



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

Making government work better

Official Audit Report – Issued August 25, 2016

Massachusetts College of Liberal Arts

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





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Office of the State Auditor
Suzanne M. Bump

Making government work better

August 25, 2016

James F. Birge, PhD, President
Massachusetts College of Liberal Arts
Office of the President
375 Church Street
North Adams, MA 01247-4124

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, 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 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 "SMBump".

Suzanne M. Bump
Auditor of the Commonwealth

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LIST OF ABBREVIATIONS

Clery Act	Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act
ICQ	Internal Control Questionnaire
IT	information technology
MCLA	Massachusetts College of Liberal Arts
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 Massachusetts College of Liberal Arts (MCLA) for the period July 1, 2013 through June 30, 2015. In this performance audit, we examined certain MCLA activities related to trust funds, administrative expenditures, inventory of property and equipment, Chapter 647 of the Acts of 1989, the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act, and responses that MCLA provided to the Office of the State Comptroller on its Internal Control Questionnaires (ICQs) for fiscal years 2014 and 2015.

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

Finding 1 Page 7	MCLA did not report all instances of theft or loss of state funds to OSA.
Recommendation Page 7	MCLA should develop formal procedures for filing reports of lost and stolen assets.
Finding 2 Page 8	Travel expenses totaling \$11,000 were not properly preapproved.
Recommendation Page 9	For all travel-related purchases made with procurement cards, MCLA should revise its Procurement Card Policies and Procedures to require that staff members complete travel vouchers that include the purpose, length, and estimated cost of travel and have the vouchers approved by management before the travel occurs.
Finding 3a Page 9	MCLA did not conduct a physical inventory of its furniture and equipment in fiscal year 2014. In fiscal year 2015, it did not adequately segregate inventory duties or include all its assets in the physical inventory.
Finding 3b Page 10	MCLA did not tag and record all purchased fixed assets.
Finding 3c Page 11	MCLA's fixed-asset inventory list is incomplete and inaccurate.

Recommendations Page <u>13</u>	<ol style="list-style-type: none">1. MCLA should perform an annual physical inventory of all fixed assets in its care and control, including those that are fully depreciated.2. MCLA should ensure that the annual physical inventory is performed by personnel who are not also responsible for the custody of the assets being inventoried.3. MCLA should issue inventory tag numbers sequentially. At fiscal year-end, MCLA should ensure there are no unexplained gaps in the inventory list between the first and final inventory tag numbers issued during the fiscal year.4. MCLA should ensure that its personnel comply with its policy of not paying invoices for fixed-asset purchases until they receive confirmation that inventory tag numbers have been issued for the assets.5. MCLA should require that purchased items be delivered, whenever feasible, to its Shipping and Receiving Office for inspection and then tagged and inventoried before they are taken to the department that purchased them and put into service. For cases in which having purchases delivered to the Shipping and Receiving Office is not practical, as in the case of furnishing a new building all at once, MCLA should create a backup policy to address how inventory tag numbers will be issued and how assets will be recorded on the inventory list.6. MCLA should require each college department to report the relocation of fixed assets to the college receiver using the Inventory Control Property Location Change Form.
Finding 4 Page <u>14</u>	MCLA provided inaccurate responses regarding its physical inventory on its ICQ.
Recommendation Page <u>15</u>	MCLA should develop a procedure to ensure that the answers provided on its ICQ accurately reflect the current status of activity.

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, whose members 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, 9 state universities, and 5 University of Massachusetts campuses. MCLA is located on Church Street in North Adams. As of spring 2015, its student population was 1,691.

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, 2013 through June 30, 2015. For the inventory of furniture and equipment, it was necessary to examine information from outside our established audit period to accomplish our audit objectives.

