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

Making government work better

Official Audit Report – Issued August 10, 2016

Massasoit Community College
For the period July 1, 2013 through June 30, 2015

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Dr. Charles Wall, President
Massasoit Community College
One Massasoit Boulevard
Brockton, MA 02302

Dear Dr. Wall:

I am pleased to provide this performance audit of Massasoit 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 Massasoit Community College for the cooperation and assistance provided to my staff during the audit.

Sincerely,

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
ICP	internal control plan
IT	information technology
MCC	Massasoit Community College
OSA	Office of the State Auditor
OSD	Operational Services Division

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 certain activities of Massasoit Community College (MCC) for the period July 1, 2013 through June 30, 2015.

In this performance audit, we examined certain MCC activities related to the inventory of fixed assets, the reporting requirements of Chapter 647 of the Acts of 1989, certain administrative expenditures, and the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act.

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

Finding 1 Page 6	MCC did not maintain accurate inventory lists, document annual inventories, consistently use inventory tags, or document a complete and accurate recycling process.
Recommendations Page 8	1. MCC should update its internal control plan to include documenting the performance of physical inventories, reconciling fixed assets to the recycling company's final invoice after they are disposed of, and maintaining adequate documentation that supports the recycling process. 2. MCC should develop detailed procedures for asset relocation and should communicate them to all employees. 3. MCC should evaluate its purchasing and inventory processes to identify a best practice for tagging newly purchased fixed assets. Once it identifies a best practice, it should develop and execute a plan that includes updating purchasing and inventory procedures and training MCC employees on them. 4. MCC should provide adequate oversight to ensure that all fixed assets have current inventory identification tags.

OVERVIEW OF AUDITED ENTITY

Massasoit Community College (MCC) is authorized by Section 5 of Chapter 15A of the Massachusetts General Laws and operates under the direction of a board of trustees. The board operates under the regulations promulgated by the state's Board of Higher Education. This includes, as the board's primary responsibilities, setting policy, approving annual budgets, and monitoring quarterly budget performance. The president of MCC reports to the board of trustees and is the administrative head of the college. The president is supported by the vice president of the Canton Campus and College Advancement; the vice president of Administration / chief financial officer; the chief information officer; the vice president of Academic Affairs; the vice president of Student Services and Enrollment Management; and other administrative personnel.

MCC is a member of the Massachusetts Public Higher Education System, which consists of 15 community colleges, 9 state universities, and the University of Massachusetts. MCC is an accredited public two-year institution. Its 100-acre main campus is located at 1 Massasoit Boulevard in Brockton, and satellite sites are located in Canton and Middleborough.

MCC's mission is to support students in an education that leads to career employment or transfer to four-year institutions. As of fall 2015, MCC had 7,637 students enrolled; 58% of these were part time and 42% were full time. The college offers associate degrees in 19 concentrations; certificates in 24 programs; and various corporate, community, and personal enrichment programs.

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 Massasoit Community College (MCC) for the period July 1, 2013 through June 30, 2015.

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 and 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.

Objectives	Conclusion
1. Does MCC properly administer its inventory of fixed assets?	**No; see Finding 1**
2. Does the college comply with the reporting requirements of Chapter 647 of the Acts of 1989[1]?	**Yes**
3. Are the college's administrative expenditures reasonable and appropriate?	**Yes**
4. Does the college comply with the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the Clery Act)?[2]	**Yes**

To achieve our audit objectives, we gained an understanding of MCC's internal controls over the following areas, which we determined to be relevant to our audit objectives, and tested the controls' operating effectiveness: inventory of fixed assets, Chapter 647 reporting, administrative expenditures, and the Clery Act.

We conducted audit testing as follows.

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

Inventory

To gain an understanding of MCC's inventory practices, we reviewed MCC's inventory policies and procedures and interviewed the comptroller, the inventory control coordinator for information technology (IT), and other personnel involved in MCC's inventory process. MCC's internal control plan requires the inventory of non-IT items with costs greater than or equal to $1,000 and IT items with costs greater than or equal to $500. It is also MCC's practice to inventory IT items that are vulnerable to theft. Vulnerable IT items include fixed assets at risk of being lost, stolen, or misused, such as laptops and tablets. We sampled inventory records and examined them to verify the existence of certain inventory items, the accuracy of MCC's inventory lists, and proper tagging with asset identification numbers. Out of 4,427 fixed assets, we selected a judgmental sample of 10 non-IT and 31 IT items, which included 5 IT surplus items.[3] MCC stores IT surplus items, which include computers and other equipment that remain in working condition, in surplus storage rooms on the Brockton and Canton campuses.

