



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

Making government work better

Official Audit Report – Issued May 23, 2016

Massachusetts Bay Community College

For the period July 1, 2013 through June 30, 2015





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May 23, 2016

Dr. Lynn Hunter, Interim President
Massachusetts Bay Community College
50 Oakland Street
Wellesley, MA 02481

Dear Dr. Hunter:

I am pleased to provide this performance audit of Massachusetts Bay Community College. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2013 through June 30, 2015. 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 Bay Community College for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMBump".

Suzanne M. Bump
Auditor of the Commonwealth

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LIST OF ABBREVIATIONS

AAASG	Administrative Actions and Appeals Service Group
ASR	Annual Security Report
Clery Act	Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act
DOE	US Department of Education
MBCC	Massachusetts Bay Community College
OIG	Office of the Inspector General
OSA	Office of the State Auditor
OSC	Office of the State Comptroller

EXECUTIVE SUMMARY

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 Bay Community College (MBCC) for the period July 1, 2013 through June 30, 2015. During our review of MBCC's compliance with Chapter 647 of the Acts of 1989, we found certain instances of MBCC not reporting losses of inventory items to OSA. Accordingly, we expanded the period covered by our audit testing in this area to begin July 1, 2009.

In this performance audit, we examined certain MBCC activities related to inventory of property and equipment, Chapter 647, certain administrative expenditures, and the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act.

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

Finding 1 Page 5	MBCC had inadequate internal controls to safeguard its fixed assets.
Recommendation Page 6	MBCC should implement internal controls to ensure that its inventory is properly recorded, maintained, and updated, including, at a minimum, performing an annual physical inventory and creating a list that includes purchase dates, descriptions, costs, assigned tag numbers, locations, and dates of disposal.
Finding 2 Page 6	During the audit period, MBCC did not report to OSA four unaccounted-for losses of equipment, totaling \$8,525. (Before our audit period—from June 1, 2009 through June 30, 2013—there were six additional instances of losses, totaling \$4,195, that were also not reported to OSA.)
Recommendation Page 7	MBCC should develop and implement policies, procedures, and monitoring controls, including the designation of an individual with the responsibility of ensuring that all unaccounted-for variances, losses, shortages, and thefts of funds or property are immediately reported to OSA.

OVERVIEW OF AUDITED ENTITY

Massachusetts Bay Community College (MBCC) is authorized by Section 5 of Chapter 15A of the Massachusetts General Laws and operates under the direction of a board of trustees, whose members are appointed by the Governor. MBCC's board is responsible for operating under Section 22 of Chapter 15A of the General Laws and the requirements of the state's Board of Higher Education. The president of MBCC reports to the board of trustees and is the administrative head of the college. The president is supported by an executive team whose members include the vice presidents of Academic Affairs, Institutional Advancement and Alumni Relations, and Finance and Administrative Services, as well as the Human Resources and Labor Relations / Affirmative Action Officer.

MBCC 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. MBCC is an accredited public two-year institution serving the 27 cities and towns in its service area. The main campus is located at 50 Oakland Street in Wellesley Hills; there are also a satellite campus in Framingham and an Automotive Technology Center in Ashland. As of June 30, 2015, MBCC had 5,369 students enrolled.

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 Bay Community College (MBCC) for the period July 1, 2013 through June 30, 2015. During our review of MBCC's compliance with Chapter 647 of the Acts of 1989, we found certain instances of MBCC not reporting losses of inventory items to OSA. Accordingly, we expanded the period covered by our audit testing in this area to begin July 1, 2009.

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. Is MBCC properly administering its inventory of fixed assets?	No; see Finding 1
2. Is MBCC complying with Chapter 647 ¹ in reporting stolen and/or missing property?	No; see Finding 2
3. Is MBCC's oversight of administrative expenditures effective in ensuring that expenditures are reasonable and appropriate?	Yes
4. Are MBCC's internal policies and procedures sufficient to ensure compliance with the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the Clery Act)? ²	Yes; see Other Matters

To achieve our objectives, we gained an understanding of MBCC's internal controls and tested their operating effectiveness over inventory of property and equipment as well as certain administrative expenditures. We conducted further audit testing as follows:

1. This law requires agencies to file a report with OSA if they find any "unaccounted for variances, losses, shortages or thefts of funds or property."
2. This act requires colleges and universities to report crime on and near their campuses.