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. Are there effective inventory controls that safeguard MCLA's furniture and equipment?	No; see Finding <u>3</u>
2. Is MCLA complying with Chapter 647 of the Acts of 1989 ¹ in reporting stolen and/or missing property?	No; see Finding <u>1</u>
3. Are MCLA's internal controls over use of procurement cards for travel-related expenditures effective in ensuring that expenditures are reasonable and appropriate?	No; see Finding <u>2</u>
4. Are the financial and managerial controls over MCLA trust funds sufficient and effective so as to ensure that money is spent appropriately and in compliance with the funds' purposes?	Yes
5. Are MCLA's internal policies and procedures sufficient to ensure its compliance with the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act ² (the Clery Act)?	Yes

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. The Clery Act requires colleges and universities to report crime on and near their campuses.

Objective	Conclusion
6. In its 2014 and 2015 Internal Control Questionnaires ³ (ICQs), did MCLA give accurate responses in the following areas?	
a. inventory	No; see Finding 4
b. audits and findings	Yes

To achieve our objectives, we gained an understanding of the internal controls in the areas related to our audit objectives and tested the operating effectiveness of those controls. We also conducted the following procedures:

- We reviewed MCLA’s inventory policies and procedures, conducted interviews with the director of Fiscal Affairs and other MCLA personnel involved in MCLA’s inventory process, and gained an understanding of MCLA’s inventory practices. We sampled and examined inventory purchases and records to determine whether assets with a purchase price of \$500 or more were recorded in MCLA’s inventory as required by MCLA practice. To do this, we selected a nonstatistical, judgmental sample of 40 invoices and examined those that identified purchases made during the audit period that were for furnishings and equipment that cost more than \$500. We reconciled this information to MCLA’s inventory list. Additionally, we sampled and examined 60 inventory records, using both statistical and judgmental sampling strategies, to verify the accuracy of the inventory record. To do this, we first chose 30 inventory items from MCLA’s inventory list using a statistical random sampling method and then, using a nonstatistical random sampling method, traced 30 inventory items from their locations back to the inventory list to determine whether each item was appropriately recorded on the list.
- We gained an understanding of MCLA’s reporting process under Chapter 647 by interviewing key MCLA personnel. We requested Chapter 647 reports submitted by MCLA, reconciled them to OSA records, and determined that none were filed in the audit period. We requested campus police reports for items lost or stolen during the audit period to determine whether MCLA complied with reporting requirements. Also, we selected a random, nonstatistical sample of six months of MCLA bank reconciliations from our audit period to determine whether any unreconciled variances existed in these accounts.
- To evaluate the appropriateness of administrative expenses related to trust funds, we performed the following procedures:
 - We reviewed and analyzed MCLA’s policies and procedures for administrative expenses.

3. Each year, the Office of the State Comptroller issues a memorandum (Fiscal Year Update) to internal control officers, single audit liaisons, and chief fiscal officers instructing departments to complete an Internal Control Questionnaire designed to provide an indication of the effectiveness of the Commonwealth’s internal controls. In the Representations section, the department head, chief fiscal officer, and internal control officer confirm that the information entered on the questionnaire is accurate and approved.

- We used a statistical sampling method to randomly select a sample of different types of administrative expenses paid by MCLA during our audit period. These expenditures fell into the following categories: travel, consultants, honoraria, licenses, fees, permits, professional fees, and conferences. We obtained a random sample of 40 expenditures from these categories, from a population of 3,556 expenditures that were equal to or greater than \$250. We determined that it was not necessary to extrapolate the results of our testing in these areas to the entire population.
- We used a nonstatistical sampling method to randomly select a sample of credit-card expenditures made by MCLA during our audit period. We obtained a random sample of 40 credit-card expenditures from a population of 810 expenditures greater than or equal to \$250. Because our sampling method included a nonstatistical random approach, the results of our testing in these areas cannot be projected to the entire population.
- We obtained and reviewed meeting minutes of the board of trustees, as well as MCLA's annual budgets, to evaluate controls over MCLA trust funds and determine whether the board was appropriately informed regarding trust-fund activity. We also gained an understanding of the purpose of each trust fund maintained by MCLA and reviewed 80 samples (the two previously mentioned groups of 40 tested in relation to expenditures) to determine whether expenditures made from the trust funds complied with the funds' purposes.
- We interviewed MCLA's interim police chief and vice president of Student Affairs regarding Clery Act reporting policies and procedures. In addition, we reviewed MCLA's annual Clery Act report for 2014 for compliance with the requirements of that act.
- We obtained and reviewed MCLA's 2014 and 2015 responses to the Office of the State Comptroller's ICQ in the topics of (1) inventory and (2) audits and findings. We reviewed the responses that related to our audit objectives for accuracy.

