective action has been taken.

The criteria for our review were drawn from OMB Circular A-133 and the June 2010 Compliance Supplement, the Code of Federal Regulations, and the OSC’s Internal Control Guide. Those criteria dealt with MassArt’s responsibility for the administration and operation of the Federal Student Financial Assistance programs and for compliance with the laws and regulations governing:

- Activities Allowed and Unallowed
- Cash Management
- Eligibility
- Matching, Level of Effort, and Earmarking
- Period of Availability of Federal Funds
- Program Income
- Reporting
- Special Tests and Provisions

We examined, on a test basis, evidence regarding MassArt’s compliance with applicable requirements and performed other procedures as we considered necessary. Based on these tests, we concluded that, except as reported in the Audit Results section of this report, for the period July 1, 2009 through June 30, 2010, MassArt had adequate internal controls in place and complied with the requirements of the United States ED; OMB Circular A-133 and the Compliance Supplement; and other applicable laws, rules, and regulations for the areas tested.
AUDIT RESULTS

1. FURTHER IMPROVEMENTS AND ENHANCEMENTS NEEDED IN INTERNAL CONTROL PLAN

Our audit disclosed that the Massachusetts College of Art and Design (MassArt) has prepared and developed an Internal Control Plan (ICP) that is generally in compliance with Chapter 647 of the Acts of 1989 (An Act Relative to Improving the Internal Controls within State Agencies) and Office of the State Comptroller (OSC) guidelines. However, although MassArt updated its ICP in fiscal year 2009, the ICP did not contain an adequate high-level summarization of internal controls to mitigate its identified risks. Our audit disclosed that MassArt needs to develop plans or responses to the risks identified and cross-reference the ICP to its major departmental policies and procedures to support and identify lower-level detail for its organizational areas to ensure that MassArt meets its mission and sustains long-term viability.

Moreover, MassArt needs to further update its ICP to be in compliance with the eight components of Enterprise Risk Management (ERM). For the ICP to be considered an effective high-level summarization, all eight components of the ERM must be present as described in the OSC Internal Control Guide. These components are described in the OSC Internal Control Guide as follows: Internal Environment, Objective Setting, Event Identification, Risk Assessment, Risk Response, Control Activities, Information and Communication, and Monitoring. MassArt needs to address updates and improvements in the following areas:

**Internal Environment**

The internal environment is the tone of the organization, which, among other things, determines an organization’s “risk culture” and provides the basis of internal controls. Our review disclosed that MassArt needs to include, or more effectively address, the following:

- Direct statements from top management on the expectations of staff concerning integrity and high ethical standards and definitive statements that set the tone for the importance of internal controls. A statement of ethics and integrity requires that employees and managers understand why doing the right thing is important for the organization’s long-term viability, and they have the determination to see that in fact the right thing does get done.

- Identify how the mission of MassArt is directed or is correlated to establishing its internal control environment and linking management’s attitude, supervision, and organizational structure with the internal control environment.
• Chapter 647 of the Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies, requires that a senior official, equivalent in title to an assistant or deputy to the department in addition to his or her regular duties, be assigned the responsibility for the department’s internal control. This individual is the department’s internal control officer. However, MassArt has not identified the internal control officer within its ICP.

The OSC’s Internal Control Guide, Chapter 1, page 6, states, in part:

Management’s attitude, actions, and values set the tone of the organization, influencing the control consciousness of its people. Internal controls are likely to function well if management believes that those controls are important and communicates that view to employees at all levels. If management views internal controls as unrelated to achieving its objectives, or even worse, as an obstacle, this attitude will also be communicated. Employees are aware of the practices followed by upper management including those that circumvent internal controls. Despite policies to the contrary, employees will then view internal controls as “red tape” to be “cut through” to get the job done. Management can show a positive attitude toward internal control by such actions as complying with their own policies and procedures, discussing internal controls at management and staff meetings, and rewarding employees for following good internal control practices. Although it is important to establish and implement policies and procedures, it is equally important to follow them.

Management’s philosophy and operating style affect the way the organization is managed. They determine, for example whether the organization functions informally with verbal instructions or formally with written policies and procedures. They also define whether the organization is conservative or aggressive in its response to risks...

An organization’s culture evolves from the values of its members and the culture, in turn, exerts a strong influence on the actions, decisions, and behaviors of all employees.

MassArt did not include in its ICP a mission statement. MassArt needs to better define its internal environment, identify its management philosophy in regard to how it is managed, and define whether MassArt is conservative or aggressive in responding to its risks that are not identified or referenced in the ICP.

We found that the ICP has not correlated or referenced its methods of accomplishing its goals to the components of internal controls and, more importantly, its internal control environment and risk assessments.