- We reviewed MBCC inventory policies and procedures and interviewed the vice president of Finance and Administrative Services and the college's controller to gain an understanding of MBCC's inventory practices. We sampled and examined inventory records and verified the existence of certain inventory items. From approximately 12,000 items, we selected a random, nonstatistical sample of 30 items to physically inspect each sampled inventory item in order to ensure that the inventory list reported the correct item description and location. We also selected 30 items from various locations on the MBCC main campus and attempted to find them on the inventory list.
- We gained an understanding of MBCC's reporting process under Chapter 647 by interviewing key MBCC personnel, and we reviewed Chapter 647 reports submitted by MBCC and reconciled them to OSA records to determine whether MBCC complied with reporting requirements.
- We reviewed and analyzed MBCC's policies and procedures for administrative expenditures and conducted interviews with key personnel to gain an understanding of the administrative-expenditure process. We used a statistical sampling method to select a random sample of 24 out of 1,455 administrative expenses of more than \$300 for reasonableness and appropriateness.
- We interviewed MBCC's director of Public Safety regarding Clery Act policies and procedures. We reviewed internal logs related to the annual incident reports submitted to the federal government under the act. We obtained the college's Annual Security Reports for 2014 and 2015 and reviewed them for compliance with the Clery Act. We obtained and reviewed documents from the US Department of Education and MBCC regarding MBCC's previous noncompliance with the Clery Act (see Other Matters).

When sampling fixed assets, we applied a nonstatistical approach; consequently, the results of our tests cannot be projected over the entire population and only apply to the items selected.

Information obtained through MBCC's PeopleSoft system, the accounting system containing financial records used at the college, was supported by source documentation, and we conducted information-security testing through the use of questionnaires, interviews, and observations to determine the reliability of the data. We determined that the data were sufficiently reliable for the purposes of this report.

On January 21, 2016, the Office of the Inspector General (OIG) issued a report to the interim president of MBCC that detailed the results of an investigation OIG had conducted regarding allegations it had received of misconduct by certain MBCC maintenance employees. Because OIG's investigation into these matters was ongoing, our audit did not specifically examine those allegations.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. Massachusetts Bay Community College's controls over fixed assets were inadequate.

Massachusetts Bay Community College (MBCC) did not properly maintain the required information on its inventory list of fixed assets, including the original purchase dates and costs of approximately 12,000 items. Additionally, some items did not have inventory control tags, and some items had tags but were not on the inventory list. MBCC also could not provide us with any documentation that it had conducted an inventory of its fixed assets during our audit period. As a result of these issues, there is no assurance that MBCC's property and equipment are properly safeguarded from undetected theft, loss, and misuse.

To test the reliability of MBCC's inventory list of fixed assets, we physically inspected 60 inventory items to ensure that the list reported the correct item descriptions and locations. Of the 60 items, 13 were on the list but did not have their assigned tag numbers affixed, and 11 had assigned asset tags attached but were not on the list. Of the 60 items tested, the inventory list was missing required information, including original purchase dates and costs, for 56.

Authoritative Guidance

The Office of the State Comptroller's (OSC's) Fixed Assets—Accounting and Management Policy, issued July 1, 2004 and last revised November 1, 2006, states, "There shall be an **annual inventory** taken of fixed assets owned by every Department." Additionally, OSC's Fixed Assets—Acquisition Policy states,

Non-GAAP Fixed Assets must be recorded in a Department's inventory and reconciled at least annually. This inventory can be either electronic or on paper, as long as it records the date of purchase, amount, description, location and disposition of an item.

Finally, Section IV(B) of MBCC's Asset Management Policy and Procedures states,

*Items will remain in Shipping and Receiving until **an inventory control tag is affixed** [emphasis added] at which point they will be delivered to the final destination.*

Reasons for Control Problem

MBCC had significant changes in its management staff before and during our audit period. During this transition, managers did not ensure that its inventory control policy and procedures were followed. In addition, a formal policy and internal procedures to conduct an accurate annual physical inventory of fixed assets were created but not implemented.

Recommendation

MBCC should implement internal controls to ensure that its inventory is properly recorded, maintained, and updated, including, at a minimum, performing an annual physical inventory and creating a list that includes purchase dates, descriptions, costs, assigned tag numbers, locations, and dates of disposal.

Auditee's Response

The College has convened a task force to address the findings identified during this audit. The task force members are: The Vice-President for Finance and Administration/Chief Financial Officer, Chief Information Officer, Manager of Business Operations, Director of Facilities and the Controller. The purpose of this committee is to look at the current system, identify and address areas of internal control weaknesses and propose necessary recommendations to both the Massachusetts Bay Community College executive team and the Board of Trustees. The first action of the committee was to initiate a full physical inventory of all fixed assets on the College's three campuses, beginning in August of 2015 and completed November of 2015. This inventory was used to update the fixed asset listing to include the purchase date, description, cost, assigned tag number, location and date of disposal, if any, of all fixed assets. Additional work is planned to update the list to fully comply with State law. The inventory will be performed annually or more frequently as necessary.

