

OFFICE OF THE STATE AUDITOR

DIANA DIZOGLIO

Official Audit Report – Issued February 5, 2024

Woods Hole, Martha’s Vineyard and Nantucket Steamship Authority

For the period January 1, 2020 through December 31, 2021



OFFICE OF THE STATE AUDITOR

DIANA DIZOGLIO

February 5, 2024

Robert B. Davis, General Manager
Woods Hole, Martha's Vineyard and Nantucket Steamship Authority
228 Palmer Avenue
Falmouth, MA 02540

Dear Mr. Davis:

I am pleased to provide to you the results of the enclosed performance audit of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority. As is typically the case, this report details the audit objectives, scope, methodology, finding, other matters, and recommendations for the audit period, January 1, 2020 through December 31, 2021. As you know, my audit team discussed the contents of this report with agency managers. This report reflects those comments.

I appreciate you and all your efforts at the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority. The cooperation and assistance provided to my staff during the audit went a long way toward a smooth process. Thank you for encouraging and making available your team. I am available to discuss this audit if you or your team have any questions.

Best regards,



Diana DiZoglio
Auditor of the Commonwealth

cc: Robert F. Ranney, Chair of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority Board

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LIST OF ABBREVIATIONS

| | |
|---------------------|---|
| CARES | Coronavirus Aid, Relief, and Economic Security |
| CCRTA | Cape Cod Regional Transit Authority |
| EOTSS | Executive Office of Technology Services and Security |
| FTA | Federal Transit Administration |
| Steamship Authority | Woods Hole, Martha’s Vineyard and Nantucket Steamship Authority |
| UZA | urbanized area |

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 the Woods Hole, Martha’s Vineyard and Nantucket Steamship Authority (the Steamship Authority) for the period January 1, 2020 through December 31, 2021. When designing the audit plan for the Steamship Authority employees’ completion of cybersecurity awareness training, we extended the audit period back to November 1, 2019 to capture training assignment and completion dates since the Steamship Authority implemented its web-based training system.

In this performance audit, we determined whether the Steamship Authority spent Coronavirus Aid, Relief, and Economic Security Act funds in accordance with the Federal Transit Administration’s *Frequently Asked Questions from FTA Grantees Regarding Coronavirus Disease 2019 (COVID-19)* and the Steamship Authority’s memorandum of understanding with the Cape Cod Regional Transit Authority, dated April 21, 2020. We also determined whether the Steamship Authority ensured that its employees completed cybersecurity awareness training in accordance with its internal practice.

In addition to the conclusions we reached regarding our objectives, we also identified issues unrelated to our objectives regarding internal controls over the Steamship Authority’s employee and eligible nonemployee free ferry passage benefit and the Steamship Authority’s accountability for employee and eligible nonemployee identification badges. For more information, see [Other Matters](#).

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

| | |
|--|---|
| Finding 1 Page 9 | The Steamship Authority does not have a formal, documented cybersecurity awareness training program and does not monitor the assignment and completion of cybersecurity awareness training courses. |
| Recommendations Page 12 | <ol style="list-style-type: none">1. The Steamship Authority should replace its current, undocumented cybersecurity awareness training practice with a formal, documented cybersecurity awareness training program that follows best practices for these programs.2. The Steamship Authority should implement monitoring controls to ensure that all employees are assigned to and complete cybersecurity awareness training.3. The Steamship Authority should clearly define and document the positions responsible for administering and monitoring its formal, documented cybersecurity awareness training program.4. If the Steamship Authority provides cybersecurity awareness training on a web-based platform, then it should ensure that all employees have access to computers to take the training. |

OVERVIEW OF AUDITED ENTITY

Chapter 701 of the Acts of 1960, as amended, established the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority (the Steamship Authority). According to this chapter, "In order to provide adequate transportation of persons and necessities of life for the islands of Nantucket and Martha's Vineyard, the [Steamship] Authority is hereby authorized and empowered to purchase, construct, maintain and operate necessary vessels, docks, wharves, other vessels, equipment, furniture and supplies."

According to the Steamship Authority's 2020 Annual Report, "Our mission is to operate a safe, efficient, and reliable transportation system for the islands of Martha's Vineyard and Nantucket with a commitment to sustainability, accessibility, our port communities, and public engagement."

According to the Steamship Authority's website, it is headquartered in Falmouth and operates 10 vessels. These vessels provide ferry transportation services for passengers and vehicles between the Massachusetts mainland and the islands of Martha's Vineyard and Nantucket. Additionally, the Steamship Authority owns and operates five ferry terminals in Hyannis, Nantucket, Oak Bluffs, Vineyard Haven, and Woods Hole.

According to Chapter 701 of the Acts of 1960, as amended, the Steamship Authority is governed by a five-member board. Each member is (1) a resident from one of three municipalities (Barnstable, Falmouth, or New Bedford) or two counties (Dukes or Nantucket) and (2) selected and approved by their respective municipal authority. The Steamship Authority also has a seven-member advisory board, known as the Port Council, that provides financial guidance to the Steamship Authority's five-member board. Each Port Council member is appointed by municipal authorities from Barnstable, Fairhaven, Falmouth, Nantucket, New Bedford, Oak Bluffs, or Tisbury.