**Event Identification, Risk Assessment, and Risk Response**

The OSC’s Internal Control Guide defines event identification as both internal and external events that impact an organization’s ability to achieve its objectives. We found that MassArt needs to better identify and prioritize which events, internally and externally, have an influence
over the objectives and strategies used by MassArt in achieving its goals and objectives. Events that may have a negative impact represent risks (e.g., decline in enrollments, shortage of qualified personnel, loss of revenue, loss of financial assistance), whereas those with a positive impact represent opportunities (e.g., increased enrollment, new programs and funding, new private grants or scholarships). These events are critical in assisting MassArt in accomplishing its goals and objectives as identified above. Identification and prioritization of such events tied into an effective risk assessment with an appropriate plan to respond to these events and risks will serve to enhance the existing ICP. The OSC’s Internal Control Guide, Chapter 1, page 10, defines risk assessment as:

A process to identify and analyze factors that may affect the achievement of a goal. In general, risk factors may include the control environment, size of the organization, complexity, change, and results of previous reviews/audits. It is important to remember that not all risks are equal. Some risks are more likely to occur while others will have a greater impact. For example, risks to safety or security of individuals, data or personal information could have significant consequences. Once identified, the assessment regarding the probability and significance of each risk is critical. The risk assessment design should be understandable, consider relevant risk factors and, to the extent possible, be objective.

The ICP did include a risk assessment which identified 14 risks with financial activity and control activity. Examples of these risks include: loss/theft of cash receipts, missing documents/accounts payable, incorrect/fraudulent salary, regulations/student financial aid, lost/stolen equipment/inventory/fixed assets. We found that these 14 risks were not integrated within the ICP with a corresponding course of action or plan to mitigate or respond to each of the risks, which could prevent MassArt from meeting its goals and objectives as outlined in its mission statement. According to the OSC’s Internal Control Guide, Chapter 1, page 10, the ERM component of risk response will be determined in four basic categories, as follows:

Risk responses fall into four basic categories: (1) accept the risk and monitor it, (2) avoid the risk by eliminating it, (3) reduce the risk by instituting controls, or (4) share the risk by partnering or entering into a strategic alliance with another department or external entity. Determining a risk response is an important decision. Because risk events by definition are uncertain, deciding whether to accept or avoid risk-related activity can have significant consequences for an organization. By choosing to reduce risk, an organization is committing to implement control activities, which generally consume resources.

The ICP identified limited general Programmatic Controls and Administrative and Fiscal Controls, which address only fiscal departmental risks and not the 14 major risks. Text and
controls identified in these two sections can be retained in an update of the ICP. Any changes, if correlated and referenced to respond to MassArt’s 14 major risks, will significantly improve the ICP.

**Control Activities**

Control Activities are the structure, policies, and procedures that an organization establishes so that identified risks do not prevent the organization from reaching its objectives. The OSC’s Internal Control Guide, Chapter 1, page 10, Controls, states, in part:

*A sound internal control plan will combine both preventive and detective controls to mitigate key risks. Preventive controls, as the term applies, work to prevent problems. However, since they may be time consuming and expensive, management should ensure that the benefits outweigh the cost. Examples of preventive controls include authorization lists, computer edits, segregation of duties, and prior supervisory approval. Detective controls do not prevent fraud or errors. They will identify that a problem has occurred. On the other hand, detective controls are more efficient in that they do not slow business processes. They are less effective because they can only identify an incident after the fact. Not stop it from happening. The existence of detective controls, however, can also serve to prevent irregularities.*

Our review disclosed that MassArt has established control activities and related policies and procedures for many of its operational activities within its ICP (almost entirely fiscal in nature). However, because it has not updated its ICP, MassArt has not adequately defined its control activities to identify why they have been established (preventive or detective controls) or who is responsible for implementation and monitoring of control activities within all divisions at MassArt, including those not identified presently in the ICP.

**Information and Communication**

The ICP did not include adequate references to MassArt channels for disseminating information and communications to address specific references to MassArt’s overall mission, goals, and objectives, which is crucial for communicating to management and staff how the information in place is used to attain these goals and objectives. For example, the ICP did not adequately reflect the use of the Datatel Integrated Software System (Datatel) and how it is integrated with information useful to MassArt’s departments. The OSC Internal Control Guide, page 13, states, in part:

*Management should establish communication channels that: Provide timely information; Can be tailored in individual needs; Inform employees of their duties and responsibilities;*
Enable the reporting of sensitive matters; Enable employees to provide suggestions for improvement; Provide the information necessary for all employees to carry out their responsibilities; Convey top management’s message that internal control responsibilities are important and should be taken seriously; and Convey and enable communication with external parties.

Information and communication is the identification and dissemination of pertinent information in a form and time frame that enables people to carry out their responsibilities. Communication occurs in all directions – flowing down, across, and up through the organization as well as to external parties. Information provided to staff should be appropriate in content, current, accurate, and accessible. Communication can take such forms as policy manuals, accounting and financial reporting manuals, and regularly scheduled staff meetings. Identifying and referencing the information and communication processes in place at MassArt, both internal and external, would enhance and improve the ICP.