We also selected a random sample of 10 fixed assets from different locations on MCC's three campuses and traced each to the inventory lists. We examined the inventory lists to verify that each item was appropriately recorded.

MCC disposes of fixed assets deemed worthless by MCC's chief information officer, User Support Service manager, and senior network administrator. Fixed assets to be disposed of are referred to by the college as recycled items. The college completed four recycling processes (each consisting of multiple items) during our audit period. We selected a random sample of 10 out of 204 recycled IT items waiting for disposal to verify their physical existence before disposal. In addition, to ensure that all items approved for disposal were picked up by the college's recycling company, we obtained MCC's records of the recycling process that was conducted on August 24, 2014, which included 305 IT items. We selected a judgmental sample of 10 computers and attempted to reconcile them to the recycling company's corresponding final invoice.

Chapter 647

We gained an understanding of MCC's reporting process under Chapter 647 by interviewing the college's comptroller and the chief of the campus police. To determine whether MCC complied with reporting

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3. We applied a nonstatistical approach to the inventory sampling, and as a result, we were not able to project our results to the population.

requirements, we obtained a list of variances, losses, shortages, and thefts of funds or property from the comptroller and reconciled it to Chapter 647 reports filed with OSA. In addition, we reviewed the college's online police logs to determine whether there were any variances, losses, shortages, or thefts of funds or property that had not been reported to OSA.

Administrative Expenditures

To gain an understanding of MCC's internal controls over administrative expenditures, we reviewed MCC's administrative-expense policies and procedures and interviewed the college's comptroller and assistant comptroller. We used statistical random sampling to select a sample of 31 out of a population of 7,468 expenditures. In determining our sample, we used a threshold of $250, to filter out minor administrative expenses that would not significantly affect our audit objective. We reviewed the documentation for the sampled expenditures to verify that expenditures were reasonable, properly authorized, and supported by adequate documentation.

We used the college's Banner system, the accounting system containing MCC's financial and student records, to obtain information about administrative expenditures during our audit period. We conducted information security testing by using questionnaires, conducting interviews, reviewing supporting documentation, and performing observations to determine the reliability of the Banner system data. We determined that the data were sufficiently reliable for the purposes of audit testing.

Clery Act

To gain an understanding of MCC's compliance with the Clery Act, we reviewed MCC's Clery Act policies and procedures and interviewed the chief of the campus police. The annual security report issued for calendar years 2013 and 2014 in accordance with the Clery Act was reviewed for compliance with that act. We validated that the reports included a description of programs designed to inform students and employees about the prevention of crime, that they noted the policy regarding the use and sale of alcoholic beverages and the enforcement of state underage drinking laws, and that they listed crimes that occurred on and around the MCC campuses. We also physically verified the availability of police logs required by the Clery Act.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. Massasoit Community College did not properly administer its inventory of fixed assets.

Massasoit Community College (MCC) did not maintain accurate inventory lists, document annual inventories, consistently affix inventory identification tags to fixed assets, or maintain evidence of a complete and accurate recycling process. As a result of these issues, there is a higher-than-acceptable risk of undetected theft or misuse of fixed assets.

Of the 51 fixed assets sampled, 13 items, totaling $40,195, had a combination of the following issues: being found in locations different from those indicated on MCC's inventory lists, having incorrect inventory identification tag numbers, and having no tags affixed.

Upon further inquiry with management, we determined that all non-information-technology fixed assets purchased before 2012 (349 items, totaling $1,620,442) had outdated inventory identification tags. Although these fixed assets had been assigned new inventory asset numbers in MCC's new inventory database (purchased in April 2011), updated tags had never been printed and affixed to the assets.

In addition, while verifying the completeness of the inventory lists, we identified 52 fixed assets (totaling $64,889) that did not have locations documented. Management told us they believed the fixed assets remained on college property, but their locations were still being determined.

Management stated that inventories were conducted during fiscal years 2014 and 2015, but they could not provide documentation to substantiate that. The fiscal year 2016 inventory is currently in progress.

Finally, MCC did not properly recycle its fixed assets. In testing the recycling process that occurred during our audit period, we tested 10 computers that had been reported to the Operational Services Division (OSD) as disposed of and could not reconcile them to the final invoice from the college's recycling company. In addition, the form submitted to OSD lacked evidence that OSD had approved the request to dispose of the items. Finally, the MCC property disposal team's certification, noting that the fixed assets were deemed worthless, was unsigned.

