



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

*Making government work better*

Official Audit Report – Issued March 31, 2020

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## Mount Wachusett Community College

For the period July 1, 2016 through December 31, 2018





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*Making government work better*

March 31, 2020

James Vander Hooven, EdD, President  
Mount Wachusett Community College  
444 Green Street  
Gardner, MA 01440

Dear Dr. Vander Hooven:

I am pleased to provide this performance audit of Mount Wachusett Community College. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2016 through December 31, 2018. 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 Mount Wachusett 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: Robert Antonioni, Chair of the Board of Trustees, Mount Wachusett Community College

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## LIST OF ABBREVIATIONS

CORI	Criminal Offender Record Information
ECE	early childhood education
GSC	Green Street Cafe
MFC	Mount Fitness Center
MWCC	Mount Wachusett Community College
NACUBO	National Association of College and University Business Officers
VPFA	vice president of finance and administration

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## EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of Mount Wachusett Community College (MWCC) for the period July 1, 2016 through December 31, 2018.

In this performance audit, we examined MWCC's activities related to the training and screening of students enrolled in its early childhood education (ECE) programs. We also reviewed the operations of MWCC's auxiliary services, Mount Fitness Center (MFC) and the Green Street Cafe (GSC). Additionally, we reviewed MWCC's strategic plan to determine whether it was current.

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

<b>Finding 1</b> <b>Page <a href="#">8</a></b>	MWCC could not provide Criminal Offender Record Information (CORI) reports for all students who were enrolled in ECE practicum courses.
<b>Recommendation</b> <b>Page <a href="#">8</a></b>	MWCC should implement a policy to monitor whether students have had CORI checks before they participate in ECE practicum courses and develop a procedure to ensure compliance with the policy.
<b>Finding 2</b> <b>Page <a href="#">9</a></b>	MWCC's financial reports do not include the full cost of operating GSC and MFC.
<b>Recommendation</b> <b>Page <a href="#">12</a></b>	MWCC should include all operating expenses for GSC and MFC in financial reports that are used to assess these services' financial performance. Operating expenses should include all direct costs (including fringe benefit costs) and indirect costs.
<b>Finding 3</b> <b>Page <a href="#">12</a></b>	MWCC management does not use detailed management reporting to guide decisions regarding GSC's and MFC's operations.
<b>Recommendations</b> <b>Page <a href="#">13</a></b>	<ol style="list-style-type: none"><li>1. MWCC should allocate financial and personnel resources to develop management reports for both GSC and MFC to monitor the operating performance of these auxiliary services on a monthly and annual basis.</li><li>2. Once MWCC has a better understanding of GSC's and MFC's operating performance, it should evaluate whether they efficiently and effectively support MWCC's mission.</li></ol>

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## OVERVIEW OF AUDITED ENTITY

Mount Wachusett Community College (MWCC) was established 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.

MWCC 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. MWCC is an accredited public two-year institution serving 29 cities and towns in north central Massachusetts. The 269-acre campus is located in Gardner; satellite sites are located in Leominster, Fitchburg, and Devens. The college offers more than 45 associate degree and certificate programs, as well as adult basic education / general education diploma programs, education and training for businesses, and noncredit community service. Courses are offered during days and evenings; on weekdays and weekends; and in person and online.

MWCC offers three programs in the early childhood education (ECE) major that prepare students to work with children. As of December 31, 2018, there were 118 students enrolled in ECE programs. Each student who is enrolled in an ECE program must take part in a practicum course that requires 150 hours of working directly with children in a supervised ECE setting. To ensure the safety of children in these settings, all students who participate in MWCC's ECE practicum courses are required to have Criminal Offender Record Information<sup>1</sup> checks before participating in classroom settings.

In January 2017, after 30 years of service, MWCC's then-president retired. Before he left, he developed a three-year strategic plan covering fiscal years 2015 through 2017. This plan was extended to accommodate the transition to a new president, who was appointed in March 2017.

A 65,000-square-foot gymnasium was built on the Gardner campus in 1975 to accommodate intercollegiate sports programs. This facility included an indoor swimming pool, three full-size indoor basketball courts, and several other amenities. MWCC withdrew from intercollegiate sports competition in the late 1980s. In 1995, in an effort to use the building, MWCC opened Mount Fitness Center (MFC) to students, faculty members, staff members, and the public. MFC offers low-price memberships for individuals and families.

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1. These checks provide information about a person's history of criminal activity, if any. They contain only Massachusetts information, with a few exceptions.