Monitoring

Our review of the ICP disclosed that MassArt did not document its monitoring procedures over fiscal and program areas. We found that MassArt did have a section in its ICP on Monitoring and documented its overall objective as well as some specific objectives related to monitoring. However, policies and procedures for monitoring internal control activities have not been prepared and referenced in the ICP. The OSC’s Internal Control Guide, Chapter 1, page 14, defines the purpose of monitoring as:

The review of an organization’s activities and transactions to assess the quality of performance over time and to determine whether internal controls are effective. According to the OSC Internal Control Guide, management should focus monitoring efforts on achievement of the organization’s mission, goals, and objectives. Management must consider whether internal controls are operating as intended and if they are properly modified when conditions change. The purpose of monitoring is to determine whether internal control is adequately designed, properly executed, and effective. Also, the ICP does not reference accountability either by responsibility or employee monitoring roles within the various departments, especially those that may have certain program risks.

Recommendation

MassArt should improve its ICP as follows:

- Prepare an updated and improved high-level summarization of internal controls, which readily identifies and concisely describes the components of internal control within the plan in conformance with the latest OSC guidelines including ERM.
• Update and enhance its description of internal environment by including statements by top management on integrity and ethical values expected of all staff. These statements will set the tone for the importance of internal controls within MassArt.

• Identify in the ICP how the mission of MassArt is directed or is correlated to establishing its internal environment and linking management’s attitude, supervision, and organizational structure within the internal environment.

• Correlate its risk assessment to MassArt’s mission and goals and objectives. Review current goals and objectives to determine whether these priorities are still realistic and attainable given the current reduction in resources that MassArt is facing.

• Identify which events, internally and externally, have an influence over the goals, objectives, and strategies used by MassArt in reaching its mission.

• Include measures to review risks, strategic goals, and objectives at least annually or more often as needed given the changing conditions of the Commonwealth. Once reviewed and updated if necessary, these goals and objectives should be appropriately and prominently identified and integrated throughout the ICP.

• Expand support areas to include risk response and risk mitigation steps. Include all departments, which will further assist MassArt in event identification and will serve to improve and enhance the ICP.

• Identify and better define control activities to address the purpose, policies, and procedures being used, and the preventive or detective nature of the control activity in mitigating and responding to an identified risk.

• Include reference to its financial reporting system, Datatel, and any other key information and communication system or process in place at MassArt and cross-reference them within the ICP to departmental policies and procedures.

• Document monitoring activities and responsibilities to ensure that internal controls are implemented to mitigate fiscal and programmatic risks, are effective, and function as needed. Wherever monitoring is documented within the departmental policies and procedures, MassArt should cross-reference its ICP to these policies and procedures.

Auditee’s Response

We do agree that the document needs to be updated and will work to make the necessary changes and improvements. The internal control plan has been primarily focused on financial matters. We plan to expand its scope to be more encompassing of the overall activities of the College. Many of the items on the auditor recommendation exist in other College documents; the College’s Partnership Plan with the Commonwealth (the 5 year Business Plan), the Mass Art Strategic Plan (College Goals), the Mass Art College – Wide Annual Priorities, the College Mission Statement, the Business Continuity Plan, Information Security Program, [and] National Association of Schools of Art and Design (NASAD) and New England Association of Schools and Colleges (NEASC) Accreditation Self Studies and Evaluation Reports.
2. DISBURSEMENT NOTIFICATION LETTERS NOT SENT TO STUDENTS

Our audit disclosed that Federal Family Education Loan (FFEL) and Direct Loan program funds Disbursement Notification Letters were not sent by MassArt to students in compliance with federal notification requirements. Specifically, these letters did not contain the disbursement dates and the proper time frame for cancelling all or part of the FFEL/Direct Loans.

Once the Financial Aid Office has determined a student’s award, an award letter should be sent by MassArt to the student. The award letter should contain information on factors the award was based on, such as residency classification, enrollment status, and living situation. The letter requests the student to review the information and indicate an acceptance or declination of each award and then sign the award letter for submittal to the Financial Aid Office by the date indicated.

Our audit determined that Disbursement Notification Letters were not sent to 20 students in our sample of 25 students receiving FFEL/Direct Loans program funds. According to the Federal Student Aid Handbook, Volume 4, Chapter 2, MassArt must notify a student of the amount of Federal Student Financial Assistance (SFA) funds the student and his or her parent can expect to receive and how and when those funds will be disbursed.

