



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

Making government work better

Official Audit Report – Issued August 11, 2021

Massachusetts College of Liberal Arts

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





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Office of the State Auditor
Suzanne M. Bump

Making government work better

August 11, 2021

James F. Birge, PhD, President
Massachusetts College of Liberal Arts
375 Church Street
North Adams, MA 01247

Dear Dr. Birge:

I am pleased to provide this performance audit of Massachusetts College of Liberal Arts. 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 College of Liberal Arts 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 background.

Suzanne M. Bump
Auditor of the Commonwealth

cc: Mohan Boodram, Chair of the Board of Trustees, Massachusetts College of Liberal Arts

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LIST OF ABBREVIATIONS

CTR	Office of the Comptroller of the Commonwealth
ID	identification number
MCLA	Massachusetts College of Liberal Arts
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 has conducted a performance audit of Massachusetts College of Liberal Arts (MCLA) for the period July 1, 2018 through December 31, 2019.

In this performance audit, we examined MCLA's administration of the inventory of furniture and equipment, compliance with Chapter 647 of the Acts of 1989, and administration of procurement cards.

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

Finding 1a Page 7	Purchased assets were not tagged and added to the inventory list.
Finding 1b Page 7	Tagged assets were not identified in the annual physical inventory.
Finding 1c Page 8	The inventory list was not complete or accurate.
Recommendations Page 9	<ol style="list-style-type: none">1. MCLA should amend its "Inventory Control Guidelines" to clearly delineate the responsibilities of the Procurement Department and the Shipping and Receiving Department to facilitate the identification and tagging of items to be inventoried as they are purchased and put into use.2. MCLA should perform an annual physical inventory of all fixed assets in its possession.3. MCLA should identify additional staff members to help conduct a complete physical inventory.
Finding 2a Page 9	Procurement card logs were not filed.
Finding 2b Page 10	Procurement card accounts were not reconciled.
Finding 2c Page 10	Procurement card accounts were not supported by required documentation.
Finding 2d Page 11	Procurement card statements were not approved.
Recommendations Page 12	<ol style="list-style-type: none">1. MCLA should ensure that all cardholders submit procurement card logs monthly.2. MCLA should ensure that all procurement card accounts are reconciled monthly by cardholders and supervisors.3. MCLA should ensure that all documentation is accounted for and maintained by cardholders so accounts can be properly reconciled.4. MCLA should ensure that all procurement card statements are properly approved by supervisors.

OVERVIEW OF AUDITED ENTITY

Massachusetts College of Liberal Arts (MCLA) 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 board is responsible for operating under the regulations promulgated by the state's Board of Higher Education, which includes setting policy, approving annual budgets, monitoring quarterly budget performance, and participating in the approval of internal audits. The president of MCLA reports to the board of trustees; is the administrative head of the university; and is supported by the vice presidents of academic affairs, administration and finance, and student affairs, as well as the executive vice president, dean of academic affairs, and chief advancement officer.

MCLA 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. MCLA is located on Church Street in North Adams. As of fall 2019, MCLA had 1,345 undergraduate and 162 graduate students.

MCLA received appropriations of \$16,888,607 and \$17,695,143 from the Commonwealth for fiscal years 2019 and 2020, 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 College of Liberal Arts (MCLA) for the period July 1, 2018 through December 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 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. Did MCLA ensure that furniture and equipment were added to the inventory list and that assets were identified annually during a physical inventory in accordance with its policies and procedures and the policies of the Office of the Comptroller of the Commonwealth?	No; see Findings 1a , 1b , and 1c
2. Did MCLA comply with Chapter 647 of the Acts of 1989 in reporting stolen and/or missing property?	Yes
3. Did MCLA ensure that all procurement card expenditures were reconciled, supported, and approved in accordance with its policies and procedures?	No; see Findings 2a , 2b , 2c , and 2d

To achieve our audit objectives, we gained an understanding of MCLA's internal control environment related to the objectives by reviewing MCLA policies and procedures, as well as conducting inquiries with MCLA's staff and management. We also reviewed, and tested the operating effectiveness of, internal controls related to procurement card transactions.

