



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued August 15, 2017

Bunker Hill Community College

For the period July 1, 2014 through June 30, 2016





Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

August 15, 2017

Dr. Pam Y. Eddinger, President
Bunker Hill Community College
250 New Rutherford Avenue
Boston, MA 02129-2925

Dear Dr. Eddinger:

I am pleased to provide this performance audit of Bunker Hill Community College. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2014 through June 30, 2016. My audit staff discussed the contents of this report with management of the college, whose comments are reflected in this report.

I would also like to express my appreciation to Bunker Hill Community College for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMBump".

Suzanne M. Bump
Auditor of the Commonwealth

cc: William J. Walczak, Chair of the Board of Trustees, Bunker Hill Community College

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
OVERVIEW OF AUDITED ENTITY	2
AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY	3
DETAILED AUDIT FINDINGS WITH AUDITEE’S RESPONSE.....	5
1. Bunker Hill Community College did not properly administer its inventory of fixed assets.	5
2. BHCC did not file required reports on unaccounted-for losses.	7

LIST OF ABBREVIATIONS

BHCC	Bunker Hill Community College
Clery Act	Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act
IT	information technology
OSA	Office of the State Auditor

EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of Bunker Hill Community College (BHCC) for the period July 1, 2014 through June 30, 2016.

In this performance audit, we examined BHCC's administration of its inventory of fixed assets, its compliance with the reporting requirements of Chapter 647 of the Acts of 1989, certain administrative expenditures, its administration of the use of college credit cards, and its compliance with the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act.

Below is a summary of our findings and recommendations, with links to each page listed.

Finding 1 Page 5	BHCC did not properly administer its inventory of fixed assets.
Recommendations Page 6	<ol style="list-style-type: none">1. BHCC should complete and reconcile the annual inventory of all assets. It should account for all items and remove all items that have been disposed of from the inventory list.2. BHCC should securely safeguard all inventory items in suitable storerooms.3. BHCC should ensure that all those performing the annual inventory are aware of the policies and procedures regarding inventory and are properly trained to participate in the process.
Finding 2 Page 7	BHCC did not file required reports on unaccounted-for losses.
Recommendation Page 7	BHCC should amend and enforce its internal control plan, designating one individual with the responsibility of monitoring and reporting to OSA all losses of college assets.

OVERVIEW OF AUDITED ENTITY

Bunker Hill Community College (BHCC) is authorized by Section 5 of Chapter 15A of the Massachusetts General Laws and operates under the direction of a board of trustees, whose members are appointed by the Governor. The board is responsible for operating according to the requirements of Section 22 of Chapter 15A of the General Laws and of the state's Board of Higher Education. The president of BHCC reports to the board of trustees and is the administrative head of the college. The president is supported by an executive team that consists of the provost and vice president of Academic and Student Affairs and the vice president of Administration and Finance.

BHCC is a member of the Massachusetts public higher-education system, which consists of 15 community colleges, 9 state universities, and 5 University of Massachusetts campuses, and is accredited by the New England Association of Schools and Colleges. According to its website, BHCC's main campuses are in Charlestown and Chelsea; it also has satellite locations in Malden, East Boston, and the South End of Boston and operates instructional centers in Quincy, Everett, and the Chinatown neighborhood of Boston. Enrollment for fall 2015 was 9,068 part-time students and 4,074 full-time students.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 11 of Chapter 12 of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of certain activities of Bunker Hill Community College (BHCC) for the period July 1, 2014 through June 30, 2016.

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.

Below is a list of our audit objectives, indicating each question we intended our audit to answer; the conclusion we reached regarding each objective; and, if applicable, where each objective is discussed in the audit findings.

Objective	Conclusion
1. Does BHCC effectively safeguard its property and equipment in accordance with its policies and procedures?	No; see Finding <u>1</u>
2. Does BHCC comply with Chapter 647 of the Acts of 1989? ¹	No; see Finding <u>2</u>
3. Does the oversight of BHCC's administrative expenditures effectively ensure that expenditures of more than \$250 are appropriate?	Yes
4. Are BHCC's internal policies and procedures sufficient to ensure its compliance with the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act)? ²	Yes

To achieve our objectives, we gained an understanding of the internal controls we determined to be relevant to our audit objectives. We tested the controls' operating effectiveness over inventory of fixed assets and certain administrative expenditures, including credit-card transactions.