The United States Department of Education (ED), the department that oversees the administration of Federal Title IV funding for SFA, has established regulations that govern the disbursement of SFA funds. Specifically, 34 Code of Federal Regulations (CFR) Section 668.165(a) states that an institution participating in the FFEL and Direct Loan programs is required to do the following:

Notices. (1) Before an institution disburses title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each title IV, HEA program, and how and when those funds will be disbursed. (2) Except in the case of a post-withdrawal disbursement made in accordance with Section 668.22(a) (5), if an institution credits a student’s account at the institution, with Direct Loan, FFEL, Federal Perkins Loan or TEACH Grant Program funds, the institution must notify the student or parent of ---- (i) the anticipated date and amount of the disbursement; (ii) the student’s right or parent’s right to cancel all or a portion of that loan, loan disbursement TEACH Grant, or TEACH Grant disbursement and have the loan proceeds returned to the holder of that loan...; (iii) the procedures and time by which the
student or parent must notify the institution that he or she wishes to cancel the loan...
(3)(ii) No earlier than 30 days before and no later than seven days after, crediting the student account at the institution, if the institution does not obtain affirmative confirmation from the student under paragraph (a)(6)(i) of this section.

The Director of Financial Aid stated that he assumed that it was ED’s responsibility to issue the Disbursement Notification Letters. Since MassArt did not have any written policies and procedures regarding the distribution of the Disbursement Notification Letters, MassArt was unaware of the notification process.

**Recommendation**

MassArt needs to improve upon its procedures for Disbursement Notification Letters for FFEL and Direct Loans made to its students to be in compliance with Title IV requirements. MassArt should develop written policies and procedures documenting the process for issuing notification letters to students and parents regarding the distribution of FFEL and Direct loans. This would ensure that MassArt would be in compliance with regulations regarding loan notification letters.

**Auditee’s Response**

*The College contends that it is acting compliant with the federal regulations and provides proper, accurate and timely information to the student and his or her family. As a Direct Loan school much of the disclosure and borrower rights information is provided directly by the federal government. The College places a very high emphasis on assisting a student and his or her family in the financing of their education.*

The following procedures are included in the financial aid processing at MassArt:

1. **The students and their families who apply for financial aid are sent an award letter from the College based on and including the following information; residency classification, enrollment status and living situation. The letter requests the student to review the information and indicate an acceptance or declination of each award and then sign the award letter and return it to the MassArt Office of Student Financial Assistance.** (Paragraph 2 of audit finding)

2. **If a student accepts a Direct Loan which has been the primary student loan mechanism for the College, he or she is required to accept the College award letter plus complete the Direct Loan application. Disclosure information is then sent to the student/family by the federal government. This notification includes the disbursement dates and the proper time frame for cancelling all or part of the Direct Loans.** (Paragraphs 1&3 of audit finding)

The practices contained within the above procedures are sufficient by themselves to address the audit concern. The following other services also exist in College practices to provide assistance and information to its students;
3. Once the Student Account has been credited with the Direct Loans funds and if there is an excess beyond College charges, then a College Student Refund Check is processed. The student/family is notified of the Student Refund Check and the check has a printout of the Student Account attached. The majority of students with Direct Loans at MassArt will have a Student Refund check processed.

4. The Direct Loan service system of the federal government processes a notice of disbursement made letter to the student/family with the specific loan information.

5. In addition, the College has always been open to assisting a student/family within the semester if they desire to cancel or change the amount of a Direct Loan.

6. Should a student not wish to use the Direct Loan process and acquire a loan from another source; the College has historically allowed this request and assisted in the loan processing.

**Auditor’s Reply**

In its response, MassArt contends that it is acting in compliance with federal regulations by providing proper, accurate, and timely information to its students under the Federal Family Education and Direct Loan programs. We do not dispute that award letters were prepared and submitted to students and their families; however, our audit testing disclosed that disbursement letters were not sent by MassArt to students in compliance with federal notification requirements of 34 CFR Section 668.165, which requires disbursement dates and the proper time frame for cancelling all or part of the FFEL/Direct Loans. The regulations place responsibility with each college, not ED, for sending the notification letter to each recipient of the Federal Direct Loan program.

The Direct Loan Servicing Center (DLSC) guide on page 5-61 states that the school must notify the student or parent in writing of the date and amount and their right to cancel. The DLSC sends a disclosure statement to students and parents that includes the anticipated date and amount of the disbursement. The disclosure statement states that the school will notify the student of the actual disbursement dates and amounts. Annotated remarks on page 5-61 of the DLSC guide state that “the school’s notification of a disbursement should not be confused with the Disclosure Statement that must be sent to the student or parent.” This statement supports the need for MassArt to provide notification required by 34 CFR Section 668.165.
3. RETURN OF TITLE IV FUNDS NOT CALCULATED AND RETURNED IN A TIMELY MANNER

MassArt did not calculate the return of Title IV funds for seven of its students identified in our sample of 39 as having unofficially or officially withdrawn. Our audit identified seven Title IV refunds that were not calculated for students who unofficially withdrew. Furthermore, for two students in our sample, MassArt did not process Title IV refunds within the 45-day timeframe required by federal regulations.

