



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

Making government work better

Official Audit Report – Issued May 11, 2021

Massachusetts Bay Community College

For the period July 1, 2018 through December 31, 2019





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Making government work better

May 11, 2021

David Podell, PhD, President
Massachusetts Bay Community College
50 Oakland Street
Wellesley Hills, MA 02481

Dear President Podell:

I am pleased to provide this performance audit of Massachusetts Bay Community College. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2018 through December 31, 2019. 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 Massachusetts Bay 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: Thomas E. Peisch, Esq., Chair of the Massachusetts Bay Community College Board of Trustees

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LIST OF ABBREVIATIONS

CTR	Office of the Comptroller of the Commonwealth
IT	information technology
MBCC	Massachusetts Bay Community College
OSA	Office of the State Auditor
P-Card	procurement card

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 Massachusetts Bay Community College (MBCC) for the period July 1, 2018 through December 31, 2019. When testing MBCC's information technology (IT) inventory, we extended the audit period through August 28, 2020, capturing data in MBCC's inventory database as of the time of our fieldwork. Some testing of MBCC's IT inventory required physically observing the then-current status of equipment at MBCC locations. Our last physical observation of IT equipment was on January 19, 2021.

In this performance audit, we examined MBCC activities related to the administration of IT equipment and procurement cards. We also followed up on an issue regarding MBCC's compliance with the reporting requirements of Chapter 647 of the Acts of 1989, identified in our previous audit (No. 2016-0196-3E), to determine what measures MBCC's management had taken to address the lack of reporting of missing or stolen equipment to OSA.

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

Finding 1a Page 8	MBCC did not maintain accurate required information on its IT inventory list, and some items were untagged or never added to the list.
Finding 1b Page 10	MBCC could not substantiate that it conducted annual inventories of its IT equipment.

Recommendations Page <u>10</u>	<ol style="list-style-type: none">1. MBCC should review and edit its current IT inventory list to include purchase dates, costs, assigned tag numbers, locations, descriptions, and serial numbers for all items; should remove duplicate items; and should correct inaccurate data where possible.2. MBCC should ensure that all IT assets have inventory tags affixed to them.3. MBCC should enhance its current “Inventory—Tracking and Disposal Policy” to include detailed procedures for all phases of the IT inventory process. The policy should require keeping documentation supporting the annual physical inventory of IT equipment and should include guidance for relocating IT equipment.4. MBCC should communicate this policy to all employees and establish monitoring controls to ensure that it is consistently followed.5. MBCC should reevaluate its purchasing and inventory process to identify a best practice for identifying and tracking newly purchased IT equipment at the point of purchase. MBCC should determine whether incorporating its inventory process into the college’s purchasing system by using the PeopleSoft Asset Management module is a viable option.
Finding 2 Page <u>12</u>	MBCC has not implemented policies, procedures, and monitoring controls to ensure compliance with Chapter 647 of the Acts of 1989 as recommended in our prior audit.
Recommendations Page <u>13</u>	<ol style="list-style-type: none">1. MBCC should develop and implement policies, procedures, and monitoring controls to ensure that all unaccounted-for variances, losses, shortages, and/or thefts of funds or property are immediately reported to OSA.2. MBCC should ensure that the party responsible for overseeing compliance with Chapter 647 of the Acts of 1989 understands the law’s requirements.

Post-Audit Action

In response to this audit report, MBCC provided the following comments about its post-audit actions.

The College appreciates the thoughtful review and feedback from the audit team, and the opportunity to respond to their findings. We have started the process of reviewing our policies, procedures, and systems to ensure proper monitoring and compliance. . . .

In response to the recommendation that the College provide mandatory information security training, we are pleased to report that this has successfully been impact bargained with the unions and we have begun to implement a system to provide cybersecurity training for all employees and to document program completion.

OVERVIEW OF AUDITED ENTITY

Massachusetts Bay Community College (MBCC) is authorized by Section 5 of Chapter 15A of the Massachusetts General Laws and operates under the direction of a board of trustees, the members of which are appointed by the Governor. The president of MBCC is the administrative head of the college and reports to the board of trustees.