According to Steamship Authority payroll records, the Steamship Authority employed 911 individuals during our audit period. This number includes 200 newly hired employees, some of whom were temporary employees. According to the Steamship Authority's records, as of the end of our audit period, the Steamship Authority employed 758 individuals.

Coronavirus Aid, Relief, and Economic Security Act

The Federal Transit Administration (FTA) makes federal funds available to urbanized areas (UZAs)¹ for transportation-related planning, operation expenses, and capital improvements through the Urbanized Area Formula Funding Program (as outlined in Section 5307 of Title 49 of the United States Code). Using an Urbanized Area Formula Funding Program grant, the FTA allocated \$22.7 billion of federal funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act—which was signed into law on March 27, 2020 to respond to the impact of the COVID-19 pandemic on the economy, public health, individuals, businesses, and state and local governments—to UZAs to support public transportation providers.

Cape Cod Regional Transit Authority (CCRTA), as the designated recipient of CARES Act funds for public transportation providers in the Barnstable UZA, received \$16,224,216 in CARES Act funds from FTA. On April 21, 2020, the Steamship Authority and CCRTA entered into a memorandum of understanding wherein CCRTA agreed to reimburse the Steamship Authority using CARES Act funds, up to a total of \$9,859,884, for eligible operating expenses, including those incurred before the memorandum was signed. According to the *Frequently Asked Questions from FTA Grantees Regarding Coronavirus Disease 2019 (COVID-19)* guidelines on the FTA website, eligible operating expenses were to occur on or after January 20, 2020.

Below is a table showing the total amount of the Steamship Authority’s operating expenses that were eligible for reimbursement through CARES Act funds. Of the total amount of these operating expenses (\$26,604,430), CCRTA reimbursed the Steamship Authority the maximum amount allotted by the memorandum of understanding (\$9,859,884) on May 7, 2020.

Operating Expenses for the Period January 20, 2020 through March 31, 2020

| Operating Expense Categories | Amount |
|------------------------------|----------------------|
| Wages and Benefits* | \$ 11,552,755 |
| Vessel Fuel Oil | 879,393 |
| Insurance | 1,048,261 |
| Maintenance Expenses | 6,720,858 |
| Miscellaneous Expenses | 6,403,163 |
| Total Operating Expenses | <u>\$ 26,604,430</u> |

* This operating expense category includes the following expenses: wages, pensions, and payroll taxes.

1. According to FTA’s website, “An urbanized area is an incorporated area with a population of 50,000 or more that is designated as such by the U.S. Department of Commerce, Bureau of the Census.”

Cybersecurity Awareness Training

Steamship Authority officials told us that the agency follows an undocumented cybersecurity awareness training practice. This practice requires all employees to complete three cybersecurity awareness training courses: Electronic Communications Policy, Email and Phishing Warning, and Safeguarding of Personal Information Policy. These three courses are automatically assigned to all employees through a web-based training system that the Steamship Authority implemented on November 1, 2019. This system tracks course assignments by employee, course, date assigned, and date completed.

Newly hired employees have 12 months to complete their initial training assignment for each course. When an employee completes an initial training assignment, the training system automatically reassigns the same three cybersecurity awareness training courses, as annual refresher training, to each employee. Existing employees have 12 months to complete their annual refresher training assignment for each course. To complete each course, employees are required to read and acknowledge the course's content.

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 the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority (the Steamship Authority) for the period January 1, 2020 through December 31, 2021. When designing the audit plan for the Steamship Authority employees' completion of cybersecurity awareness training, we extended the audit period back to November 1, 2019 to capture training assignment and completion dates since the Steamship Authority implemented its web-based training system.

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 the Steamship Authority spend Coronavirus Aid, Relief, and Economic Security (CARES) Act funds in accordance with the Federal Transit Administration's (FTA's) <i>Frequently Asked Questions from FTA Grantees Regarding Coronavirus Disease 2019 (COVID-19)</i> and the Steamship Authority's memorandum of understanding with the Cape Cod Regional Transit Authority (CCRTA), dated April 21, 2020? | Yes |
| 2. Did the Steamship Authority ensure that its employees completed cybersecurity awareness training in accordance with its internal practice? | No; see Finding <u>1</u> |

To achieve our audit objectives, we gained an understanding of the Steamship Authority's internal control environment related to our objectives by reviewing applicable Steamship Authority policies and procedures and by conducting interviews and observations with Steamship Authority officials and employees.

To obtain sufficient, appropriate audit evidence to address our audit objectives, we performed the following procedures.

CARES Act

From the Steamship Authority's accounting and finance system, the Steamship Authority's treasurer generated a total population of 18,327 operating expenses, totaling \$26,604,430, that were incurred during the period January 20, 2020 through March 31, 2020 and were eligible for reimbursement from CARES Act funds. Of this total amount, \$9,859,884 was reimbursed from CARES Act funds. The Steamship Authority's accounting and finance system classified these operating expenses into the following seven categories: wages, pensions, payroll taxes, vessel fuel oil, insurance, maintenance, and miscellaneous.