The College is committed to full implementation of the recommendations put forth by the Office of the State Auditor and to comply with all applicable State laws and regulations regarding inventory control and asset management practices.

2. MBCC did not file required reports on unaccounted-for losses.

During our audit period, MBCC did not immediately report to the Office of the State Auditor (OSA) four (totaling \$8,525) out of six unaccounted-for losses of equipment. In addition, from July 1, 2009 through June 30, 2013 (before our audit period), there were six other unaccounted-for losses, totaling \$4,195, that were not reported to OSA. MBCC notified OSA of these 10 previously unreported losses during our fieldwork.

The lack of immediate reporting of these losses means that MBCC is not providing OSA with the opportunity to determine the internal control weaknesses that contributed to, or caused, these incidents and make recommendations to MBCC to address these weaknesses and thus reduce the likelihood of similar future losses.

Authoritative Guidance

Chapter 647 of the Acts of 1989 states, "All unaccounted for variances, losses, shortages or thefts of funds or property shall be immediately reported to the state auditor's office."

Reasons for Noncompliance

MBCC had significant changes in its management staff before our audit, creating a lack of consistent managerial oversight to ensure that all required filings were made to OSA. In addition, MBCC could not provide evidence that policies and procedures had been established to ensure compliance with Chapter 647 or to designate an individual responsible for filing reports under the law.

Recommendation

MBCC should develop and implement policies, procedures, and monitoring controls, including the designation of an individual with the responsibility of ensuring that all unaccounted-for variances, losses, shortages, and thefts of funds or property are immediately reported to OSA.

Auditee's Response

The College acknowledges that it failed to immediately notify the OSA concerning four (4) unaccounted-for losses suffered during the audit period and six (6) unaccounted-for losses occurring during a four (4) year period prior to the audit period. The College attributes these failures to the high turnover of staff previously responsible for notification of such losses. Presently, the College [has] sufficient procedures in place to identify, investigate and mitigate future losses and to report all losses immediately to the OSA.

The College has updated its policies and procedures to fully address the requirements of Chapter 647 of the Acts of 1989. Further, the College has designated the Director of Public Safety as responsible [for] ensuring that all unaccounted-for variances, losses, shortages, and thefts of funds or property are investigated and immediately reported to the Vice President for Administration and Finance/CFO for notification to the OSA.

Management fully understands the obligation and benefits of reporting instances of loss or theft to the OSA and has made policy changes to ensure full compliance with its reporting obligations.

OTHER MATTERS

The federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) requires all public and private colleges and universities participating in federal student-aid programs to report campus safety information and establish requirements for handling emergencies and acts of sexual violence. Disclosures about crime statistics and summaries of security policies must be made publicly once a year in an Annual Security Report (ASR), and information about specific crimes and emergencies must be made public throughout the year. By no later than October 1 each year, institutions are required to provide their most recent ASRs to all current students and employees and make the reports available on request to all incoming students and potential employees.

The US Department of Education (DOE) is responsible for monitoring compliance with the Clery Act by reviewing each institution's ASR and conducting investigations. Institutions that are found to be noncompliant with the Clery Act may face warnings, civil penalties of up to \$35,000 per violation, limitation or suspension of federal aid, or loss of eligibility to participate in federal student-aid programs.

Massachusetts Bay Community College (MBCC) was found to be noncompliant with the Clery Act after a program review initiated in November 2010 by DOE. Specifically, as stated in DOE's *Program Review Report* dated October 14, 2014,

MassBay violated multiple provisions of the Clery Act. Most significantly, the College failed to prepare and publish Annual Security Reports (ASR) in 2008 and 2009 and in all years prior to the review period. As a result of these violations, MassBay failed to actively distribute ASRs to enrolled students and current employees and also failed to actively notify prospective students and employees about the availability of such a report.

As a result, MBCC was directed to develop and implement policies and procedures governing the preparation, publication, and distribution of ASRs to ensure that Clery Act requirements were met.

On January 29, 2015, MBCC sent DOE its response to the *Program Review Report*, delineating the steps to be taken to implement the recommendations. On May 22, 2015, DOE issued a *Final Program Review Determination* to advise MBCC of DOE's final determination and to close the review. The letter stated that after an examination of MBCC's narrative response and supporting documentation, DOE had determined that MBCC's remedial action plan met requirements and was compliant with the Clery Act.

Further, the *Final Program Review Determination* stated that because of the finding's serious nature, the matter was being "referred to the Administrative Actions and Appeals Service Group (AAASG) for the consideration of a possible adverse administrative action." At the time we completed our audit fieldwork, the college had not been notified of a determination from the AAASG.