MBCC is a member of the Massachusetts public higher-education system, which consists of 15 community colleges, nine state universities, and five University of Massachusetts campuses. According to its website, MBCC serves approximately 6,000 full-time and part-time students from greater Boston and the Metrowest region on its campuses in Wellesley Hills, Framingham, and Ashland. As of June 30, 2019, the college employed 724 faculty members, 298 of whom were full-time.

MBCC received appropriations of \$21,148,479 and \$22,359,450 from the Commonwealth for fiscal years 2018 and 2019, respectively.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

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 certain activities of Massachusetts Bay Community College (MBCC) for the period July 1, 2018 through December 31, 2019. When testing MBCC's information technology (IT) inventory, we extended the audit period through August 28, 2020, capturing data in MBCC's inventory database at that time. Our last physical observation of IT equipment was on January 19, 2021.

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. Is MBCC's IT equipment accurately accounted for and properly safeguarded? Specifically,	
a. Does MBCC maintain accurate required information on its inventory list of IT equipment in accordance with the Office of the Comptroller of the Commonwealth's (CTR's) "Fixed Assets—Acquisition Policy," CTR's "Fixed Assets—Accounting and Management Policy," and MBCC's own "Inventory—Tracking and Disposal Policy"?	No; see Findings <u>1a</u> and <u>1b</u>
b. Does MBCC obtain approval from the State Surplus Property Office when disposing of surplus IT equipment as required by Section 3.04(6) of Title 802 of the Code of Massachusetts Regulations?	Yes
2. Has MBCC implemented the recommendation of our prior audit regarding compliance with the reporting requirements of Chapter 647 of the Acts of 1989?	No; see Finding <u>2</u>
3. Are procurement card (P-Card) expenditures supported by adequate documentation and restricted to college-related business in accordance with MBCC's policies and procedures?	Yes

To achieve our audit objectives, we gained an understanding of MBCC's internal control environment related to the objectives by reviewing college policies and procedures, as well as conducting inquiries with MBCC's staff and management. During this process, we noted that MBCC did not have an information security training program (see [Other Matters](#)). We also reviewed and tested the operating effectiveness of internal controls related to P-Card transactions. To obtain sufficient, appropriate audit evidence to address our audit objectives, we conducted further audit testing as follows.

IT Inventory

To determine whether MBCC maintained the required information on its inventory list of IT equipment and whether the list was accurate, we obtained a copy of the list as of August 28, 2020. We performed analytical procedures to determine whether all required information (purchase date, description, cost, assigned tag number, serial number, and location) was included on the list. From the list, we identified items that we felt were most vulnerable to theft (desktops, laptops, tablets, printers, and projectors). We selected a statistical random sample (with a 95% confidence level, a 0% expected error rate, and a 5% tolerable error rate) of 60 of the 2,474 vulnerable items on the list. We physically examined¹ each item in our sample to verify that it existed, was properly tagged with an MBCC asset identification number, and was accurately recorded on the list. We also asked MBCC officials whether an annual physical inventory of IT equipment had been performed during our audit period and requested documentation to substantiate that the inventory had been performed.

To determine whether disposals of surplus IT equipment were performed in accordance with the regulations of the state Operational Services Division, we requested and received a list of all 54 IT equipment items that were designated as surplus during our audit period. For each of these items, we examined MBCC supporting documentation (completed Declaration of Surplus Property Forms and email correspondence between MBCC and the State Surplus Property Office) for evidence that MBCC obtained approval from the State Surplus Property Office to transfer or dispose of each item.