From the aforementioned total population of 18,327 operating expenses, we selected a random, statistical² sample of 62 operating expenses, prorated across the seven categories, using a 95% confidence level, a 0% expected error rate, and a 5% tolerable error rate. We inspected supporting documentation (i.e., vendor invoices, vouchers, schedules, and operating expense reports) for all 62 operating expenses. We did this to ensure that each of these expenses was (1) paid during the period January 20, 2020 through March 31, 2020 (the date of which the Steamship Authority's operating expenses reached the total maximum amount eligible for reimbursement from CARES Act funds) and (2) made in accordance with FTA's *Frequently Asked Questions from FTA Grantees Regarding Coronavirus Disease 2019 (COVID-19)* and the Steamship Authority's memorandum of understanding with CCRTA, dated April 21, 2020.

We noted no exceptions in our testing; therefore, we conclude that the Steamship Authority spent CARES Act funds in accordance with FTA guidance and the Steamship Authority's memorandum of understanding with CCRTA during our audit period.

Cybersecurity Awareness Training

The Steamship Authority's human resources director provided us with three lists of cybersecurity awareness training records (one list for each of the three required cybersecurity awareness training courses), which were generated from the Steamship Authority's web-based training system. While our audit period was January 1, 2020 through December 31, 2021, these lists covered the period November 1, 2019 (the implementation date of the web-based training system) through December 31, 2021. We extended the audit period back to include November 1, 2019 to capture assignment and completion dates

2. Auditors use statistical sampling to select items for audit testing when a population is large (usually over 1,000) and contains similar items. Auditors generally use a statistics software program to choose a random sample when statistical sampling is used. The results of testing using statistical sampling, unlike those from judgmental sampling, can usually be used to make conclusions or projections about entire populations.

of each training for all employees starting from the implementation date of the web-based training system through the end of the audit period.

We combined the three lists of cybersecurity awareness training records for a total population of 3,931 training records. We organized the assignment dates and completion dates by employee (of which, there were 911) and training course (of which, there were three) for all 3,931 training records. We also noted whether each training record was an initial training assignment (for newly hired employees) or an annual refresher training assignment (for existing employees) to determine whether (1) all 200 newly hired employees who started during the audit period were assigned to and completed the three cybersecurity awareness training courses as initial training assignments, (2) all 711 existing employees (hired before January 1, 2020) were assigned to and completed the three cybersecurity awareness training courses as annual refresher training assignments, and (3) all 911 employees completed the three cybersecurity awareness training course assignments in accordance with the Steamship Authority's 12-month completion requirement.

Additionally, a member of our audit team was assigned to and completed all three of the cybersecurity awareness training courses to observe the format, process, and content, as well as to ensure that knowledge checks—which test the employees' comprehension of each course—were included.

See Finding 1 for an issue we identified with the Steamship Authority's cybersecurity awareness training practice.

Data Reliability Assessment

CARES Act

To determine the reliability of the operating expense data within the Steamship Authority's accounting and finance system, we interviewed Steamship Authority officials who were knowledgeable about the data. We reviewed certain general information system controls (i.e., security management, access controls, configuration management, segregation of duties, and contingency planning regarding the Steamship Authority's accounting and finance system). From the Steamship Authority's treasurer, we obtained a total of 18,327 rows of data from the Steamship Authority's accounting and finance system for the period January 20, 2020 through March 31, 2020. These rows of data consisted of seven operating expense categories: wages, pensions, payroll taxes, vessel fuel oil, insurance, maintenance, and miscellaneous. For completeness, we reconciled the total

dollar amount for each of the seven operating expense categories to the FTA operating expense worksheet that the Steamship Authority submitted to CCRTA as documentation for operating expense reimbursement using CARES Act funds. We tested the 18,327 rows of data for blank fields and duplicate records. From the 18,327 rows of data, we selected a random sample of 20 rows of data and traced each row to supporting documents (i.e., vendor invoices, vouchers, schedules, and operating expense reports) to verify the accuracy of the data.

Cybersecurity Awareness Training

From the Steamship Authority's treasurer, we obtained a list of the 911 employees who were actively employed during the audit period. From this list of 911 employees, we selected a judgmental sample of 20 employees and traced the information regarding each employee (i.e., employee number, name, job title, status, position,³ hire date, and inactive⁴ and termination dates, when applicable) from this list to the information regarding each employee in corresponding personnel files, which are maintained by the Steamship Authority's Human Resources Department, to verify the accuracy of the list of 911 employees.

To test the accuracy of the Steamship Authority's web-based training system, we interviewed Steamship Authority officials who were knowledgeable about the system. We observed the Steamship Authority's human resources director extract a total of 3,931 training records from the Steamship Authority's web-based training system for the period November 1, 2019 through December 31, 2021. We tested for blank fields and duplicate records in the training records. We also selected a judgmental sample of 20 employees associated with the 3,931 training records and compared them to the list of 911 employees to ensure that the training records were for active employees.

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

3. The position is a classification assigned by the Human Resources Department and is used to identify Steamship Authority employees in the web-based training system.

4. An inactive date is the date on which an employee became inactive; for example, seasonal employees are not terminated when they are not working but are also not receiving pay or considered current employees.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. The Woods Hole, Martha's Vineyard and Nantucket Steamship Authority does not have a formal, documented cybersecurity awareness training program and does not monitor the assignment and completion of cybersecurity awareness training courses.

Although the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority (the Steamship Authority) currently follows an undocumented cybersecurity awareness training practice, the Steamship Authority does not have a formal, documented cybersecurity awareness training program that includes knowledge checks, monitoring, and updates, as needed. Additionally, the Steamship Authority does not ensure that all of its employees are assigned to and complete cybersecurity awareness training courses in accordance with the Steamship Authority's current practice.