When a student receiving 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 funds earned by the student as of the student’s withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount disbursed to the student as of the date of the institution’s determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement in accordance with 34 CFR Sections 668.22(a)(1) through (a)(3). Our audit disclosed the following:

a. Seven Title IV Refunds Not Calculated for Students Who Unofficially Withdrew

MassArt did not calculate seven refunds of Title IV program funds for seven students who unofficially withdrew during a semester. These refunds should have been calculated when MassArt determined that the students actually stopped attending. On July 19, 2010, MassArt identified the seven students who unofficially withdrew who accepted $67,300 in federal student Financial Aid funds. As of September 30, 2010, MassArt still had not performed calculations of Title IV refunds, as required. ED has established regulations that govern the return of Title IV funds. Specifically, 34 CFR 668.22 requires the institution to return the lesser amount of unearned title IV assistance as calculated under sections (e)(4), or (g)(2), which state:

(e)(4) The total amount of unearned title IV assistance to be returned is calculated by subtracting the amount of title IV assistance earned by the student from the amount of title IV Assistance that was disbursed to the student as of the date of the institution’s determination that the student withdrew.

(g)(2) An amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of title IV grant or loan assistance that has not been earned by the student.
We determined that MassArt did not calculate Title IV refunds for the seven students in accordance with 34 CFR 668.22, which states:

(c) Withdrawal date for a student who withdraws from an institution that is not required to take attendance. (1) For the purposes of this section, for a student who ceases attendance at an institution that is not required to take attendance, the student’s withdrawal date is—

(i) The date, as determined by the institution, that the student began the withdrawal process prescribed by the institution;

(ii) The date, as determined by the institution, that the student otherwise provided official notification to the institution, in writing orally, of his or her intent to withdraw;

(iii) If the student ceases attendance without providing official notification to the institution of his or her withdrawal in accordance with paragraph (c) (1) (i) or (c) (1) (ii) of this section, the mid-point of the payment period (or period of enrollment, if applicable);

We determined that MassArt should have returned $33,843.88 of Title IV funds (Direct loans $25,357.26 and Pell grants $8,486.62) for the seven students, which represents questionable costs.

b. Title IV Refunds Not Processed in a Timely Manner

MassArt did not return Title IV program funds to the ED in a timely manner. Specifically, we noted that for the two refunds processed by MassArt, refunds were calculated properly but were returned after the 45-day timeframe had expired.

An institution must return the amount of Title IV funds for which it is responsible as soon as possible. Return of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to the ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. The ED has established regulations that govern the timely return of Title IV funds. Specifically, 34 CFR 668.173(b) states:

(b) Timely return of title IV, HEA program funds. In accordance with procedures established by the Secretary or 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 Section 668.163 no later than 45 days after the date it determines that the student withdrew
We determined that MassArt processed returns by electronic funds transfers and that one student’s return was processed in 225 days, whereas another student’s return was processed in 106 days. MassArt does not address the return of Title IV funds within 45 days in its SFA policies and procedures. Consequently, MassArt did not comply with federal regulations regarding the processing of two Title IV refunds in a timely manner.

**Recommendation**

MassArt should review its SFA policies and procedures regarding the return of Title IV funds to ensure that the returns of these funds are properly administered. MassArt should include policies and procedures that ensure compliance with federal regulations regarding the timely and accurate return of Title IV funds. MassArt should also periodically monitor these returns to ensure that Title IV funds are returned accurately and timely.

**Auditee’s Response**

*The College is in agreement that funds need to be returned in a timelier manner when it is determined that students may not have fully earned their federal financial aid. Student academic records are reviewed when the financial aid is applied to the student account. The College will work on reviewing student withdrawal forms in a more expeditious manner if an adjustment for financial aid is applicable. For walkaway and unofficial withdrawals, the offices are working on processes to evaluate the student academic records upon completion of the semester to determine if students may not have fully earned the financial aid processed to them.*

4. **STUDENT STATUS CHANGES NOT SUBMITTED AS REQUIRED**

Our audit sample of 25 students disclosed that MassArt did not notify the National Student Loan Data System (NSLDS) in a timely manner the enrollment status changes for 19 students who had withdrawn or properly report two students’ enrollment status change as required by Federal Student Financial Assistance (SFA) regulations. SFA regulations governing Title IV Student Financial Assistance programs require institutions, lenders, guaranty agencies, and the Direct Loan Servicer to monitor and update the enrollment status of all students who receive federal student loans. Under the program, MassArt is required to identify and update the enrollment status of all students, including those who graduate, withdraw, are granted leave, or reduce class load via a periodic Roster Report (formerly a Student Status Confirmation Report). This notification must take place within 30 days of the change or within 60 days of the next scheduled submission. Specifically, 34 CFR Section 685.309(b)(2), states:
(2) Unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 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.

(3) The Secretary provides student status confirmation reports to a school at least semi-annually.