To obtain sufficient, appropriate audit evidence to address our audit objectives, we conducted further audit testing as follows.

Inventory

To determine whether MCLA ensured that furniture and equipment were added to the inventory list and that assets were identified annually during the physical inventory, we obtained a list of furniture and equipment purchases made during the audit period from MCLA's Great Plains¹ accounting system. In addition, we obtained a list of furniture and equipment as of December 31, 2019 from the Great Plains fixed asset management module and the college's physical inventory documentation sheet.² We selected a nonstatistical, judgmental sample of 20 furniture and equipment purchases from a population of 76 purchases during the audit period. We analyzed the invoice for each item in our sample to determine whether the purchased item was valued above \$1,000 and qualified to be tagged with an asset identification number (ID) according to MCLA policies and procedures. If the item required an asset ID, we traced it to the furniture and equipment list to determine whether it was tagged and added to the list. Additionally, if the item was tagged, we traced it to the physical inventory documentation sheet to determine whether it was included in the annual physical inventory.

Chapter 647

To determine whether MCLA complied with Chapter 647 of the Acts of 1989 in reporting stolen and/or missing property, we obtained police logs and incident reports for the audit period and identified 43 incident reports we believed could lead to Chapter 647 report filings. We examined all 43 incident reports to determine whether the incidents required Chapter 647 reports to be generated and filed with OSA. We then compared the incident reports with Chapter 647 reports filed by the college during the audit period.

Procurement Cards

To determine whether MCLA ensured that procurement card expenditures were reconciled, supported, and approved in accordance with its policies and procedures, we obtained a list of all procurement card expenditures made during the audit period from Great Plains. We selected a nonstatistical, judgmental sample of 50 procurement card logs from a population of 611 logs that were required based on card activity during the audit period. We requested the procurement card logs and all supporting documentation, such as activity statements, invoices, receipts, and purchase orders. We determined

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1. Great Plains is a computer program that handles accounting, fixed asset, and financial aid functions for MCLA.
 2. This document is maintained by the purchasing manager, who is the designated inventory control officer for MCLA. At the end of each fiscal year, the purchasing manager generates the document in Great Plains, selects the highest-risk inventory items, and verifies their existence.

whether each procurement card log was prepared, whether each transaction activity was reconciled, whether there was sufficient documentation to support each purchase, and whether a supervisor approved the monthly activity.

Because we used nonstatistical sampling methods for our audit objectives, we could not project the results to the population.

Data Reliability

We reviewed general information system controls over Great Plains, including security training and personnel screening. In addition, we obtained the police logs for each day of our audit period from the college's Incident Management System software, a list of furniture and equipment purchases from Great Plains, an inventory list from the Great Plains fixed asset management module, and a list of procurement card transactions from Great Plains.

To determine the completeness and accuracy of the police logs, we traced a sample of five incidents in the police logs to incident reports and traced a sample of five incident reports to the police logs. To confirm the completeness and accuracy of the furniture and equipment purchases, we traced a sample of 20 purchases to the original vendor invoices and traced a sample of 20 vendor invoices to the list of furniture and equipment purchases. To confirm the completeness and accuracy of the inventory list, we traced a sample of 20 assets from the list and confirmed their existence on the MCLA campus; then we identified 20 assets on the campus and verified their existence on the inventory list. To confirm the completeness and accuracy of procurement card transactions, we traced a sample of 20 transactions to original hardcopy documents and traced a sample of five months of procurement card transactions to the list of procurement card transactions from Great Plains.