During our review, we noted that the Steamship Authority's cybersecurity awareness training practice does not include the following attributes that we consider best practices for Commonwealth agencies to follow:

- documented policies and procedures for the implementation and maintenance of the cybersecurity awareness training practice;
- a 30-day completion requirement for newly hired employees to complete required cybersecurity awareness training;
- monitoring of employee training assignment and completion;
- knowledge checks to test employees' comprehension of training content;
- updates to training content as technology evolves and risks are identified;
- follow-up for employees who do not complete training; and
- assignment of annual refresher training for all employees.

During our review of the Steamship Authority's current cybersecurity awareness training practice, we examined the cybersecurity awareness training course records of 200 new employees who were hired during the audit period and 711 existing employees who were hired before the start of the audit period

(January 1, 2020). For each of the required cybersecurity awareness training courses, we noted the following.⁵

Electronic Communications Policy Course

- During the audit period, 114 newly hired employees were required to complete this course. Out of these 114 employees, 27 were not assigned to the course and 37 did not complete it, for a total of 64 (56%) required newly hired employees who did not complete this course.
- During the audit period, 663 existing employees were required to complete this course. Out of these 663 employees, 99 were not assigned to the course, 261 did not complete it, and 115 completed it after 12 months, for a total of 475 (72%) required existing employees who did not complete this course (either in a timely manner or at all).

Email and Phishing Warning Course

- During the audit period, 114 newly hired employees were required to complete this course. Out of these 114 employees, 26 were not assigned to the course and 36 did not complete it, for a total of 62 (54%) required newly hired employees who did not complete this course.
- During the audit period, 662 existing employees were required to complete this course. Out of these 662 employees, 97 were not assigned to the course, 258 did not complete it, and 111 completed it after 12 months, for a total of 466 (70%) required existing employees who did not complete this course (either in a timely manner or at all).

Safeguarding of Personal Information Policy Course

- During the audit period, 113 newly hired employees were required to complete this course. Out of these 113 employees, 26 were not assigned to the course, 37 did not complete it, and 1 completed it after 12 months, for a total of 64 (57%) required newly hired employees who did not complete this course (either in a timely manner or at all).
- During the audit period, 662 existing employees were required to complete this course. Out of these 662 employees, 100 were not assigned to the course, 272 did not complete it, and 110 completed it after 12 months, for a total of 482 (73%) required existing employees who did not complete this course (either in a timely manner or at all).

5. There are discrepancies in each of the following three subsections between our two sample totals (200 newly hired employees and 711 existing employees) and the number of employees who were required to complete each course. Specifically, employees in one or more of the following situations were not included in our calculations because they are not applicable to our audit: (1) employee(s) had not yet completed their assignment, but their expected 12-month completion requirement came after the end of the audit period (December 31, 2021); (2) employee(s) were terminated or became inactive before the Steamship Authority assigned the course; or (3) employee(s) were terminated or became inactive before their 12-month assignment completion requirement. We consider best practice regarding the period for employees to complete cybersecurity awareness training to be within 30 days of assignment, not 12 months.

If the Steamship Authority does not ensure that all employees are trained on their responsibility to protect information assets, then the Steamship Authority is exposed to a higher risk of cybersecurity attacks and financial and/or reputational losses.

Authoritative Guidance

During an interview with the Steamship Authority on April 21, 2022, its management told us that the Steamship Authority's undocumented cybersecurity awareness training practice has a 12-month completion requirement for all assignments.

Although the Steamship Authority is not required to follow the Executive Office of Technology Services and Security's (EOTSS's) Information Security Risk Management Standard IS.010, since it is not a Commonwealth agency within the executive branch, EOTSS still recommends that non-executive branch agencies follow these standards. We also consider it a best practice.

For the design and implementation of a strong cybersecurity awareness training program, EOTSS's Information Security Risk Management Standard IS.010 includes cybersecurity awareness training standards, as follows:

6.2.1.3 The training shall:

6.2.1.3.1 Explain acceptable use of information technology

6.2.1.3.2 Inform personnel about relevant policies and standards

6.2.1.3.3 Detail each individual's accountability for each of the provisions of all policies and the underlying procedures.

6.2.1.3.4 Test each individual's understanding of all policies and of his or her role in maintaining the highest ethical standards. . . .

6.2.3 New Hire Security Awareness Training: All new personnel must complete an Initial Security Awareness Training course. . . . within 30 days of new hire orientation.

6.2.4 Annual Security Awareness Training: All personnel will be required to complete Annual Security Awareness Training. . . .

6.2.6 The awareness program shall be updated regularly by the Enterprise Security Office so that it stays in line with organizational policies and procedures, and shall be built on lessons learned from information security incidents.

Reasons for Issue

According to Steamship Authority officials, the agency does not have a formal, documented cybersecurity program because the responsibility to document, administer, and monitor the cybersecurity awareness training practice was not clearly defined by Steamship Authority management.

In addition, according to the Steamship Authority, not all Steamship Authority employees had access to computers, which are needed to take cybersecurity awareness training courses in the web-based training system. This led to difficulty in administering the training to all employees.