A student’s enrollment status determines eligibility for in-college status, deferment, grace period, and repayment schedules, as well as the government’s payment of interest subsidies; therefore, enrollment reporting is critical for effective administration of Title IV programs. Enrollment reporting is the primary means of verifying students’ loan privileges and the federal government’s financial obligations. Under the Direct Loan Program, colleges are required to identify and update the status of all students, including those who graduate or withdraw, by completing the Roster Reports. Roster Reports are sent by the ED or the guaranty agency. The college determines how often it receives the Roster Report, but the minimum is twice each year. Once received, the college must update for changes in student status, report the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website.

MassArt reports changes in enrollment status to a contracted third party, the National Student Clearinghouse (NSC), a total of 10 times: three times each during the fall and spring semesters and summer session, then once at graduation. MassArt utilizes the NSC to facilitate its responsibility to notify NSLDS of changes in the enrollment status of its students. However, MassArt is ultimately responsible for ensuring that NSLDS is properly and timely notified of all student enrollment and status changes. According to OMB Circular A-133 Compliance Requirements, institutions are responsible for establishing procedures to ensure timely reporting, whether they report directly or via a third-party service such as the NSC.

Our audit disclosed that MassArt does not have written policies and procedures identifying the process that it utilizes to ensure that student enrollment changes are reported to NSLDS in the required timeframe. Of our sample of 25 students, 19 students’ enrollment status changes were
reported to NSLDS from 57 to 182 days beyond the 30- or 60-day requirement. The students officially or unofficially withdrew, were on leave of absence, or were dismissed. Additionally, a withdrawn student’s status had not been reported to NSLDS, and another student who requested a leave of absence for the spring semester was reported to NSC or NSLDS as being enrolled less than half-time. As a result of the late or incorrect reporting, there is inadequate assurance that these students’ deferments, grace periods, or repayment schedules were appropriately determined.

MassArt has no written procedures explaining the NSC reporting process and the federal reporting requirement. We identified that MassArt’s Registrar is responsible for filing enrollment status updates with NSC and submits the updates according to a predetermined transmission schedule. The process in place is to ensure he prepares and coordinates the reporting of enrollment status with the academic calendar such as the end of the add/drop period, semester mid-point, last day to withdraw from classes, and graduation. The Registrar indicated that he understood his responsibility to report the enrollment changes to NSC on a regular basis but was unfamiliar with NSLDS. A follow-up and monitoring with NSLDS was not performed by MassArt.

**Recommendation**

MassArt should develop written policies and procedures including internal controls to ensure compliance with federal NSLDS reporting requirements. The procedures should include the full explanation of the purpose and need for reporting and monitoring reported enrollment changes so that employees fully understand their responsibilities. MassArt should improve upon its internal controls that verify that NSC is being notified of changes in student enrollment and that the processing of this information by NSC is verified as being properly and timely reported to NSLDS in accordance with the requirements of 34 CFR 685.309(b)(2). MassArt should also update its internal control policies and procedures to include the proper monitoring of its transmissions to the NSC. This will ensure that student status changes submitted to the NSC will be reported to NSLDS properly and timely as required.

**Auditee’s Response**

*The College believes it is reporting student enrollment information to the federal government (via the National Student Clearinghouse) in a timely and proper manner. We will review the process to see how some information is not being submitted on a*
timely basis. In addition we will strengthen the process in regards to students who have withdrawn from the College.

5. EXIT COUNSELING SESSIONS WERE NOT CONDUCTED WITH GRADUATING STUDENTS WHO HAD RECEIVED PERKINS LOANS

MassArt did not conduct exit counseling sessions with graduating students who had received Federal Perkins Loans (FPL). Our review of nine files of students who were recipients of FPLs and had graduated in 2009 disclosed that exit counseling interviews had not been conducted. Federal regulations require institutions to conduct counseling interviews with graduating and or separating students as part of their due diligence in administration of the FPL program. The purpose of an exit interview is to inform student borrowers of their rights and responsibilities relative to repayment of loans such as: the seriousness of their obligations; the nine-month initial grace period granted to borrowers; the average anticipated monthly repayment amount of principal and interest; and consequences of default and the terms of conditions under which a borrower may obtain a deferment and/or cancellation of a loan.

With regard to due diligence for administration of the FPL program, 34 CFR Section 674.41 states, in part:

(b) Coordination of information. An institution shall ensure that information available in its offices (including admissions, business, alumni, placement, financial aid and registrar’s offices) is provided to those offices responsible for billing and collecting loans, in a timely manner, as needed to determine:

1. The enrollment status of the borrower;

2. The expected graduation or termination date of the borrower;

3. The date the borrower withdraws, is expelled or ceases enrollment on at least half-time basis; and

4. The current name, address, telephone number and Social Security number of the borrower.

With regard to conducting exit counseling, 34 CFR Section 674.42(b), Contact with The Borrower, states, in part:

(1) An institution must ensure that exit counseling is conducted with each borrower either in person, by audiovisual presentation or by interactive electronic means. The institution must ensure that exit counseling is conducted shortly before the borrower ceases at least half-time study at the institution.
Because MassArt did not adhere to the counseling requirements mandated by the federal government for the proper administration of its FPL program, student borrowers were not properly informed of their rights and responsibilities relative to the seriousness of their obligations and the consequences of default. Furthermore, they were not afforded the benefit of important financial repayment information. As a result, the prompt and eventual collection of the FPLs by student borrowers could be impacted.