MWCC also operates a cafeteria, the Green Street Cafe (GSC), on the Gardner campus. GSC provides daily dining specials as well as standard breakfast, lunch, and dinner. MFC and GSC are classified as auxiliary services<sup>2</sup> of MWCC and are managed and operated by MWCC employees.

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2. According to the National Association of College and University Business Officers' *Financial Accounting and Reporting Manual*, "An auxiliary enterprise [or service] exists to furnish goods or services to students, faculty, staff, other institutional departments, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services."

## AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of Mount Wachusett Community College (MWCC) for the period July 1, 2016 through December 31, 2018.

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 MWCC ensure that students participating in its early childhood education (ECE) programs are trained and screened before they participate in the programs' required practicum courses at local daycare centers? Specifically,	
a. Do students successfully meet MWCC's prerequisites before enrolling in practicum courses?	Yes
b. Does MWCC perform Criminal Offender Record Information (CORI) checks for students before they enter practicum courses at daycare centers?	Sometimes; see Finding <u>1</u>
2. Are the auxiliary services, Mount Fitness Center (MFC) and the Green Street Cafe (GSC), managed and operated efficiently and effectively? Specifically,	
a. Do these auxiliary services have documented goals and objectives that are monitored?	Yes
b. Are all costs that are associated with operating these auxiliary services included in financial management reports?	No; see Finding <u>2</u>
c. Do these auxiliary services analyze available system data to make potential operating decisions?	No; see Finding <u>3</u>
3. Has MWCC designed an updated strategic plan to define and meet the objectives and goals of its mission?	Yes



We gained an understanding of the internal controls we deemed significant to our audit objectives by reviewing policies and procedures and conducting interviews with MWCC officials. We also evaluated the design and effectiveness of controls over practicum course registration and performed the following procedures to address our audit objectives.

### **Data Reliability**

We performed a data reliability assessment of MWCC's operating system (the Banner System) focused on testing controls (access controls, security management, contingency planning, and segregation of duties) for the period July 1, 2016 through December 31, 2018.

To validate expenditure data recorded in the Banner System, we traced accounts payable transactions to supporting documentation (accounts payable vouchers) and traced accounts payable vouchers to the Banner System. We also performed electronic testing to check for duplicate records and other abnormalities. To validate revenue data recorded by MFC and GSC, we traced revenue transactions to supporting documentation (cash register receipts and daily deposit slips). We also performed electronic testing to check for duplicate records and other abnormalities. To validate the list of students enrolled in Practicum I or Practicum II courses, we checked for duplicate students and other abnormalities. We determined that the information obtained from the Banner System for our audit period was sufficiently reliable for our audit work.

### **Practicum Course Registration**

To determine whether students successfully met MWCC's prerequisites before enrolling in practicum courses, we selected a nonstatistical random sample of 10 of the 95 students enrolled in Practicum I or Practicum II courses during the audit period. We reviewed these students' transcripts from the Registrar's Office to verify that they completed the prerequisite courses before enrolling in practicum courses. We also reviewed the transcripts to determine whether they had at least a C average. We used nonstatistical samples; therefore, we could not project the results of our tests to the entire population.

To determine whether MWCC performed CORI checks for students before they entered practicum courses at daycare centers, we requested and reviewed CORI reports for 100% of the 95 students enrolled in practicum courses during the audit period.

## **Auxiliary Service Operations**

To determine whether auxiliary services (GSC and MFC) had documented goals and objectives, we interviewed the vice president of finance and administration (VPFA) as well as the directors of MFC and GSC.

To determine whether the goals and objectives of GSC and MFC were monitored, we reviewed MWCC-generated financial reports (trust fund reports) that were created for the board of trustees and used to periodically assess the operating performance of GSC and MFC.

To determine whether all costs associated with operating GSC and MFC were included in the trust fund reports, we requested and obtained complete accounting information for MFC and GSC from the Banner System and compared expenditures to the trust fund reports. We also met with the VPFA to inquire about assessing and allocating indirect costs to these services.

To determine whether GSC and MFC used available system data to make operating decisions, we interviewed the VPFA and the directors of GSC and MFC to determine the metrics used to measure operating performance. Further, we inquired of the VPFA how the financial and operational performance of GSC and MFC was monitored and whether performance metrics were used. In addition, we requested system data available for MFC and GSC and discussed the annual budget procedures that were in effect during the audit period.

To provide MWCC with a visualization of operating performance, we obtained GSC and MFC financial information from the college's accounting system for fiscal years 2015 through 2018. Using this information, we prepared four-year financial trending reports to illustrate operating performance for these auxiliary services.