Recommendations

1. The Steamship Authority should replace its current, undocumented cybersecurity awareness training practice with a formal, documented cybersecurity awareness training program that follows best practices for these programs.
2. The Steamship Authority should implement monitoring controls to ensure that all employees are assigned to and complete cybersecurity awareness training.
3. The Steamship Authority should clearly define and document the positions responsible for administering and monitoring its formal, documented cybersecurity awareness training program.
4. If the Steamship Authority provides cybersecurity awareness training on a web-based platform, then it should ensure that all employees have access to computers to take the training.

Auditee's Response

We agree with the importance of a comprehensive, documented training program and monitoring plan relative to cybersecurity awareness training. In addition to the currently established cybersecurity training courses, the Steamship Authority's Director of Management Information Systems will be responsible for establishing and maintaining a more formal comprehensive cybersecurity awareness training program that follows best practices as recommended by the Office of the State Auditor and the Executive Office of Technology Services and Security.

The Director of Management Information Systems will coordinate with the Director of Human Resources to ensure that the cybersecurity awareness training program is uploaded to the Steamship Authority's Learning Management System (LMS) and is continuously updated with the current best practices.

The Director of Human Resources will be responsible for tracking the completion of these LMS classes and will work with the appropriate Department Heads to ensure compliance with the training requirements. In addition;

- *All new hires will need to complete the cybersecurity awareness training program prior to being issued system credentials and passwords.*

- *Employees without access to the network systems will have 30 days to complete the cybersecurity awareness training.*
- *Periodic refresher training for personnel will be conducted.*

The Steamship Authority has already purchased and distributed training laptops to all locations, including vessels, to provide access for employees to complete the training. Department Heads will be responsible for ensuring that laptops or other devices for the employees to access the LMS system are available and working properly.

Auditor's Reply

Based on its response, the Steamship Authority is taking measures to address our concerns on this matter.

OTHER MATTERS

Employee and Eligible Nonemployee Free Ferry Passage Benefit

On May 26, 1987, the State Ethics Commission issued an advisory opinion under the Commonwealth's Conflict of Interest Law, as outlined in Chapter 268A of the Massachusetts General Laws, regarding the appropriateness of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority's (Steamship Authority's) employee and eligible nonemployee free ferry passage benefit. This opinion determined that the distribution of free passes to all current permanent Steamship Authority employees and their family members did not violate the Conflict of Interest Law.

In our discussions with Steamship Authority officials on fraud risks, we identified a concern regarding employees obtaining free ferry passage for ineligible individuals.

Unauthorized Extension of Employee and Eligible Nonemployee Free Ferry Passage Benefit

The State Ethics Commission advisory opinion mentioned above was inclusive of the following parameters of the employee and eligible nonemployee free ferry passage benefit (which are also outlined in the Steamship Authority's *Employee Policies and Procedures Manual*, dated March 20, 2018):

- Current and retired regular employees: These individuals and their spouses can be issued annual passes for passenger transportation (which allow for free ferry passage to and from the islands of Martha's Vineyard and Nantucket). In addition, their dependent children (in this instance, only those who are under the age of 19) may obtain free ferry passage through the use of trip passes.
- Temporary or seasonal employees: These individuals may obtain free ferry passage through the use of trip passes.

However, since this State Ethics Commission advisory opinion, the Steamship Authority has unofficially extended (in both documented and undocumented ways) its employee and eligible nonemployee free ferry passage benefit in the following ways:

- Current and retired regular employees: These individuals' unmarried partners and dependent children (in this instance, those who are unmarried, between the ages of 19 and 22, and are enrolled as full-time students at an educational institution) may obtain free ferry passage through the use of trip passes.
- Temporary or seasonal employees: These individuals' spouses or unmarried partners, as well as dependent children (in this instance, those who are either unmarried and who are under the age

of 19 or those who are unmarried, between the ages of 19 and 22, and are enrolled as full-time students at an educational institution) may obtain free ferry passage through the use of trip passes.

According to the Steamship Authority bylaws, either the general manager or the five-member board has the authority to approve changes to the Steamship Authority's employee and eligible nonemployee free ferry passage benefit.

Section 4(d) of Chapter 701 of the Acts of 1960, as amended, states that the Steamship Authority is "authorized and empowered . . . to adopt bylaws for the regulation of its affairs and the conduct of its business." Section 7 of Article I of the *By-Laws of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority*, effective January 1, 1961, as amended, states,

The General Manager shall be the chief operating officer of the Authority, and under the direction of the Members, shall have general oversight, care, and management of all its property and business in all its departments, and supervision of its officers, other than the Members, its agents and its employees in the discharge of all duties not specifically otherwise prescribed by law or by the Members.

We requested evidence of authorization from either the general manager or the five-member board regarding the extension of the employee and eligible nonemployee free ferry passage benefit. However, the Steamship Authority was unable to provide any documentation to support the approval of changes to this benefit.

Individuals Potentially Receiving Free Ferry Passage Benefit under the Unauthorized Policy

Current and Retired Employees'

- unmarried partners
- dependents ages 19 to 22 who are in school and unmarried

Temporary or Seasonal Employees'

- spouses or unmarried partners
- dependents up to age 22 who are in school and unmarried

Employee and Eligible Nonemployee Free Ferry Passage Benefit Current Practices

Current practices do not agree with the employee and eligible nonemployee free ferry passage benefit, as written in the Steamship Authority's *Employee Policies and Procedures Manual*. For example, according to this employee manual, employee annual passes are issued by the Steamship Authority for passenger

transportation. However, according to Steamship Authority officials, this practice has not been used in over 20 years. Currently, it is the Human Resources Department's practice to issue identification badges to employees and eligible nonemployees (e.g., employees' spouses and retirees). These identification badges permit free ferry passage, and some are configured to permit access to Steamship Authority facilities. When we requested a list of active identification badges for employees and eligible nonemployees during the audit period, the Steamship Authority could not provide such a list.