MassArt does not address exit counseling for FPL recipients in its SFA policies and procedures. Consequently, MassArt did not comply with federal regulations regarding conducting exit counseling with FPL recipients.

**Recommendation**

MassArt needs to improve upon its policies and procedures for conducting exit counseling sessions for FPL made to its students to be in compliance with federal requirements. MassArt should develop written policies and procedures documenting the process for conducting exit counseling sessions with its students. This would ensure that MassArt would be in compliance with the due diligence requirements of administering the FPL program.

**Auditee’s Response**

*The College is very aware of this important requirement. The College apologizes for its oversight in this matter as it mistakenly thought that separate exit counseling for Perkins Loans were being done. We will work on a process that provides exit counseling for Perkins Loans in the 2010-2011 year. The Perkins program provides a value loan for students; however the availability of funds is extremely limited. In FY 2010, Perkins Loans accounted for less the 3/10ths of 1% of the loan activity processed by MassArt.*

**6. IMPROVEMENTS NEEDED IN FEDERAL WORK STUDY INTERNAL CONTROL AND PAYROLL PROCEDURES**

Our review of internal controls and payroll policies and procedures established for maintaining, monitoring, and controlling MassArt student Federal Work Study (FWS) payroll records and files indicated that it was not complying with FWS regulations, guidelines, and internal controls as identified in MassArt’s student financial aid policies and procedures and certain FWS program regulations.
In administering its FWS program, an institution shall establish and maintain an internal control system of checks and balances that insures that no office can both authorize payments and disburse funds to students as required by 34 CFR Section 675.19(a), which states, in part:

The institution must also establish and maintain program and fiscal records that; (i) include a certification by the student's supervisor, an official of the institution or off-campus agency, that each student has worked and earned the amount being paid. The certification must include or be supported by, for students paid on an hourly basis, a time record showing the hours each student worked in clock time sequence, or the total hours worked per day; (ii) Include a payroll voucher containing sufficient information to support all payroll disbursements; (iii) Include a noncash contribution record to document any payment of the institution’s share of the student's earnings in the form of services and equipment (see Sec. 675.27(a)); and (iv) Are reconciled at least monthly (34 CFR 675.19 (b)(2)).

Moreover, MassArt must have administrative capabilities that address 34 CFR Sections 668.16 (c)(1) and (2), which state:

(1) Administers Title IV, HEA programs with adequate checks and balances in its system of internal controls; and

(2) Divides the functions of authorizing payments and disbursing or delivering funds so that no office has responsibility for both functions with respect to any particular student aided under the programs. For example, the functions of authorizing payments and disbursing or delivering funds must be divided so that for any particular student aided under the programs, the two functions are carried out by at least two organizationally independent individuals who are not members of the same family, as defined in Sec. 668.15, or who do not together exercise substantial control.

As part of our testing, we reviewed timesheets taken from payrolls for fiscal year 2010 for the following documentation: existence of student timesheets, for both on-campus and off-campus employment; actual payroll reports compiled by Human Resources; and work study contracts and agreements with outside employers. Our review included tests for proper authorization, supporting documentation, accuracy, completeness, timeliness, and adherence to award specifications. Our audit tests for compliance involved a review of four students, with 40 timesheets totaling $3,420, taken from payrolls in the fall 2009 semester and the spring 2010 semester. This review indicated conditions of noncompliance within MassArt’s established student financial aid policies and procedures and FWS regulations for three students as follows:

**Student One:** This student started work study employment on October 1, 2009, and the following instances of noncompliance with federal regulations were noted:
• The student’s Employment Eligibility Verification Form I-9 was completed and signed by the student on November 17, 2009, after her employment date and the Employee Review and Verification section was not completed or signed by the employer. OMB No. 1615-004 states in part that Form I-9, Employment Eligibility Verification, must be completed no later than the time of hire, which is the beginning of employment. Section 2, requires that “Employers must complete Section 2 by examining evidence of identity and employment authorization within three business days of the date employment begins ... Employers must sign and date the certification in Section 2.”

• The student’s MassArt FWS contract was not submitted until December 2, 2009 even though the student commenced employment on October 1, 2009. The contract states that, “If you begin working before the contract is complete and approved by our office, the work you do will be considered volunteer work.” Also, the student submitted three timesheets to payroll on January 13, 2010 for employment completed on October 14, 2009, October 28, 2009, and November 11, 2009 (fall semester), which is contrary to the MassArt annual FWS contract requiring students to submit timesheets no later than 30 days after the work week. The contract states, “late timesheets must be submitted less than 30 days after the work week, or they will not be honored.” Therefore, because the student started work before the contract was complete and did not adhere to the MassArt contract, we question the payroll costs of $356.