## **Strategic Plan**

To determine whether MWCC designed a strategic plan to define and meet the objectives and goals of its mission, we reviewed the strategic plan for fiscal years 2015 through 2017, which was extended through fall 2019 by the Commonwealth's Department of Higher Education.

We interviewed the vice president of planning and development to evaluate the recent activities for preparing an updated strategic plan.

Additionally, we contacted the Department of Higher Education's associate commissioner for strategic planning and public program approval to verify the status of MWCC's strategic plan.

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## DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

### **1. Mount Wachusett Community College could not provide Criminal Offender Record Information reports for all students who were enrolled in early childhood education practicum courses.**

Mount Wachusett Community College (MWCC) could not provide 40 of the 95 requested Criminal Offender Record Information (CORI) reports for students enrolled in early childhood education (ECE) practicum courses during the audit period. The practicum courses provide students with experience working with children in ECE settings, specifically local daycare centers. Without proof that CORI checks have been performed for practicum students, MWCC risks allowing practicum students with criminal records to work with children in daycare centers.

#### **Authoritative Guidance**

MWCC's course catalogs during the audit period stated, "Students participating in [an ECE] practicum must undergo a Criminal Offender Record Information (CORI) check."

#### **Reasons for Noncompliance**

MWCC officials told us that CORI checks were performed for all students participating in practicum courses; however, the college does not have a policy that requires it to confirm that CORI checks have been performed on students before their placements. Additionally, MWCC does not maintain documentation of these CORI checks in students' files.

#### **Recommendation**

MWCC should implement a policy to monitor whether students have had CORI checks before they participate in ECE practicum courses and develop a procedure to ensure compliance with the policy.

#### **Auditee's Response**

*The audit covers the period July 1, 2016 through December 31, 2018. Late in 2018, the College had already become aware of some procedural items related to the CORI check process and made plans to tighten up the process. As indicated in the audit report, the College did perform CORI checks on all students participating in practicum courses, however, the process did not include adequate feedback of the results with the program administrators and the inquiry results were not properly retained in the school's records.*

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*In February of 2019, the process was changed to include the following new aspect;*

- *The process of screening and clearing students was moved from the campus police department to the student services division.*
- *A CORI review committee comprised of representatives from across the College was formed to address student appeals, collectively examine cases, and interpret/enforce the Commonwealth's position on these matters.*
- *Any student who has a relevant finding must either meet with the Senior Dean of Student Services or—when the case stipulates—the CORI review committee.*
- *All documentation is retained and filed by program.*
- *Personnel involved in this process have received basic CORI training in Boston and also attend regular training updates.*

## **Auditor's Reply**

We commend the college's efforts to identify and strengthen controls related to monitoring compliance with CORI check administration for students working with children in local daycare centers.

## **2. MWCC's financial reports do not include the full cost of operating the Green Street Cafe and Mount Fitness Center.**

MWCC's financial reports did not include fringe benefit costs<sup>3</sup> or indirect costs, such as general operations, maintenance, depreciation, and administration expenditures, for the Green Street Cafe (GSC) and Mount Fitness Center (MFC). When we requested financial reports for these auxiliary services, MWCC provided quarterly trust fund reports, which do not include such costs.

The cafe and fitness center require MWCC to pay for their operations. Without financial reports that include all the costs associated with operating these auxiliary services, management cannot accurately assess the financial effect of these services on limited college financial resources and make fully informed management decisions, as discussed in [Finding 3](#).

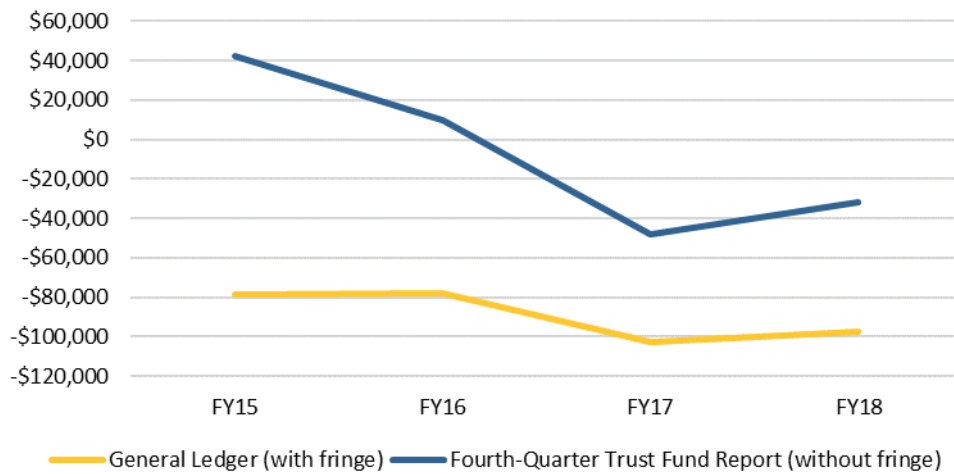
According to fourth-quarter trust fund reports provided to the board of trustees, GSC generated operating deficits of \$48,393 and \$32,163 and MFC generated operating deficits of \$106,063 and \$84,713 in fiscal years 2017 and 2018, respectively. However, these reports did not include fringe