Trip Pass Information Collection and Reconciliation

According to Steamship Authority employees we interviewed, employees should request trip passes at one of the seven trip pass distribution locations (these being the five ferry terminals, the Mashpee Reservation Office, and the Human Resources Department). Upon a request for a trip pass, a ticket agent (1) completes the trip pass with detailed information, including the date of issue, the number of passengers, the type of passenger (adult or child), and the ticket agent's signature and (2) records the transaction in a travel log. Trip passes are collected by Steamship Authority employees after the passenger boards the ferry. These collected passes are sent to the Steamship Authority's accounting department on a daily basis.

Our review of travel logs indicated that only two of the seven trip pass distribution locations maintained travel logs during the audit period. Our review of trip passes revealed that ticket agents did not always include all of the required information on the trip passes. Further, we found that the detailed information on trip passes was not reconciled to travel logs during the audit period.

Conclusion

We conclude that, although some employee passage and ticket agent policies exist, Steamship Authority employees do not always follow these established policies to issue trip passes to current, retired, temporary, or seasonal employees and eligible nonemployees. We further conclude that control weaknesses exist in the areas of badges permitting access to facilities and free rides, the absence of travel logs in five of the seven facilities, and the capture of inconsistent information when granting trip passes.

The United States Government Accountability Office's Standards for Internal Control in the Federal Government, issued in September 2014, state,

12.01 Management should implement control activities through policies. . . .

12.02 Management documents in policies the internal control responsibilities of the organization.

12.03 Management documents in policies for each unit its responsibility for an operational process's objectives and related risks, and control activity design, implementation, and operating effectiveness. Each unit, with guidance from management, determines the policies necessary to operate the process based on the objectives and related risks for the operational process. Each unit also documents policies in the appropriate level of detail to allow management to effectively monitor the control activity.

12.04 Those in key roles for the unit may further define policies through day-to-day procedures, depending on the rate of change in the operating environment and complexity of the operational process. Procedures may include the timing of when a control activity occurs and any follow-up corrective actions to be performed by competent personnel if deficiencies are identified. Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.

Without accurately documented policies and procedures that are consistently implemented and monitored, Steamship Authority employees may be unaware of their responsibilities and therefore may not consistently apply Steamship Authority practices related to the employee and eligible nonemployee free ferry passage benefit, including reconciling travel logs to used trip passes and issuing identification badges.

Steamship Authority officials explained that the Steamship Authority did not develop or revise policies and procedures because of time restrictions and other priorities.

To ensure that only authorized individuals receive free ferry passage, the Steamship Authority should work to strengthen its internal controls. We recommend the following:

- The Steamship Authority should review and update its *Employee Policies and Procedures Manual* to define clearly the benefits to which employees are entitled. This employee manual should be reviewed periodically to ensure accuracy.
- The Steamship Authority's general manager or its five-member board should approve all revisions to the Steamship Authority's employee manual.
- The Steamship Authority should fully document the procedure that ticket agents use when distributing travel passes to ensure that each passenger is eligible for free ferry passage and that ticket agents record required information in travel logs.
- The Steamship Authority should develop monitoring controls to ensure that Steamship Authority employees responsible for the issuance of trip passes, the maintenance of travel logs, and the

reconciliation of trip passes to travel logs are completing these responsibilities in accordance with current policies and procedures.

- The Steamship Authority should collaborate with its Human Resources Department to establish policies and procedures that ensure the regulated distribution and cancellation of identification badges. The Steamship Authority should be able to account for all active and deactivated identification badges at any given time.

Auditee's Response

We agree with the importance of strengthening internal controls. In addition to reviewing and updating the Employee Policies and Procedures Manual to more clearly define the benefits to which employees are entitled, a periodic review of these policies will be conducted.

Additional corrective actions will include:

- *All employee [identification (ID)] badges will be replaced with new badges.*
- *All old badges will be deactivated.*
- *New employee ID Badges will now include credentials that will be readable by the access control readers at all of the terminal slips.*
- *Employees who present their ID badge for travel must scan at the reader to allow access to the vessels.*

The Human Resources department will be responsible for maintaining the Employee ID badges, including responsibility for the activation and deactivation of all the employee ID badges. The Human Resources Department will be responsible for the distribution and reconciliation of all employee passes. Human Resources will maintain a log of badges and submit it to the accounting department on a monthly basis. As part of the accounting department's monthly reconciliation, employee travel records will be reviewed.

Steamship Authority management will review and update, where appropriate, the Employee Policies and Procedures Manual and clearly define the employee benefits. Upon completion of that review, the General Manager will propose the "updated" policy to the Board for adoption. The updated Employee Policies and Procedures Manual will be distributed to all employees.

Auditor's Reply

Based on its response, the Steamship Authority is taking measures to address our concerns on this matter.