The financial data we obtained from the Massachusetts Management Accounting and Reporting System about MCLA's activities during our audit period were not used in our audit testing. Information obtained through MCLA's Great Plains System, the information system containing financial records used at the university, was supported by source documentation, and we conducted information-security tests 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.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. Massachusetts College of Liberal Arts did not report all instances of theft or loss to the Office of the State Auditor when required.

Massachusetts College of Liberal Arts (MCLA) did not notify the Office of the State Auditor (OSA) when property was reported lost or stolen. We reviewed MCLA's campus police log of reported thefts and losses of property from our audit period. These logs identified at least eight thefts and/or losses of MCLA property that were not reported to OSA. Because it did not report these thefts and losses, MCLA did not provide OSA with the opportunity to identify the internal control weakness that contributed to or caused these incidents and to make recommendations to MCLA regarding addressing those weaknesses to reduce the likelihood of future thefts or losses in these areas.

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." Similarly, MCLA's Internal Control Guide requires the "immediate notification to the Office of the State Auditor of all variances, losses, shortages, or thefts of funds or property."

Reasons for Noncompliance

Although MCLA's Internal Control Guide establishes a policy that requires reporting of thefts and losses to OSA, MCLA has not established any formal procedures that describe how this reporting should be performed and by whom.

Recommendation

MCLA should develop formal procedures for filing reports of lost and stolen assets.

Auditee's Response

The Vice President of Administration and Finance is currently conducting a review of the MCLA Internal Control Guide and will be updating this particular policy to reflect the specific position (staff title) at the College who will be responsible for the collection, recording and reporting of all instances of theft or loss of state funds to the Vice President. A procedure with any applicable forms/documentation will be established to govern this policy. The Vice President of Administration and Finance will review any findings with the President and submit to the Office of the State Auditor and/or any other applicable oversight agency.

2. Travel expenses totaling \$11,000 were not properly preapproved.

MCLA personnel did not always document the purpose, length, and estimated cost of trips on travel vouchers and did not always obtain management's prior approval when they used MCLA procurement (credit) cards to pay travel-related costs. During our audit, we analyzed a judgmental sample of 40 of the 810 travel expenses of \$250 or more (these 810 expenses together totaled \$544,724) that MCLA paid out of trust funds during the audit period for staff members to attend conferences, athletic trips, recruiting events, and other MCLA events. We found that for 40% of the expenditures tested (16 expenditures, totaling \$11,000), staff members did not document the necessary travel information on a travel voucher that was approved by MCLA management before the trip. Without ensuring that all personnel obtain the required preapproval for travel expenses, MCLA is at risk of staff members incurring travel costs that are not appropriate and reimbursable under MCLA's policies and state guidelines.

These expenses were incurred by MCLA employees using procurement cards. Procurement cards provide an efficient method to purchase commodities of low dollar value and are issued by MCLA to its employees who do work-related travel extensively, manage travel for others, or do online purchasing from vendors who do not accept purchase orders. Charges incurred on procurement cards are billed to MCLA each month.

Authoritative Guidance

MCLA's Travel Policy states,

All College related travel must be approved by the division head (vice president or dean) prior to embarking on travel. This approval encumbers funds for reimbursement and sanctions the employee's leave from campus during the time of travel and event/meeting. . . .

Approval for all departments (academic and administrative) must be gained by completing the [Travel Voucher]. . . . and having this form signed by the Division Dean or Vice President.

MCLA's Standards for Expenditure of Trust Funds, which mirror the Massachusetts Board of Higher Education's Standards for the Expenditures of Trust Funds, also require a travel voucher to be completed and filed for each instance of employee travel.