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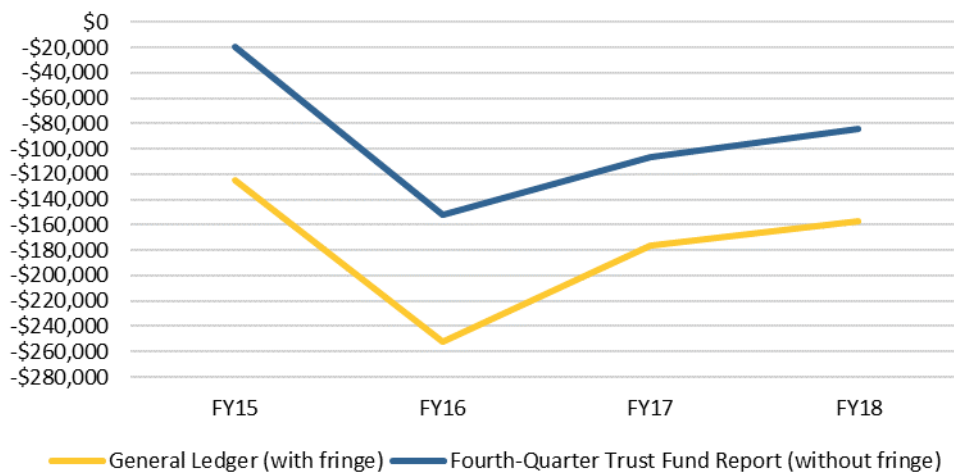
3. Salaries paid to Commonwealth employees who receive benefits are subject to a payroll fringe rate to cover health insurance, retirement, and terminal leave costs, which are considered fringe benefits. For fiscal years 2018 and 2019, the Commonwealth's fringe rates were 34.86% and 34.89% of employees' salaries, respectively.

benefit costs for GSC and MFC employees. Using transaction activity reports from MWCC's general ledger, we prepared income statements that included fringe benefit costs paid for GSC and MFC employees. The results for GSC and MFC are shown in the following graphs.

GSC Net Income (Loss) by Fiscal Year



MFC Net Income (Loss) by Fiscal Year



Neither the general ledger nor the quarterly trust fund reports include indirect costs. If MWCC had allocated indirect expenditures (i.e., performed full costing<sup>4</sup>) for GSC and MFC as well, net operating losses would be even higher.

### **Authoritative Guidance**

According to the National Association of College and University Business Officers' (NACUBO's)<sup>5</sup> *Financial Accounting and Reporting Manual*,

*The distinguishing characteristic of an auxiliary enterprise is that it is managed as an essentially self-supporting activity. . . .*

*The auxiliary enterprise category [in financial statements] includes all expenses relating to the operation of auxiliary enterprises, including expenses for operation and maintenance . . . , depreciation (if allocated to functional expense categories) and administration. Also included are other direct and indirect costs, whether charged directly as expenses or allocated as a proportionate share of costs of other departments or units. To ensure that data regarding individual auxiliary enterprises are complete and adequate for management decisions, cost data should be prepared using full costing methods.*

Although MWCC is not required to follow NACUBO standards, we consider them best practices for higher-education institutions.

### **Reasons for Issues**

MWCC management presents the board of trustees with quarterly trust fund reports that include a breakdown of the financial performance of both GSC and MFC. Only expenses paid with MWCC trust funds are included in these reports. Fringe benefit costs associated with GSC and MFC employees are excluded. Although periodic departmental financial performance reports that include all expenditures recorded by MWCC are available at the request of members of the board of trustees, these reports are not distributed to the board.

Furthermore, MWCC indicated that peer institutions in the Commonwealth do not allocate indirect costs for similar services.

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4. In full costing, a portion of indirect costs associated with operating an enterprise/service, along with direct costs, is included in the costs for the enterprise/service.  
5. NACUBO is a membership organization that includes more than 1,900 colleges and universities in the United States and works to promote and support economically sound business practices for higher-education institutions.