APPENDIX A

Newly Hired Employee Cybersecurity Awareness Training Assignments by Course for Calendar Years 2020 and 2021

Electronic Communications Policy Course

| Situation | Initial Assignment | | First Annual Refresher Assignment | | Second Annual Refresher Assignment | |
|--|--------------------|--|-----------------------------------|--|------------------------------------|--|
| | Employee Count | Percentage of Required Employee Count to Total | Employee Count | Percentage of Required Employee Count to Total | Employee Count | Percentage of Required Employee Count to Total |
| Assignments Completed Within 12 Months | 50 | 44% | 8 | 8% | 0 | 0% |
| Assignments Not Completed | 37 | 32% | 0 | 0% | 0 | 0% |
| Assignments Completed After 12 Months | 0 | 0% | 0 | 0% | 0 | 0% |
| Not Assigned By Steamship Authority | 27 | 24% | 94 | 92% | 94 | 100% |
| Subtotal: Required Employee Count | <u>114</u> | <u>100%</u> | <u>102</u> | <u>100%</u> | <u>94</u> | <u>100%</u> |
| Not Applicable* | 86 | | 98 | | 106 | |
| Total: Employee Count | <u>200</u> | | <u>200</u> | | <u>200</u> | |

* This classification combines three situations that were not applicable to our audit, and were, therefore, not included in our calculations: (1) the employee had not yet completed their assignment, but their expected 12-month completion requirement came after the end of the audit period (December 31, 2021); (2) the employee was terminated or became inactive before the Woods Hole, Martha’s Vineyard and Nantucket Steamship Authority assigned the course(s); or (3) the employee was terminated or became inactive before their 12-month assignment completion requirement. We consider best practice regarding the period for employees to complete cybersecurity awareness training to be within 30 days of assignment, not 12 months.

Email and Phishing Warning Course

| Situation | Initial Assignment | | First Annual Refresher Assignment | | Second Annual Refresher Assignment | |
|---|--------------------|--|-----------------------------------|--|------------------------------------|--|
| | Employee Count | Percentage of Required Employee Count to Total | Employee Count | Percentage of Required Employee Count to Total | Employee Count | Percentage of Required Employee Count to Total |
| Assignments Completed Within 12 Months | 52 | 46% | 8 | 8% | 0 | 0% |
| Assignments Not Completed | 36 | 32% | 0 | 0% | 0 | 0% |
| Assignments Completed After 12 Months | 0 | 0% | 0 | 0% | 0 | 0% |
| Not Assigned By Steamship Authority | 26 | 23% | 92 | 92% | 92 | 100% |
| Subtotal: Required Employee Count** | <u>114</u> | <u>100%</u> | <u>100</u> | <u>100%</u> | <u>92</u> | <u>100%</u> |
| Not Applicable* | 86 | | 100 | | 108 | |
| Total: Employee Count | <u>200</u> | | <u>200</u> | | <u>200</u> | |

* This classification combines three situations that were not applicable to our audit, and were, therefore, not included in our calculations: (1) the employee had not yet completed their assignment, but their expected 12-month completion requirement came after the end of the audit period (December 31, 2021); (2) the employee was terminated or became inactive before the Woods Hole, Martha’s Vineyard and Nantucket Steamship Authority assigned the course(s); or (3) the employee was terminated or became inactive before their 12-month assignment completion requirement. We consider best practice regarding the period for employees to complete cybersecurity awareness training to be within 30 days of assignment, not 12 months.

** Discrepancy in total is due to rounding.

Safeguarding of Personal Information Policy Course

| Situation | Initial Assignment | | First Annual Refresher Assignment | | Second Annual Refresher Assignment | |
|--|--------------------|--|-----------------------------------|--|------------------------------------|--|
| | Employee Count | Percentage of Required Employee Count to Total | Employee Count | Percentage of Required Employee Count to Total | Employee Count | Percentage of Required Employee Count to Total |
| Assignments Completed Within 12 Months | 49 | 43% | 7 | 7% | 0 | 0% |
| Assignments Not Completed | 37 | 33% | 0 | 0% | 0 | 0% |
| Assignments Completed After 12 Months | 1 | 1% | 0 | 0% | 0 | 0% |
| Not Assigned By Steamship Authority | 26 | 23% | 93 | 93% | 93 | 100% |
| Subtotal: Required Employee Count | <u>113</u> | <u>100%</u> | <u>100</u> | <u>100%</u> | <u>93</u> | <u>100%</u> |
| Not Applicable* | 87 | | 100 | | 107 | |
| Total: Employee Count | <u>200</u> | | <u>200</u> | | <u>200</u> | |

* This classification combines three situations that were not applicable to our audit, and were, therefore, not included in our calculations: (1) the employee had not yet completed their assignment, but their expected 12-month completion requirement came after the end of the audit period (December 31, 2021); (2) the employee was terminated or became inactive before the Woods Hole, Martha’s Vineyard and Nantucket Steamship Authority assigned the course(s); or (3) the employee was terminated or became inactive before their 12-month assignment completion requirement. We consider best practice regarding the period for employees to complete cybersecurity awareness training to be within 30 days of assignment, not 12 months.