Chapter 647 Compliance

In our previous audit, we found that MBCC had not immediately reported to OSA 10 missing or stolen items, totaling \$12,720. To determine whether MBCC had taken corrective measures to address this issue, we interviewed the college's vice president of finance and administration, director of

1. Because of safety concerns related to the COVID-19 pandemic, we could not visit MBCC campuses to physically observe inventory. Instead, we made observations remotely using video technology.

procurement and business operations, comptroller, and chief of police to determine whether the college had developed and implemented policies, procedures, and monitoring controls (including the designation of an individual with the responsibility of ensuring that all unaccounted-for variances, losses, shortages, and thefts of funds or property were immediately reported to OSA) as recommended in our prior audit. The chief of police gave us the incident report for the only occurrence of lost or stolen college property that was reported to campus police during the audit period. We reconciled this incident to the Chapter 647 reports that MBCC had submitted to OSA at any point. We also reviewed other campus police incident reports from the audit period to determine whether there were any variances, losses, shortages, or thefts of funds or property that had not been reported to OSA.

P-Card Expenditures

To determine whether P-Card expenditures were supported by adequate documentation and restricted to college-related business in accordance with MBCC's policies and procedures, we obtained a list of all MBCC's P-Card transactions for the audit period from Bank of America's electronic accounting system. Total P-Card activity for the audit period consisted of 1,413 P-Card transactions, totaling \$425,851. We selected a nonstatistical judgmental sample of 40 P-Card transactions for testing. We examined MBCC's supporting documentation (original detailed vendor receipts, purchase orders, written detailed explanations of charges, and travel request forms where applicable) to validate the nature and business purpose of the expenditures.

We used a combination of nonstatistical and statistical sampling methods for our audit objectives and did not project the sample results to any of the population.

Data Reliability

To determine the accuracy of MBCC's IT inventory list, we selected a judgmental sample of 20 IT items from the list and traced them to their physical locations. We also tested the data for duplicate records. To determine the completeness of MBCC's IT inventory list, we selected a judgmental sample of 20 IT items from different locations on MBCC campuses and traced them to the list. In addition, to ascertain whether new IT equipment purchases were added to the list and tracked, we selected a judgmental sample of 20 IT equipment vendor invoices from the audit period and compared them to the items on the list.

To determine the completeness and accuracy of the college's IT equipment surplus list, we randomly selected a sample of 10 IT equipment items disposed of during the audit period and traced the sample to hardcopy Declaration of Surplus Property Forms. In addition, we selected a judgmental sample of 10 different IT equipment items on the Declaration of Surplus Property Forms and traced them back to the surplus list.

We assessed the reliability of data obtained from Bank of America's electronic accounting system for P-Card transactions by tracing certain electronic transactions to and from monthly credit card statements and scanning for duplicate records. We also reviewed System and Organization Controls² reports from Bank of America that covered our audit period and ensured that certain information system control tests had been performed.

Based on the data reliability procedures described above, we determined that the data obtained for our audit period were sufficiently reliable for the purposes of our audit work.

2. These reports review the effectiveness of internal controls over a service organization's information systems and are conducted by independent certified public accountant or accounting firms.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. Massachusetts Bay Community College did not properly administer its inventory of information technology equipment.

Massachusetts Bay Community College's (MBCC's) information technology (IT) inventory list was inaccurate and did not contain all the required information. In addition, some items did not have asset tags affixed to them, some items had not been added to the inventory list, and MBCC could not substantiate that it conducted an annual physical inventory.

As a result of these issues, MBCC cannot be certain that all its IT equipment is accurately accounted for and adequately safeguarded against misuse or that it can effectively detect lost, missing, or stolen items.

a. MBCC did not maintain accurate required information on its IT inventory list, and some items were untagged or never added to the list.

MBCC did not maintain the required information on its IT inventory list. Specifically, MBCC did not record the original purchase dates and costs for any of the 2,844 assets on the list, and 534 of the assets were missing other key identifying information, such as the asset tag number, location, description, and serial number.

In addition to lacking information, the college's IT inventory list was inaccurate:

- Two hundred forty-six items had the same asset tag number as another asset on the list.
- Ninety-one items had the same serial number as another asset on the list.
- Three items were duplicated on the list.

