



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

Making government work better

Official Audit Report – Issued September 18, 2020

Holyoke Community College Foundation

For the period July 1, 2017 through March 31, 2019





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John Driscoll, Esq., Chairman of the Board of Directors
Holyoke Community College Foundation
303 Homestead Avenue
Holyoke, MA 01040

Dear Mr. Driscoll:

I am pleased to provide this performance audit of Holyoke Community College Foundation. This report details the audit objectives, scope, and methodology for the audit period, July 1, 2017 through March 31, 2019. My audit staff discussed the contents of this report with management of the agency, whose comments are reflected in this report.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written over a light blue circular watermark.

Suzanne M. Bump
Auditor of the Commonwealth

cc: Ms. Amanda Sbriscia, Executive Director, Holyoke Community College Foundation

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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 Holyoke Community College Foundation for the period July 1, 2017 through March 31, 2019. In this performance audit, we examined the foundation's expenditures to determine whether they were reasonable, properly documented, and made for the exclusive benefit of the college.

Our audit revealed no significant instances of noncompliance by the foundation that must be reported under generally accepted government auditing standards. However, in "Other Matters," we provide some recommendations to improve internal controls over the financial management of the foundation's assets.

OVERVIEW OF AUDITED ENTITY

Established in 1968 as Friends of Holyoke Community College, Inc., Holyoke Community College Foundation is a nonprofit charitable corporation organized under Chapter 180 of the Massachusetts General Laws. It is currently overseen by a 27-member board of directors.

According to its articles of organization,

The purposes for which the [foundation] is formed are as follows: To conduct drives or campaigns for raising funds to assist the construction of new educational building or buildings for the Holyoke Community College; and To remodel existing educational building or buildings for the Holyoke Community College; and To help establish and maintain a library, reading rooms, music rooms, and athletic exercises at the Holyoke Community College or scholarship for its students, and the establishment of special faculties or professorships, and To perform any and all services which will assist, promote, and improve the standard of education of the Holyoke Community College.

The foundation incurred approximately \$8 million of expenditures during our audit period.

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 Holyoke Community College Foundation for the period July 1, 2017 through March 31, 2019.

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 our audit objective, indicating the question we intended our audit to answer and the conclusion we reached regarding the objective.

Objective	Conclusion
1. Were the foundation's expenditures budgeted, authorized, and made for the exclusive benefit of the college, in accordance with Section 37 of Chapter 15A of the General Laws?	Yes

To achieve our audit objective, we gained an understanding of the foundation's internal control environment related to the objective by conducting inquiries with the foundation's executive director and contracted bookkeeper. In addition, we reviewed testing performed by the foundation's independent auditing firm. We also reviewed the foundation's bylaws, articles of incorporation, expenditure approval process, and board-approved budgets.

Expenditures

To determine whether expenditures made by the foundation were budgeted, authorized, and made for the exclusive benefit of the college, in accordance with Section 37 of Chapter 15A of the General Laws, we requested and received a list of all payments made by the foundation during the audit period. We reviewed this list of 360 payments, totaling \$8,082,229, noting that 97 (27%) of the payments, totaling approximately \$6.2 million (77%) of the amount paid, were related to a capital project, the Culinary Arts Institute (CAI). We divided the 360 transactions in our population to separate the 97 CAI payments from the 263 other payments. From the 97 CAI payments, we judgmentally selected 15. From the 263 other

payments, we randomly selected a nonstatistical sample of 30. For the payments selected, we reviewed supporting documentation (invoices, contracts, proof of receipt, and copies of checks) to determine whether all payments were budgeted and authorized and whether they all supported the foundation's purpose.

Because we used a nonstatistical approach for our audit sample, we did not project our results to the entire population of payments reviewed.

Data Reliability

To assess the reliability of the list of payments by the foundation, we interviewed knowledgeable personnel at the foundation who were responsible for maintaining the payment records, and we tested the list of payments for missing or invalid records or fields, duplicate records, report dates outside our audit period, and gaps in the payment numbers. We traced a sample of expenditures from the list of payments back to the source documents, which included invoices, copies of checks, and receipts.

Additionally, we randomly selected a sample of invoices to compare to the list of payments. We also tested the controls over the foundation's accounting system, which included user password protection, assurance that only authorized personnel had access, and notification of invalid entries, and verified that the system had backup and restoration capabilities.

As a result of our data reliability analysis and control testing, we found that the data were reliable for the purpose of our audit objective.

OTHER MATTERS

Holyoke Community College Foundation could improve its internal controls over financial management.

The expenditures of Holyoke Community College Foundation were used for the exclusive benefit of the college. However, during our audit fieldwork, we noted areas for improvement in the existing internal control environment that we would like to bring to management's attention. These areas include the following:

- As of June 30, 2019, the foundation managed \$19.3 million of assets that supported the growth and improvement of Holyoke Community College. During our review, we noted that the foundation did not have documented accounting policies and procedures to guide management in performing daily accounting activities.

Since the executive director and the board of directors share the responsibility of financial accounting for the foundation, they should work together to document accounting policies and procedures in a manual that can be used to support succession training and increase the transparency of this critical function.

- The foundation has procedures that require all board members, upon appointment and annually thereafter, to make full, written disclosures of potential conflicts of interest that may interfere with their ability to serve. The foundation is also required to disclose all related-party transactions¹ in its financial statements.

During our review of the foundation's audited financial statements, we noted that certain businesses associated with the foundation's board members provided goods and services to the foundation. These relationships were disclosed in the foundation's financial statements. However, three of the payments made to those businesses, totaling \$21,618, were not disclosed as related-party transactions in the financial statements. Not properly identifying and disclosing related-party transactions could adversely affect the integrity of the foundation's decision-making process.

The foundation should closely monitor all financial transactions to ensure that all related-party transactions are identified and properly disclosed.

1. A related party is an individual with significant influence over an organization. A related-party transaction is a transaction between such an individual and the organization.