



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

Making government work better

Official Audit Report – April 13, 2020

Mount Wachusett Community College Foundation, Inc.

For the period July 1, 2017 through June 30, 2019





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Mr. Walter J. Dwyer, Chairman of the Board
Mount Wachusett Community College Foundation, Inc.
444 Green Street
Gardner, MA 01440

Dear Mr. Dwyer:

I am pleased to provide this performance audit of Mount Wachusett Community College Foundation, Inc. This report details the audit objectives, scope, and methodology for the audit period, July 1, 2017 through June 30, 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 Mount Wachusett Community College Foundation, Inc. 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

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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 performed an audit of Mount Wachusett Community College Foundation, Inc. for the period July 1, 2017 through June 30, 2019. In this performance audit, we examined foundation expenditures that were used for the 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

Mount Wachusett Community College Foundation, Inc. (MWCCF) was established in 1971 as a charitable not-for-profit corporation organized under Chapter 180 of the Massachusetts General Laws. It is overseen by a 22-member board of directors. According to the Mount Wachusett Community College website,

The objective of the foundation is to financially support the educational, social, recreational, and cultural mission of the college and to benefit the students and communities the college serves. The foundation does this by providing scholarships to [Mount Wachusett Community College] students, enhancing academic programs and facilities, supporting public and cultural events, and encouraging professional development for faculty and staff.

MWCCF's total expenditures for the audit period were \$891,911 for fiscal year 2018 and \$1,091,304 for fiscal year 2019.

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 Mount Wachusett Community College Foundation, Inc. for the period July 1, 2017 through June 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. Are the expenditures that the foundation makes used for the exclusive benefit of the college?	Yes

To achieve our audit objective, we gained an understanding of the internal controls that were relevant to the objective by conducting inquiries with the executive director and treasurer of the foundation. Additionally, we performed procedures in various areas, as described below.

Credit Cards

To ensure that all credit card purchases were for the exclusive benefit of the college, we reviewed 100% of the 149 credit card transactions made by the executive director (the foundation's sole credit card holder) during the audit period. We reviewed the original monthly credit card statements, invoices, and evidence supporting receipt of purchases. If necessary, we reviewed the executive director's communication records and researched the vendors to validate the nature of expenditures. We also interviewed the executive director to confirm that the expenditures were related to the college.

Check Disbursements

We identified 307 check disbursements for the audit period. We selected a nonstatistical judgmental sample of 40 expenditures (20 from each fiscal year) from the check detail report (check register). We

reviewed each of the 40 transactions by reviewing supporting documentation, including invoices and evidence supporting receipt of purchases. In addition, we reviewed the executive director's communication records and researched the vendors to validate the nature of expenditures. We also interviewed the executive director to confirm that the expenditures were related to the college.

Whenever sampling was used, we applied nonstatistical sampling; therefore, we did not project the results to the entire population.

Data Reliability

To ensure the completeness and accuracy of check transactions, we obtained copies of reconciled bank statements from the treasurer and prepared a list of all checks that cleared the bank during the audit period. To ensure the completeness and accuracy of credit card transactions, we obtained reconciled bank credit card statements from the treasurer and prepared a list of all credit card transactions from the audit period. We determined that the information obtained for our audit period was sufficiently reliable for our audit work.

OTHER MATTERS

Mount Wachusett Community College Foundation, Inc. could improve its internal controls over financial management.

The expenditures of Mount Wachusett Community College Foundation, Inc. (MWCCF) 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 the attention of management.

These areas include the following.

- MWCCF's treasurer has check-signing authority, access to blank checks, the responsibility of recording cash disbursement transactions in the accounting system, and the responsibility of reconciling the monthly bank statements. We suggest strengthening the internal controls surrounding cash disbursement processing by establishing segregation of duties so that one person is not able to complete a cash disbursement transaction from start to finish and be responsible for reconciling the corresponding bank statement.
- MWCCF's executive director has a credit card that is used to purchase incidental items. The executive director makes purchases, receives the monthly statement, notes the expense classification next to each charge, pays the statement by wire transfer, and then forwards the statement to the treasurer to record the expenditures in the general ledger. We suggest strengthening the internal controls over credit card use by establishing segregation of duties for credit card transaction processing. MWCCF should consider involving a board member in the credit card payment process. This person should review and approve the reconciled monthly statement before payment.
- Adequate supporting documentation to substantiate foundation expenditures during the audit period was not readily available for review for several transactions because invoices and electronic correspondence (emails) supporting credit card purchases were retained only on the executive director's computer. If the executive director left the foundation, this institutional information might not be accessible to successors. We suggest that all foundation expenditures be accompanied by business expense forms that include the following information:
 - requestor
 - amount
 - date
 - account
 - purpose

- detailed description of expense (including name, title, company, and business relationships)
- authorized approval

The foundation should retain each expense form and all supporting expense documentation in its files. Using a standardized business expense form would clarify the business purposes of expenditures and improve transparency.

- As of June 30, 2019, MWCCF managed \$7.7 million of assets that supported the growth and improvement of Mount Wachusett 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 treasurer and executive director share the responsibility of 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.

Auditee's Response

MWCCF's board chair provided the following response to this report:

We were pleased to see that your audit found our organization is living up to our mission of supporting the college, its students, and our broader community. We appreciate your recommendations for improvements to our internal control environment as well. As you are aware, with such a small staff and volunteer board, it is difficult to have as sophisticated [a] structure as we would like, but where feasible we will seek to enhance our systems:

- *With regard to the treasurer's access to checks and general responsibility for the checking account, we take exception to the contention that he has sole responsibility. At a minimum, the Executive Director has access to the account information, and is checking it regularly.*
- *For credit cards, we believe the process we have in place currently is sufficient. The card limit is [approximately] \$11,500, and actual amounts charged rarely exceed \$5,000. In the highly unlikely event that [the executive director] were to use this card inappropriately, the actual loss would be immaterial to the foundation. That said, we are going to try having the bills sent electronically to the Treasurer and myself for review ahead of time. This may or may not become part of our procedures going forward; we would like to see the activity and potential burden on volunteer board members.*
- *We don't believe the Foundation needs a standard business expense form or more sophisticated Accounts Payable system at this time. While we appreciate the purpose of such a form, our finances are not that complicated. We believe the Finance Committee and Board have a good understanding of our expenditures as it is.*
- *We do agree that the organization could benefit from a documented set of policies and procedures. This letter, along with the full audit report, will be shared with the Board at our next scheduled meeting. We will work with [the executive director] to determine a*

time frame for completion of these; we expect this will be a joint effort of management and the Board.

Auditor's Reply

As previously noted, during our audit, we identified areas in MWCCF's internal control environment that we thought could be improved. We decided that these issues were significant enough to present in an "Other Matters" disclosure in this report for management's consideration. Although we are confident that the internal control enhancements we suggest will strengthen MWCCF's control environment and better protect its assets, we acknowledge that it is ultimately up to MWCCF's management to determine what measures to take to address these issues given MWCCF's work environment and available resources. We are encouraged by MWCCF's acknowledgement that improvements can be made in the areas identified and by its willingness to take the measures it deems feasible to enhance controls over these areas.