Reasons for Lack of Travel Documentation

MCLA has conflicting policies. The policies and standards listed above require the division head's preapproval for all college-related travel costs, but its Procurement Card Policies and Procedures allow

travel costs charged through a procurement card—and the support for those transactions—to be reviewed monthly by department heads upon receipt of the credit-card statement. This contradicts both MCLA's other guidelines and the Board of Higher Education's requirements.

Recommendation

For all travel-related purchases made with procurement cards, MCLA should revise its Procurement Card Policies and Procedures to require that staff members complete travel vouchers that include the purpose, length, and estimated cost of travel and have the vouchers approved by management before the travel occurs.

Auditee's Response

The Audit Report noted that MCLA has conflicting policies. The travel policies and standards require preapproval for all college-related travel costs by Division Head, but the Procurement Card Policies and Procedures allow travel costs to be charged through a procurement card, but those transactions are only reviewed and approved upon receipt of the credit card statement. This conflict in policy will be resolved as part of the ongoing review of the MCLA Internal Control Guide by the Vice President of Administration and Finance. The updated/revised policy will require travel vouchers that are approved prior to any travel, including those expenses that will be charged to the procurement cards.

3. MCLA's controls over its inventory of furniture and equipment are inadequate.

MCLA has not established adequate controls over recording, reporting, and monitoring of its inventory of furniture and equipment. As a result, the college cannot be certain that the correct value of its inventory, which had an estimated value of \$5,109,886 as of September 29, 2015, is being recorded and reported or that these assets are adequately safeguarded against undetected loss, theft, and misuse.

a. MCLA did not perform proper physical inventories.

MCLA did not conduct a physical inventory of its furniture and equipment during fiscal year 2014. In fiscal year 2015, MCLA did perform a physical inventory, but it did not adequately segregate duties between the employee who had custody of the inventory items and the one who performed the physical inventory review, and the review did not include assets that were fully depreciated at the time it occurred.

Authoritative Guidance

Inventory procedures in MCLA's Inventory Control Guidelines and the Office of the State Comptroller's (OSC's) Fixed Assets—Accounting and Management Policy require that MCLA perform complete annual reviews and updates of its inventory record and that the inventory record account for each item's historical cost (at the time it was either acquired or placed in service). This does not permit MCLA to exclude tagged inventory items that have been fully depreciated.

Moreover, OSC's Internal Control Guide requires segregation of duties related to custody, authority, and accounting of operations, which would include separating the duties of the employee performing the physical inventory from those of the employee with custody of the assets being inventoried.

Reasons for Lack of Proper Physical Inventories

MCLA has not established adequate internal controls for recording, reporting, and monitoring its fixed-asset inventory. MCLA's management did not ensure that a physical inventory was performed annually in accordance with the college's Inventory Control Guidelines. Officials at the college told us that because of turnover in key positions in the Administration and Finance Office, the department overlooked performing the annual physical inventory in fiscal year 2014.

Also, custodians of assets are involved with the physical inventory of those assets because MCLA's internal policy dictates that department chairpersons receive, review, and confirm the existence of the items on the inventory list and also give the chairpersons custody of their departments' inventory items. Assigning the chairperson as the custodian of assets and also requiring the same person to inventory them does not separate the functions sufficiently so that one person's work serves as a check on another's. The duties were assigned this way because MCLA's Administration and Finance Office was not aware that segregation of the inventory functions was a best practice.

The physical inventory performed in fiscal year 2015 excluded fully depreciated assets because, as MCLA personnel told us, they did not believe that these items had any value.

b. MCLA did not record every fixed-asset purchase on the inventory list.

MCLA did not tag and record on the inventory list every fixed-asset purchase made during the audit period.

MCLA provided us with a detailed list of expenditures reported as either information technology (IT) equipment or other equipment during our audit period. From the 309 expenditures of \$500 or more that were made in these two categories during the audit period, we reviewed a random sample of 40 invoices, which covered 240 pieces of furniture and equipment. Seven invoices had the following issues:

- 100 items had not had inventory tags attached or been recorded on the inventory list.
- 14 items had had inventory tags attached but were not recorded on the inventory list.