APPENDIX B

Existing Employee Cybersecurity Awareness Training Assignments by Course for Calendar Years 2020 and 2021

Electronic Communications Policy Course

| Situation | First [†] Annual Refresher Assignment | | Second [†] Annual Refresher Assignment | | Third [†] Annual Refresher Assignment | |
|--|--|--|---|--|--|--|
| | Employee Count | Percentage of Required Employee Count to Total | Employee Count | Percentage of Required Employee Count to Total | Employee Count | Percentage of Required Employee Count to Total |
| Assignments Completed Within 12 Months | 188 | 28% | 111 | 25% | 10 | 3% |
| Assignments Not Completed | 261 | 39% | 3 | 1% | 0 | 0% |
| Assignments Completed After 12 Months | 115 | 17% | 0 | 0% | 0 | 0% |
| Not Assigned By Steamship Authority | 99 | 15% | 332 | 74% | 344 | 97% |
| Subtotal: Required Employee Count** | <u>663</u> | <u>100%</u> | <u>446</u> | <u>100%</u> | <u>354</u> | <u>100%</u> |
| Not Applicable* | 48 | | 265 | | 357 | |
| Total: Employee Count | <u>711</u> | | <u>711</u> | | <u>711</u> | |

* This classification combines three situations that were not applicable to our audit, and were, therefore, not included in our calculations: (1) the employee had not yet completed their assignment, but their expected 12-month completion requirement came after the end of the audit period (December 31, 2021); (2) the employee was terminated or became inactive before the Woods Hole, Martha’s Vineyard and Nantucket Steamship Authority assigned the course(s); or (3) the employee was terminated or became inactive before their 12-month assignment completion requirement. We consider best practice regarding the period for employees to complete cybersecurity awareness training to be within 30 days of assignment, not 12 months.

** Discrepancy in total is due to rounding.

† These assignment designations (i.e., first, second, and third) are only for those assignments administered to existing employees during the period November 1, 2019 through December 31, 2021.

Email and Phishing Warning Course

| Situation | First [†] Annual Refresher Assignment | | Second [†] Annual Refresher Assignment | | Third [†] Annual Refresher Assignment | |
|--|--|--|---|--|--|--|
| | Employee Count | Percentage of Required Employee Count to Total | Employee Count | Percentage of Required Employee Count to Total | Employee Count | Percentage of Required Employee Count to Total |
| Assignments Completed Within 12 Months | 196 | 30% | 115 | 26% | 11 | 3% |
| Assignments Not Completed | 258 | 39% | 2 | 0% | 0 | 0% |
| Assignments Completed After 12 Months | 111 | 17% | 0 | 0% | 0 | 0% |
| Not Assigned By Steamship Authority | 97 | 15% | 330 | 74% | 344 | 97% |
| Subtotal: Required Employee Count** | <u>662</u> | <u>100%</u> | <u>447</u> | <u>100%</u> | <u>355</u> | <u>100%</u> |
| Not Applicable* | 49 | | 264 | | 356 | |
| Total: Employee Count | <u>711</u> | | <u>711</u> | | <u>711</u> | |

* This classification combines three situations that were not applicable to our audit, and were, therefore, not included in our calculations: (1) the employee had not yet completed their assignment, but their expected 12-month completion requirement came after the end of the audit period (December 31, 2021); (2) the employee was terminated or became inactive before the Woods Hole, Martha’s Vineyard and Nantucket Steamship Authority assigned the course(s); or (3) the employee was terminated or became inactive before their 12-month assignment completion requirement. We consider best practice regarding the period for employees to complete cybersecurity awareness training to be within 30 days of assignment, not 12 months.

** Discrepancy in total is due to rounding.

† These assignment designations (i.e., first, second, and third) are only for those assignments administered to existing employees during the period November 1, 2019 through December 31, 2021.

Safeguarding of Personal Information Policy Course

| Situation | First [†] Annual Refresher Assignment | | Second [†] Annual Refresher Assignment | | Third [†] Annual Refresher Assignment | |
|--|--|--|---|--|--|--|
| | Employee Count | Percentage of Required Employee Count to Total | Employee Count | Percentage of Required Employee Count to Total | Employee Count | Percentage of Required Employee Count to Total |
| Assignments Completed Within 12 Months | 180 | 27% | 107 | 24% | 9 | 2% |
| Assignments Not Completed | 272 | 41% | 2 | 0% | 0 | 0% |
| Assignments Completed After 12 Months | 110 | 17% | 0 | 0% | 0 | 0% |
| Not Assigned By Steamship Authority | 100 | 15% | 344 | 76% | 357 | 98% |
| Subtotal: Required Employee Count | <u>662</u> | <u>100%</u> | <u>453</u> | <u>100%</u> | <u>366</u> | <u>100%</u> |
| Not Applicable* | 49 | | 258 | | 345 | |
| Total: Employee Count | <u>711</u> | | <u>711</u> | | <u>711</u> | |

* This classification combines three situations that were not applicable to our audit, and were, therefore, not included in our calculations: (1) the employee had not yet completed their assignment, but their expected 12-month completion requirement came after the end of the audit period (December 31, 2021); (2) the employee was terminated or became inactive before the Woods Hole, Martha’s Vineyard and Nantucket Steamship Authority assigned the course(s); or (3) the employee was terminated or became inactive before their 12-month assignment completion requirement. We consider best practice regarding the period for employees to complete cybersecurity awareness training to be within 30 days of assignment, not 12 months.

† These assignment designations (i.e., first, second, and third) are only for those assignments administered to existing employees during the period November 1, 2019 through December 31, 2021.