During our testing, we encountered many issues with the inventory list, including the following:

- In tracing items from the physical asset list, we found that 10 of 20 items did not agree. Specifically, 3 items were not tagged, 3 were in different locations from those listed, 2 had been recycled, 1 had been donated, and 1 had been disposed of.
- In tracing physical assets from their locations to the inventory list, we found that 5 items were not on the list and 1 item was in a different location.
- We encountered an issue when tracing expenditures to vendor invoices to test procurement card data. MCLA could not locate 2 of the 20 vendor invoices in our sample.

Although we identified these issues with the inventory list and procurement card list, they were the only lists we had to conduct our testing and conclude on our objective. We have determined that the information MCLA provided to us was sufficiently reliable for our audit purposes.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. Massachusetts College of Liberal Arts did not properly administer its inventory of furniture and equipment.

Massachusetts College of Liberal Arts (MCLA) did not properly tag assets, add assets to its inventory list, or conduct an annual physical inventory. As a result, MCLA cannot be certain that all its furniture and equipment is accurately accounted for and safeguarded against misuse or that it can effectively detect lost, missing, or stolen items.

a. Purchased assets were not tagged and added to the inventory list.

From our sample of 20 furniture and equipment purchases made during the audit period, 27 individual purchased items were required to be on the inventory list. Two of the 27 items had not been assigned asset identification number tags and added to the list. Without tagging purchased equipment and adding it to the inventory list, MCLA risks loss of assets and may not know what assets may need replacing.

Authoritative Guidance

MCLA's "Inventory Control Guidelines" state that all IT and non-IT equipment purchases of more than \$1,000 "must be logged in and tagged by the College receiver."

Reasons for Issue

According to MCLA officials, the purchased equipment was directly installed in a campus building and bypassed the Shipping and Receiving Department, which would normally tag items. In addition, MCLA's "Inventory Control Guidelines" do not require departments that purchase equipment to notify the Shipping and Receiving Department when the equipment is incoming. Therefore, the Shipping and Receiving Department would not have known to look for the equipment and tag it once it had been received.

b. Tagged assets were not identified in the annual physical inventory.

During the annual physical inventory, MCLA did not attempt to locate 13 assets (valued at \$27,604) out of the 27 assets from the invoices we reviewed that were required to be inventoried. Without a

complete annual inventory, MCLA risks loss or theft of assets and an inability to assess inventory needs.

Authoritative Guidance

The Office of the Comptroller of the Commonwealth's (CTR's) "Accounting and Management" policy states,

There shall be an annual inventory taken of fixed assets owned by every Department [including colleges]. 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.

MCLA's "Inventory Control Policy" states, "On an annual basis the Inventory Control Officer will perform a physical inventory."

Reason for Issue

MCLA officials stated that the incomplete annual inventory was due to a lack of personnel that made it difficult to perform daily duties on top of conducting the inventory.

c. The inventory list was not complete or accurate.

In our test of the inventory list, tracing items from the physical asset list to physical locations, we found that 10 of 20 sampled items did not match data from Great Plains. Specifically, 3 items were not tagged, 3 were in different locations from those listed, 2 had been recycled, 1 had been donated, and 1 had been disposed of. When we attempted to trace assets from their locations to the inventory list, 6 of 20 sampled items did not match data from Great Plains. Specifically, 5 items were missing from the inventory and 1 was in a different location. Without an accurate and complete list, MCLA risks loss or theft of assets.

Authoritative Guidance

CTR's "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.

Reason for Issue

MCLA officials stated that they did not have the staff and resources to maintain an accurate list.

Recommendations

1. MCLA should amend its "Inventory Control Guidelines" to clearly delineate the responsibilities of the Procurement Department and the Shipping and Receiving Department to facilitate the identification and tagging of items to be inventoried as they are purchased and put into use.
2. MCLA should perform an annual physical inventory of all fixed assets in its possession.
3. MCLA should identify additional staff members to help conduct a complete physical inventory.

Auditee's Response

[MCLA] agrees with the finding. The College is in the process of investigating the purchase of a new inventory system, WASP, which will help improve the documentation and tracking of the physical inventory of fixed assets. The College will amend its Inventory Control Guidelines to delineate departmental responsibilities, and as suggested by the State Auditors the College will utilize individual departments to assist in performing the annual physical inventory.