1. This law requires state agencies to file a report with OSA if any "unaccounted for variances, losses, shortages, or thefts of funds property" are identified.
2. This act requires colleges and universities to report crime on and near their campuses.

In addition, we performed the following procedures:

- We interviewed the associate comptroller, the purchasing manager, and a systems analyst to gain an understanding of BHCC's inventory policies and procedures. We observed the central receiving process and discussed with the above-named personnel the tagging of items coming into the loading dock. We examined inventory records and verified the existence of certain inventory items using the following procedures:
 - From approximately 5,238 items with values of more than \$500, we selected a random, nonstatistical sample of 60 items to physically inspect and ensure that each was accurately recorded. We also selected 25 items from various BHCC campus locations and attempted to trace them to the inventory list.
- We reviewed the process BHCC followed to dispose of 1,693 surplus inventory items during our audit period. We randomly selected 20 out of 754 Dell laptop computers listed as surplus and an additional 26 non-high-risk items from the remainder of the population to ensure that they had been removed from the inventory list.
- To test BHCC's compliance with Chapter 647 of the Acts of 1989, we reviewed BHCC's policies and procedures and reviewed OSA's 647 report records. In addition, we interviewed BHCC's deputy chief of police and its director of Public Safety about reporting policies and procedures. We reviewed BHCC's police logs to determine whether there were any variances, losses, shortages, or thefts of funds or property that had not been reported to OSA.
- We reviewed BHCC's policies and procedures for expenditures and interviewed BHCC's associate comptroller to gain an understanding of the administrative-expense process. We used a random, nonstatistical sample to select 31 administrative expenditures out of approximately 2,372 items with values over \$250 from our audit period to determine whether BHCC complied with these policies and procedures.
- We interviewed BHCC's director of Public Safety and a campus police officer about BHCC's Clery Act reporting policies and procedures. We verified that requirements were met with regard to the college's annual report. In addition, we reviewed internal logs related to the incidents reported annually to the federal Department of Education's website for agreement.

Because our sampling was nonstatistical, we did not project the results of our audit tests to the total populations in the areas we reviewed.

Information obtained through BHCC's Colleague system, the accounting system containing financial records and student records, was supported by source documentation. We conducted information-security testing for certain general internal controls through the use of questionnaires, interviews, and observations to determine the reliability of the data. We determined that the data were sufficiently reliable for the purposes of this report.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. Bunker Hill Community College did not properly administer its inventory of fixed assets.

Bunker Hill Community College (BHCC) did not properly conduct a complete annual physical inventory of its fixed assets during our audit period, have accurate inventory records, or store certain information-technology (IT) items in a secured area. As a result of these issues, there is a higher-than-acceptable risk of undetected theft or misuse of assets.

BHCC officials asserted that the college had conducted an inventory of its fixed assets in fiscal year 2015. However, our review of the inventory documentation indicated that it was incomplete, as BHCC had not located and verified all items.

BHCC also did not conduct a complete physical inventory in fiscal year 2016. During our audit, we requested a copy of BHCC's inventory list as of June 30, 2016. In response, BHCC provided several unverified inventory lists; however, after a review of the lists, we found that they were inaccurate or incomplete. Specifically, from one of the inventory lists provided, we selected a sample of 60 out of 5,238 assets with dollar values of at least \$500 to verify the existence of these items. Of the 60 assets selected, 3 assets, valued at a total of \$1,561, could not be found, and 3 others, collectively valued at \$1,887, had been disposed of but not removed from the list.

BHCC had also left some assets in unsecured areas where they were more susceptible to loss or misuse. Specifically, during a tour of the main BHCC campus, we found boxes of IT inventory items stored under a stairwell next to the Tutoring and Academic Support Center.