• The student also submitted four timesheets to payroll on March 25, 2010 for employment completed for the weeks of January 27, 2010, February 3, 2010, February 10, 2010, and February 17, 2010 (spring semester), which is contrary to the MassArt annual FWS contract requirement. Therefore, because the student did not adhere to the MassArt contract, we question the payroll costs of $160.

• Timesheets processed by MassArt for this student contained a number of work-study hours that conflicted with the student’s class schedule. We found five instances of work hours recorded on the student’s timesheets where the Registrar’s records indicated the student was scheduled for classes. No notations were found on timesheets to indicate released time or class cancellations. The propriety of students working during scheduled class time is questionable and indicates a breakdown in FWS internal controls and monitoring procedures in place at MassArt.

Student Two: This student started work study employment on September 16, 2009, and the following instance of noncompliance with federal regulations were noted:

• The student submitted one timesheet on January 28, 2010 for employment completed on November 11, 2009, which is contrary to the MassArt annual FWS contract requiring students to submit timesheets no later than 30 days after the work week. The contract states that, “late timesheets must be submitted less than 30 days after the work week, or they will not be honored.” Therefore, because the student did not adhere to the MassArt contract, we question the payroll costs of $20.
**Student Three:** This student started work study employment on September 9, 2009, and the following instances of noncompliance with federal regulations were noted:

- The student submitted one timesheet on December 16, 2009 for employment completed on November 4, 2009, which is contrary to the MassArt annual FWS contract requiring students to submit timesheets no later than 30 days after the work week. The contract states that, “late timesheets must be submitted less than 30 days after the work week, or they will not be honored.” Therefore, because the student did not adhere to the MassArt contract, we question the payroll cost of $64.

- The student also submitted three timesheets on April 7, 2010 for pay periods ended February 3, 2010, February 17, 2010, and March 3, 2010, which is contrary to the MassArt annual FWS contract requiring students to submit timesheets no later than 30 days after the work week. The contract states that, “late timesheets must be submitted less than 30 days after the work week, or they will not be honored.” Therefore, because the student did not adhere to the MassArt contract, we question the payroll costs of $192.

- Timesheets processed by MassArt for this student contained a number of work hours that conflicted with the student’s class schedule. We found two instances of work hours recorded on the student’s timesheets where the Registrar’s records indicated the student was scheduled for classes. No notations were found on timesheets to indicate released time or class cancellations. Furthermore, MassArt did not have a FWS contract for one of the two work study jobs assigned to this student.

Our review disclosed that MassArt does not address the work study payroll procedures within its SFA policies and procedures. Consequently, MassArt did not comply with FWS regulations and the work study contract conditions. The total questioned costs identified for these three students were $792 of the $3,420 earned.

MassArt officials stated that due to the small pay amounts earned by students, the students accumulate timesheets before submitting them to the payroll office. Furthermore, MassArt officials stated that, since MassArt faculty do not take attendance, it is difficult to monitor the employment of work study students during scheduled class hours.

**Recommendation**

MassArt should review and improve its internal controls within its FWS program. Policies and procedures must be established to ensure that internal controls and payroll policies and procedures are functioning as intended and that they are in compliance with all applicable laws, rules, and regulations. These internal controls must be extended throughout all MassArt departments participating in the FWS program. MassArt staff should be advised of their
responsibilities with regard to payroll procedures and student-employee practices. Further, policies and procedures should be reviewed to ensure that all FWS supervisors are monitoring students’ work time to ensure that it does not conflict with class schedules.

Auditee’s Response

The College has a centralized administration of the College Work Study Program. We also have a decentralized hiring and supervision of Work Study students to allow the funds to assist many areas across the College. The College will work with the area supervisors to assist with better management and oversight of the program along with processing items in a timelier manner. The Office of Student Financial Assistance will follow up in a stronger capacity during the year when departments submit late documents. Information to students will be strengthened as well. The students questioned in this finding were eligible for College Work Study funds. The time was worked and duties were performed by the three students in the situations listed. They are entitled to the payments received. The late processing of paper work is an issue of administrative oversight and controls, not eligibility. The College does overmatch its share of funds to the College Work Study program.

Auditor’s Reply

In its response, MassArt contends that the students were eligible for college work study funds, the time was worked and the duties were performed by the students, and the students were entitled to the payments received. Nevertheless, we maintain that the processing and payment of timesheets after 30 days for hours worked is contrary to the MassArt work study contract provisions. Furthermore, MassArt did not or could not explain instances in which work study hours were in direct conflict with the student’s class schedule. Consequently, the payroll costs for the above-mentioned students are questionable.