Auditor's Reply

Based on its response, MCLA is working to address the issues identified.

2. MCLA did not properly administer its procurement card program.

MCLA did not ensure that procurement card accounts were reconciled, supported, or approved in accordance with its policies and procedures. In addition, cardholders did not submit procurement card logs to their supervisors as required by policy.

a. Procurement card logs were not filed.

MCLA cardholders did not submit procurement card logs. Specifically, for 13 of 47 procurement card accounts reviewed, logs were not submitted to supervisors. Without procurement card logs, transactions cannot be properly reconciled.

Authoritative Guidance

MCLA's "Procurement Card Policies and Procedures" state,

*The original sales documents, (packing slip, invoice, cash register tape and credit card slips, etc.) for all items listed on the statement **must** be filed with a copy of the **Procurement Card Log** and monthly statement. This data is critical to enable proper account reconciliation and audit review. **The careful matching of complete support documents to the log and then to the statement is vital to the success of this program.***

Reason for Issue

The MCLA procurement card program administrator accepts credit card transaction summaries instead of the procurement card log.

b. Procurement card accounts were not reconciled.

Of the 47 procurement card accounts tested, 6 were not reconciled to the procurement card log or card activity statement. Without proper account reconciliation, MCLA cannot ensure that all purchases have been received and that no additional charges have been made against accounts.

Authoritative Guidance

MCLA's "Procurement Card Policies and Procedures" state,

*Transactions may be viewed daily using the online SmartData system. The Cardholder shall check each transaction listed against the department's **Procurement Card Log**, receipts and any shipping documents to verify the transactions listed on SmartData.*

Reason for Issue

Cardholders and supervisors did not ensure that all required supporting documentation was submitted so accounts could be properly reconciled.

c. Procurement card accounts were not supported by required documentation.

Cardholders did not maintain required supporting documentation to support transactions for 6 of the 47 procurement card accounts we reviewed. Accounts cannot be properly reconciled without proper supporting documentation.

Authoritative Guidance

MCLA's "Procurement Card Policies and Procedures" state,

With the authority to make purchases using the [procurement card] comes the responsibility to maintain adequate documentation on the source of the transaction.

The following are examples of supporting documentation:

- *Itemized packing slips*
- *Itemized sales receipts*
- *Itemized copies of vendor order forms or applications*
- *Itemized cash register receipts*

All records must be retained by the department and kept available for audit purposes for the current and six previous fiscal years.

Reason for Issue

Cardholders and supervisors did not ensure that all required documentation was accounted for and maintained.

d. Procurement card statements were not approved.

Eight of 47 procurement card statements were not approved by supervisors. Without supervisory approval of monthly statements, the college does not have assurance that charges comply with MCLA policies.

Authoritative Guidance

MCLA's "Procurement Card Policies and Procedures" state,

Administrative review of cardholder accounts follows the College reporting structure. For example, the cardholder's manager or department head reviews all transactions on a monthly basis, and signs the cardholder's monthly log indicating acceptance of all charges.

Reason for Issue

Cardholders and supervisors did not ensure that procurement card statements were properly approved.

Recommendations

1. MCLA should ensure that all cardholders submit procurement card logs monthly.
2. MCLA should ensure that all procurement card accounts are reconciled monthly by cardholders and supervisors.
3. MCLA should ensure that all documentation is accounted for and maintained by cardholders so accounts can be properly reconciled.
4. MCLA should ensure that all procurement card statements are properly approved by supervisors.

Auditee's Response

[MCLA] agrees with the finding. The College has updated the Internal Controls document to reflect the replacement of the Procurement Card Log with the J.P. Morgan system generated Expense Report. This will assist the College in making sure that all required documentation is submitted, accounted for, reconciled, and properly approved by supervisors.

Auditor's Reply

Based on its response, MCLA is working to address the issues identified.