Furthermore, in the sample of 60 IT equipment items we selected for testing, we noted the following:

- Four items were in different locations from those on the IT inventory list.
- Two items did not have inventory tags attached to them.
- Four items had the wrong inventory tag numbers recorded on the list.

Finally, we identified 79 inventory items, valued at \$53,178, that were purchased during the audit period but not added to the IT inventory list.

Authoritative Guidance

Institutions of higher education in Massachusetts are required to follow fixed asset guidance issued by the Office of the Comptroller of the Commonwealth (CTR). CTR's "Fixed Assets—Acquisition Policy" requires that departments record "the date of purchase, amount, description, location and disposition" for each non—generally accepted accounting principles fixed asset³ in their inventories.

MBCC's "Inventory—Tracking and Disposal Policy" states,

- a. *All applicable items will be assigned an asset tag number and entered into the College's Inventory Tracking System.*
- b. *The information stored in the College's Inventory Tracking System will include the description of the item, any relevant information, location of the equipment and purchase price or estimated price if purchase price is indeterminable.*

Although the policy does not specifically require MBCC to record asset tag and serial numbers for each item on its inventory list, we determined that MBCC had established a practice of doing so. We believe it is important that these key pieces of identifiable information be recorded for all inventory items.

Reasons for Issues

Although MBCC's "Inventory—Tracking and Disposal Policy" requires maintaining purchase price information, the college's IT officials told us that they were unaware that original purchase dates and costs were required to be maintained. They added that human error probably contributed to items missing other key identifying information, such as the asset tag number, location, description, and serial number.

MBCC does not have adequate policies and procedures for the inventory of its IT equipment: its "Inventory—Tracking and Disposal Policy" does not include detailed procedures for all phases of the inventory process or any guidance for asset relocation. In addition, MBCC has not established monitoring controls to ensure that its inventory policies and procedures are consistently followed. Moreover, the college's process for identifying items that should be added to the IT inventory list and assigned asset tag numbers is not integrated with the college's purchasing software. For example, instead of identifying new inventory items at the point of purchase, MBCC relies on

3. This policy defines these assets as "**vehicles, equipment, furniture, computer software, and all electrical and computer components** with (1) a useful life of more than one year and (2) with **an original cost between \$1,000 and \$49,999.**"

running queries after the fact to identify these items and then manually affixes tag numbers and updates the list. This process is cumbersome and allows for too high a degree of inaccuracy. Although PeopleSoft, MBCC's electronic accounting system, has an Asset Management module designed to maintain fixed assets, MBCC has chosen not to implement this module.

b. MBCC could not substantiate that it conducted annual inventories of its IT equipment.

MBCC could not provide us with sufficient documentation to substantiate that it had conducted a complete annual inventory of all its IT equipment during our audit period. MBCC officials told us that a physical inventory had been conducted during fiscal year 2019, but could not provide us with any documentation to substantiate this assertion.

Authoritative Guidance

CTR's "Fixed Assets—Accounting and Management Policy" states,

*There shall be an **annual inventory** taken of fixed assets owned by every Department. This inventory shall include, at a minimum, a verification of the existence and location of fixed assets owned by a Department. . . .*

*There shall be a **reconciliation of the fixed asset inventory** against the books and records maintained by the Department. . . . This reconciliation is to be done, at a minimum, on an annual basis.*

MBCC's "Inventory—Tracking and Disposal Policy" also requires an annual physical inventory of all IT equipment regardless of cost, with the exception of inkjet printers.

Reasons for Issue

MBCC's "Inventory—Tracking and Disposal Policy" does not require keeping evidence of the performance of physical inventories.

Recommendations

1. MBCC should review and edit its current IT inventory list to include purchase dates, costs, assigned tag numbers, locations, descriptions, and serial numbers for all items; should remove duplicate items; and should correct inaccurate data where possible.
2. MBCC should ensure that all IT assets have inventory tags affixed to them.