Authoritative Guidance

MCLA's Inventory Control Guidelines require that all furnishings and equipment that cost more than \$1,000 be given an inventory tag with an identifying inventory tag number. The item and inventory tag number must be recorded on the inventory list by the college receiver.

Reasons for Noncompliance

MCLA completed construction of the Feigenbaum Center for Science and Innovation in fall 2013 and renovations of an academic hall in summer 2015. In both cases, MCLA had some newly purchased items shipped directly to the building site (rather than to the Shipping and Receiving Office as it would normally do). This was done to save the time and resources required to transport large furnishings and equipment from the Shipping and Receiving Office to the installation location. MCLA did not establish a procedure to ensure that, when new fixed assets were not delivered to that office, they were still properly recorded on the inventory list and given inventory tag numbers.

Although MCLA's Inventory Control Guidelines state that purchases over \$1,000 are to be tagged and recorded on the inventory list, MCLA's practice during the audit period was to record furniture and equipment with a purchase price of \$500 or more on its inventory list. This significantly increased the number of purchased items that required tagging and recording. The chance of human error—especially when many new purchases are also being made, such as during this construction and renovation—increases with the addition of a significant volume of inventory.

c. MCLA's fixed-asset inventory list is inaccurate.

In addition to issues with items purchased during the audit period, we also found issues with items MCLA already owned. Specifically, MCLA's fixed-asset inventory list as of September 29, 2015, which

consisted of furniture and equipment with a purchase price of \$500 or higher, was incomplete and inaccurate.

We selected a statistical random sample of 30 items from the inventory list to verify the accuracy of the list. We physically inspected each sampled inventory item to determine whether the inventory list reported the correct item description and location. Our analysis revealed the following:

- Eighteen items were found in different locations from the ones on the inventory list.
- Two items on the inventory list could not be located.
- Four items were believed to have been located because an item matching the description and location of the sampled item was found. However, these items did not have inventory tags, so we could not confirm that the items found were the ones we sampled.

We also selected a nonstatistical random sample of 30 items from various locations on MCLA's campus and attempted to find them on the inventory list. Our test revealed the following:

- Two items were not on the inventory list, but both had inventory tags.
- One item had a matching inventory tag number on the inventory list, but the description and location on the list did not match the actual item.
- Six items were found in different locations from the ones on the inventory list.

Authoritative Guidance

MCLA's Inventory Control Guidelines require that all equipment, including IT equipment over \$1,000, be tagged and added to the inventory list (although, as previously mentioned, in practice MCLA has lowered the minimum value from \$1,000 to \$500). They also require that an Inventory Control Property Location Change Form be completed before inventory is relocated.

OSC's Fixed Assets—Acquisition Policy, which applies to MCLA, requires that an inventory contain the date of purchase, amount, description, location, and disposal information for each item. In order for this information to be useful for managing an entity's inventory system, it must be up to date and accurate.

Reasons for Inventory Inaccuracies

MCLA's management did not ensure that employees filed Inventory Control Property Location Change Forms, reporting the relocation of tagged assets to the college receiving clerk so that the clerk can

update the inventory list, as required under MCLA's inventory control guidelines. This led to inaccuracies in the inventory list regarding locations of MCLA inventory.

MCLA's director of Fiscal Affairs told us that human error probably contributed to errors in the inventory list where item descriptions were inaccurate and was also the reason fixed-asset inventory items did not have inventory tag numbers assigned to them. Because inventory tag numbers were not assigned to purchases sequentially, MCLA could not identify and investigate gaps in a sequence of assigned tag numbers to detect missing equipment. Additionally, as mentioned in Finding 3b, MCLA did not ensure that inventory tag numbers were attached to fixed-asset purchases before the corresponding invoices were paid. Therefore, MCLA did not detect fixed assets to which the receiving clerk erroneously had not attached inventory tags.