Authoritative Guidance

Section III(D.3a) of the BHCC Policies and Procedures Manual states,

Goods are to be physically safeguarded in suitable storerooms to prevent theft, pilferage, spoilage and damage. Access to storerooms is [to] be limited to appropriate personnel. . . .

- 1. At least once each year, the college will conduct a physical count of inventory. . . .*
- 3. When the physical count of inventory within a department does not match the inventory records, appropriate adjustments would be made and must [be] authorized by the Comptroller. . . .*

5. *The annual count of inventory would be conducted as follows;*
 - a. *Pre-numbered inventory sheets/tickets (with a list of existing equipment, by location/department) would be given to the inventory counters.*
 - b. *Inventory counters must not have any responsibility for the inventory records or the physical inventory (i.e. they must be independent of the inventory).*
 - c. *Inventory counters are required to check and confirm the existence, amount, and the quality of inventory items and must sign and date the inventory sheets/tickets, as evidence thereof.*

Reasons for Noncompliance

The purchasing manager did not explain why the missing items in the fiscal year 2015 inventory had not been located or why BHCC had not conducted a complete inventory of its fixed assets that fiscal year. BHCC officials stated that the fiscal year 2016 inventory had not been performed or reconciled because BHCC was in the process of transitioning to new inventory software that year. Regarding the IT inventory items the Office of the State Auditor (OSA) found under a stairwell, BHCC's facilities manager and its director of Network Operations stated that there was not adequate space to securely store the items. Finally, BHCC officials stated that they believed that the inaccuracies in the inventory list were due to human error; work-study students performed the inventories but were not properly trained on how to perform all the tasks associated with the process.

Recommendations

1. BHCC should complete and reconcile the annual inventory of all assets. It should account for all items and remove all items that have been disposed of from the inventory list.
2. BHCC should securely safeguard all inventory items in suitable storerooms.
3. BHCC should ensure that all those performing the annual inventory are aware of the policies and procedures regarding inventory and are properly trained to participate in the process.

Auditee's Response

BHCC agrees with the Auditor's recommendations and has taken the following actions:

1. *The new inventory-tracking software referred to in Reasons for Noncompliance has been purchased and the College is in the process of full implementation. A full and complete inventory for FY 2018 will be conducted and reconciled utilizing this software.*
2. *The inventory items noted above in Reasons for Noncompliance have been removed from the unsecured area to a secured storage location.*

- 3. The Director of Purchasing has been assigned to conduct inventory counter training and to supervise all counts to ensure compliance with BHCC policy and procedures. This process will be streamlined as a result of the barcoding inventory in the newly acquired inventory-tracking system.*

2. BHCC did not file required reports on unaccounted-for losses.

During our audit period, BHCC did not immediately report three missing laptops, with a total value of approximately \$3,000, to OSA. (One laptop was subsequently located and returned.) Because BHCC did not immediately report these losses, it did not provide OSA with the opportunity to identify the internal control weaknesses that contributed to, or caused, these incidents; in addition, OSA did not have the opportunity to make recommendations to BHCC on addressing those weaknesses to reduce the likelihood of future thefts or losses.

Authoritative Guidance

Chapter 647 of the Acts of 1989 states that "all unaccounted for variances, losses, shortages or thefts of funds or property shall be immediately reported to the state auditor's office."

Reasons for Noncompliance

BHCC did not designate one individual to coordinate and monitor reporting of Chapter 647 losses. BHCC's internal control plan provides contradictory guidance concerning who is responsible for reporting losses to OSA.

Recommendation

BHCC should amend and enforce its internal control plan, designating one individual with the responsibility of monitoring and reporting to OSA all losses of college assets.

Auditee's Response

BHCC agrees with the recommendations and has taken the following actions:

- 1. Procedures have been updated to assign responsibility to a single position, Director of Purchasing, for timely compliance with any Chapter 647 items.*
- 2. Procedures have also been updated to ensure any losses reported to campus police will be forwarded to the Director of Purchasing.*