## Recommendation

MWCC should include all operating expenses for GSC and MFC in financial reports that are used to assess these services' financial performance. Operating expenses should include all direct costs (including fringe benefit costs) and indirect costs.

## Auditee's Response

*The quarterly trust fund reports provided to the Board of Trustees have been designed (based on feedback from the Trustees) to provide a summary level of reporting which is appropriate to their oversight needs. The College has various other reports and reporting tools available that are used to assess the performance of the GSC and MFC. These reports would include a full costing for those activities.*

*Because the report produced for the Trustees is a report of trust fund activity, it would not be appropriate to include non-trust fund expenditures within the individual trust funds. In an effort to comply with the Auditors' recommendation and present the Board with a clearer understanding of the impact of these operations, the College will add information regarding salaries and fringe related to these operations within the notes.*

## Auditor's Reply

When we asked for operating performance reports for GSC and MFC, MWCC provided us with quarterly trust fund reports. As noted above, these reports omit fringe benefit costs attributed to employees working at these facilities. To gain an accurate understanding of the operating performance of these auxiliary services, those charged with governance (the board of trustees) must understand the full cost of operating the services to make strategic decisions that protect the college's limited resources.

### **3. MWCC management does not use detailed management reporting to guide decisions regarding GSC's and MFC's operations.**

MWCC management does not use detailed management reporting to guide decisions regarding the operations of GSC and MFC. Management reporting captures information that is needed to run a business efficiently and effectively. A detailed management report captures the relationships among an operation's costs, revenue, and activities. GSC and MFC only track and record daily sales; however, GSC's monthly or annual sales by item, and MFC's membership activity, would be necessary to analyze business operations in management reports.



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Without detailed management reporting, MWCC cannot monitor its operations and make managerial decisions to ensure that these auxiliary services operate efficiently and effectively and that they support MWCC's mission.<sup>6</sup>

### **Authoritative Guidance**

RSM International, one of the largest accounting and consulting firm networks in the world, states in its article "Management Reporting: Effective Organizational Data Processes,"

*Strong management reporting is a necessity to produce timely, reliable information, in order to make high-quality business decisions about the future of your company. Insight gathered from reporting allows for deeper analysis to understand problems, provide accurate comparisons against competitors and implement controls to hold employees accountable for budgets.*

Although MWCC is not required to follow RSM International's standards, we consider it a best practice to routinely use management reporting to monitor business operations.

### **Reasons for Noncompliance**

Although GSC's point-of-sale cash-register system provides a detailed breakdown of sales by category each day, this information does not interface with an operating system that tracks the cumulative sales activity on a periodic (monthly or annual) basis. To achieve such reports, GSC personnel must manually enter the information from the cash-register daily sales reports on an Excel spreadsheet. MWCC officials told us that because of MWCC's limited number of personnel, the manual input is not performed consistently, and therefore periodic sales activity reports by category are not available.

According to MFC personnel, when the facility's EZ Facility operating system was implemented, management decided to roll out limited functionality because of personnel and financial constraints. Full functionality of the EZ Facility operating system would provide management reporting that would facilitate monitoring of operating performance.

### **Recommendations**

1. MWCC should allocate financial and personnel resources to develop management reports for both GSC and MFC to monitor the operating performance of these auxiliary services on a monthly and annual basis.

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6. The mission statement on MWCC's website is as follows: "MWCC is a lifelong learning community dedicated to excellence in education and responsive to the changing needs of the communities we serve. Our focus is the preparation of individuals for lives of fulfillment, leadership, and service in a diverse and global society. We are committed to engaging students in rich and challenging learning opportunities within a small college atmosphere that is known for its personal touch."

2. Once MWCC has a better understanding of GSC's and MFC's operating performance, it should evaluate whether they efficiently and effectively support MWCC's mission.

### **Auditee's Response**

*The College agrees with the need to better utilize the fine grain data provided by the point of sale systems for the cafeteria and fitness center. Currently the College makes use of the macro-data provided by the [electronic resource planning] system which provides information on the overall effectiveness of the operations from a fiscal point of view, however, both operations could be made more effective through the analysis of the meta-data provided by these systems.*

*The key factor that has prevented the College from making better use of this data is the lack of technical expertise. The College is currently in the process of hiring an additional programmer for the [information technology] department. Once on board the new programmer will be able to assist these two departments to develop reports to be used for better decision making.*

### **Auditor's Reply**

It appears that MWCC is taking measures to address this finding by dedicating resources to strengthen its managerial reporting. These reports should be instrumental in determining whether GSC and MFC effectively serve the school's mission.