Similarly, as mentioned in Finding 3a, MCLA did not perform proper annual physical inventories of its fixed assets. The college did not perform a physical inventory during fiscal year 2014 and does not verify the location of fully depreciated fixed assets in its annual physical inventory. Therefore, it does not have the chance to detect and correct errors on its inventory list.

Recommendations

1. MCLA should perform an annual physical inventory of all fixed assets in its care and control, including those that are fully depreciated.
2. MCLA should ensure that the annual physical inventory is performed by personnel who are not also responsible for the custody of the assets being inventoried.
3. MCLA should issue inventory tag numbers sequentially. At fiscal year-end, MCLA should ensure that there are no unexplained gaps in the inventory list between the first and final inventory tag numbers issued during the fiscal year.
4. MCLA should ensure that its personnel comply with its policy of not paying invoices for fixed-asset purchases until they receive confirmation that inventory tag numbers have been issued for the assets.
5. MCLA should require that purchased items be delivered, whenever feasible, to its Shipping and Receiving Office for inspection and then tagged and inventoried before they are taken to the department that purchased them and put into service. For cases in which having purchases delivered to the Shipping and Receiving Office is not practical, as in the case of furnishing a new building all at once, MCLA should create a backup policy to address how inventory tag numbers will be issued and how assets will be recorded on the inventory list.
6. MCLA should require each college department to report the relocation of fixed assets to the college receiver using the Inventory Control Property Location Change Form.

Auditee's Response

MCLA will perform an annual physical inventory of all fixed assets. To ensure segregation of duty, the inventory will be performed by personnel who are not also responsible for the custody of the assets being inventoried.

MCLA will issue inventory tags in sequential order. Any unexplained gaps in the inventory list at fiscal year-end will be reported to the Vice President of Administration and Finance. MCLA will also require that whenever possible, purchased items are delivered to the Shipping and Receiving office for inspection, and asset tagging as required. If this is not practical (as in the case of new furniture/equipment delivery to a new building), a staff member with laptop will be stationed on-site at that location to inspect and tag as appropriate.

MCLA will require each college department to report the relocation of fixed assets to the college receiver using the Inventory Control Property Location Change Form.

4. MCLA provided inaccurate responses on its Internal Control Questionnaire.

Some of the information that MCLA reported on its Internal Control Questionnaire (ICQ) to OSC for fiscal year 2014 was inaccurate and not supported by documentation. Specifically, although MCLA indicated on the ICQ that it complied with OSC guidelines in all the areas we reviewed, MCLA's staff stated that it had not performed a physical inventory of its fixed assets in fiscal year 2014. Without accurate inventory information on the ICQ, reviewers of the ICQ have an inaccurate understanding of MCLA's internal controls over inventory.

Authoritative Guidance

The ICQ is a document designed by OSC that is sent to departments each year requesting information and department representations on their internal controls over 12 areas, including capital-asset inventory. The purpose of the ICQ is to provide an indication of the effectiveness of the Commonwealth's internal controls.

OSC's Comptroller Memo #FY2014-23 requires the department head, chief fiscal officer, and internal control officer to confirm that the information entered on the questionnaire is accurate and approved.

Reasons for Inaccurate Responses on the ICQ

Although the ICQ was completed and signed by MCLA's president, vice president of Administration and Finance, and director of Fiscal Affairs on May 7, 2014, it appears that they did not confirm that the information was accurate. The Administration and Finance Office intended to perform the annual physical

inventory near the end of the fiscal year (June 30). However, MCLA officials told us that, because of turnover in key positions in the Administration and Finance Office, the office overlooked performing the annual physical inventory. In addition, MCLA currently has no procedure to ensure that a physical inventory is performed annually.

Recommendation

MCLA should develop a procedure to ensure that the answers provided on its ICQ accurately reflect the current status of activity.

Auditee's Response

The completion of the Internal Control Questionnaire is the responsibility of the Vice President of Administration and Finance. He will ensure that all future ICQ documents are completed timely and accurately to the best of his knowledge. As part of the MCLA Internal Control Guide, a protocol for the routing, gathering and verification of data for the ICQ will be established.