3. MBCC should enhance its current "Inventory—Tracking and Disposal Policy" to include detailed procedures for all phases of the IT inventory process. The policy should require keeping documentation supporting the annual physical inventory of IT equipment and should include guidance for relocating IT equipment.
4. MBCC should communicate this policy to all employees and establish monitoring controls to ensure that it is consistently followed.
5. MBCC should reevaluate its purchasing and inventory process to identify a best practice for identifying and tracking newly purchased IT equipment at the point of purchase. MBCC should determine whether incorporating its inventory process into the college's purchasing system by using the PeopleSoft Asset Management module is a viable option.

Auditee's Response

MassBay was not able to implement the Asset Management module of PeopleSoft due to turnover in key roles. We will reevaluate this option and consider other software packages to identify the best fit for our business process. The College understands the importance of having an integrated solution that identifies items to be added to the inventory list at the point of purchase, assigns asset tag numbers, and populates the required fields—date of purchase, purchase amount, description, and location. We will also employ scanning technology to track assets from point of entry during the receiving process and to facilitate and increase the accuracy of information reported back to the inventory tracking system. Additionally, we will ensure the system will allow for tracking asset relocation and disposition.

Once we identify the software, we will update our "Inventory—Tracking and Disposal Policy" to include detailed procedures for all phases of the inventory process. The policy will include technology and procedures necessary to capture and retain the details of the annual physical inventory, to reconcile discrepancies found during the annual inventory, and the actions to be taken to remedy the discrepancies found including Chapter 647 reporting when applicable. We will update our "Inventory—Tracking and Disposal Policy" to align it with the requirements of CTR's "Fixed Assets—Acquisition Policy" and to require an annual inventory of only assets with a useful life of more than one year and an original cost greater than \$1,000.

In order to implement proper monitoring controls, the College will assign an employee to be responsible for inventory.

In response to the specific deficiencies identified during this audit, MassBay has taken the following steps:

- *MassBay is updating the inventory list to include the Commonwealth's Fixed Assets Acquisition Policy—date of purchase, amount, description, location, and disposition status, and correcting duplicate and inaccurate records. In addition, all applicable items will be assigned a tag number. The reason some items are not tagged is because they were either shipped directly to employees during the pandemic or deployed in the initial push to transition to remote [work] per order of Governor Baker. . . .*

- *MassBay has identified the assets that meet CTR's "Fixed Assets—Acquisition Policy" threshold. We will affix inventory tags when it is feasible to do so, after the College reopens post-pandemic.*

The auditee also stated,

While we appreciate the suggestion to include serial numbers, we intend to adopt CTR's "Fixed Assets—Acquisition Policy" and will include the information fields required by that policy on our inventory list moving forward.

Auditor's Reply

Based on its response, MBCC is taking measures that respond to our concerns and will allow it to account for its assets more effectively. However, in its response, MBCC indicates that it is updating its inventory list to include only the fields required by CTR's "Fixed Assets—Acquisition Policy": date of purchase, amount, description, location, and disposal status. As noted above, we believe it is important that MBCC also record other key pieces of identifiable information, such as asset tag and serial number, for all inventory items. We urge MBCC to fully implement our recommendations.

2. MBCC has not implemented policies, procedures, and monitoring controls to ensure compliance with Chapter 647 of the Acts of 1989 as recommended in our prior audit.

In our prior audit, we found that MBCC had not immediately reported to the Office of the State Auditor (OSA) 10 missing or stolen items, totaling \$12,720. We recommended that MBCC develop and implement policies, procedures, and monitoring controls to ensure that all unaccounted-for variances, losses, shortages, or thefts of funds or property were immediately reported to OSA.

During our current audit period, although the chief of police had been given the responsibility of filing reports with OSA under Chapter 647 of the Acts of 1989, MBCC had still not established college-wide policies, procedures, and monitoring controls to ensure compliance with Chapter 647. MBCC reported to its campus police \$120 worth of missing or stolen medical equipment on October 3, 2018, but did not file a report with OSA pursuant to Chapter 647. MBCC notified OSA of this previously unreported loss during our fieldwork in August 2020.

Because MBCC did not immediately report this loss, OSA did not have the opportunity to identify the internal control weakness that might have contributed to, or caused, this incident. OSA also did not have

the opportunity to make a recommendation to MBCC about addressing the weakness to reduce the risk of future theft or losses.

Authoritative Guidance

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

Reasons for Noncompliance

MBCC officials told us that there had been significant changes in the college's management staff since the prior audit. They also told us that the college had drafted procedures for filing a report with the campus police whenever an item is reported as lost or stolen, as well as reporting all unaccounted-for variances to OSA; however, this process has yet to be formally implemented.

The university's chief of police, who is responsible for filing reports of losses under Chapter 647, told us it was his understanding that MBCC was only required to report losses of \$1,000 or more.

Recommendations

1. MBCC should develop and implement policies, procedures, and monitoring controls to ensure that all unaccounted-for variances, losses, shortages, and/or thefts of funds or property are immediately reported to OSA.
2. MBCC should ensure that the party responsible for overseeing compliance with Chapter 647 of the Acts of 1989 understands the law's requirements.

Auditee's Response

In response to this finding, MassBay will implement training and reporting procedures to ensure ongoing compliance with Chapter 647 of the Acts of 1989. The MassBay Campus Police Policy Manual will be updated to include the reporting procedure noted below, and all department staff will be aware of the policy. The Director of Public Safety / Chief of Police will send the campus community a monthly reminder via email describing the procedure to report missing/lost or stolen items.

MassBay will implement the following procedure to report missing/lost or stolen items to the State Auditor's Office:

- *Campus police will notify the Vice President of Finance and Administration and the employee responsible for inventory of a reported loss. The Director of Public Safety / Chief of Police or his/her designee will submit the required Chapter 647 report to the State Auditor's Office as the result of receiving a report of missing/lost or stolen assets.*

Copies of the documentation submitted to the Office of the State Auditor will remain on file in the Public Safety office, be submitted to the Vice President of Finance and Administration and the employee responsible for inventory.

- *The initial reporting party will be advised by the Director of Public Safety / Chief of Police that an investigation has been completed. The Vice President of Finance and Administration will provide any internal control changes that arise out of the recommendations to the Controller and the employee responsible for inventory, for incorporation into the College Internal Control Manual and for dissemination to the campus community as appropriate. MassBay has since reported the missing or stolen medical equipment from October 3, 2018 and is satisfied that future instances of missing/stolen or lost assets will be reported in accordance with Chapter 647.*

Auditor's Reply

Based on its response, MBCC is taking measures to address our concerns in this area.

OTHER MATTERS

Information Security Training

According to the Association of Certified Fraud Examiners' article "Cyberattacks in Higher Education at an Epidemic Level," each year colleges and universities nationwide lose millions of dollars to cybercriminals. The article states,

Higher education is highly susceptible. . . .

[University servers] hold treasure troves of valuable data, including sensitive student and employee data, such as addresses, passwords, payment details, bank information and confidential research. . . .

During the global pandemic . . . the risks are greatly increased and access points for hackers are multiplied.

This has resulted in an escalation in cyberattacks on institutions of higher education. The most effective way to prevent such cyberattacks is through information security training.

During our audit of Massachusetts Bay Community College's (MBCC's) internal control environment, we noted that MBCC had not established a program to ensure that system users received information security training. Contrary to industry best practices promoted by the National Institute of Standards and Technology's Special Publication 800-53r4, *Security and Privacy Controls for Federal Information Systems and Organizations*, MBCC does not require new employees to take initial information security training as part of new hire orientation, nor does it require employees to take refresher training annually thereafter. Instead, information security training at MBCC is voluntary.

Without educating all system users on their responsibility of helping protect the security of information assets by requiring training, MBCC is exposed to a higher risk of cybersecurity attacks and financial and/or reputation losses. We strongly encourage MBCC to require information security training for all new employees and annual refresher training for all personnel.