Authoritative Guidance

MCC's internal control plan (ICP) states,

The College shall maintain an inventory system which includes:

1. *Affixing a college inventory tag with a unique ID number:*

   a. *to any College owned item (Non–Information Technology) that has a cost of $1,000 or more.*

   b. *to any College owned Information Technology item that has a cost of $500 or more.*

The policy states that during an annual physical inventory,

Any corrections or changes should be entered into the system and documented. . . .

Also, any items that are moved are documented and the respective inventory system is updated as to the asset's new physical location (noting the new room # and building name).

Finally, MCC's ICP states,

1. *The College Obsolete/Surplus Property Officer reports, in writing, all obsolete/surplus property on campus to the State Surplus Property Officer (SSPO).*

2. *No property may be transferred or otherwise disposed of without the prior, written approval from the SSPO.*

3. *When the property is properly disposed of the inventory system is updated accordingly.*

Upon OSD's approval, fixed assets are to be transferred to the college's recycling company for destruction.

Reasons for Noncompliance

Although MCC's ICP includes documented policies and procedures for the inventory of fixed assets, they are not always sufficient, and the college has not established adequate controls to ensure that they are consistently followed. Specifically, the ICP does not require evidence of the performance of physical inventories or evidence that supports the recycling process, nor does it require the reconciliation of recycled fixed assets. It also does not provide adequate policies and procedures for asset relocation.

Also, college personnel informed us that the absence of inventory identification tags from some new purchases was due to a lack of training and that the lack of new tags after the implementation of the new database was due to a lack of oversight.

Recommendations

1. MCC should update its ICP to include documenting the performance of physical inventories, reconciling fixed assets to the recycling company's final invoice after they are disposed of, and maintaining adequate documentation that supports the recycling process.

2. MCC should develop detailed procedures for asset relocation and should communicate them to all employees.

3. MCC should evaluate its purchasing and inventory processes to identify a best practice for tagging newly purchased fixed assets. Once it identifies a best practice, it should develop and execute a plan that includes updating purchasing and inventory procedures and training MCC employees on them.

4. MCC should provide adequate oversight to ensure that all fixed assets have current inventory identification tags.

Auditee's Response

Massasoit Community College concurs with the finding of not having accurate inventory lists, documenting annual inventories, lack of consistency with maintaining asset inventory tags and not maintaining evidence of an accurate recycling process.

The following procedures have been implemented.

All new purchase orders are emailed to the storekeeper of the Facilities department. Deliveries are made to the storekeeper and the non–information technology (IT) inventory is checked in by the storekeeper. The Purchasing department is notified to inspect the equipment and affix an inventory identification tag to the item. The non-IT inventory is now tagged upon arrival on campus. IT items are delivered to the IT Receiving Office in the Technology Building for processing. The IT Receiving Office processes the equipment and notifies the purchaser of the arrival. The IT Receiving Office affixes inventory identification tags to those items meeting the IT inventory criteria. The inventory item is then entered into the Wisetrack inventory system.

The recycling process for IT inventory has been changed to adequately match the documentation on each item that is being recycled to the invoice from the recycling company. IT equipment that is obsolete or unusable is placed in a secure location on campus. After obtaining approval form the State Surplus Property Officer the obsolete IT equipment is processed for recycling. A physical inventory is performed of the equipment in the recycling location. On recycling day, the designated IT employee(s) will verify outgoing items utilizing the master list from Wisetrack. The invoice from the recycling company is then sent to the appropriate IT personnel for reconciliation. Oversight responsibility for this process falls under the director of Client Services and Academic Computing.

The following procedures are in the process of being implemented.

Massasoit is in the process of performing a complete physical inventory and retagging each non-IT inventory [item] to ensure proper tags are on each fixed asset. Documentation on the physical inventory is being maintained with any updates for room assignments being revised in Wisetrack. A new director of Administrative Services has been hired at Massasoit and among his duties is the

oversight of the Purchasing department and the inventory process. The retagging of all inventory items will be completed by the end of August 2016.

The physical inventories for the IT inventory are completed on a perpetual basis by the IT department. The physical inventories are currently being documented at each campus location and will then be reconciled to Wisetrack. Oversight responsibility for the IT physical inventories falls under the deputy chief information officer.

Location changes of a non-IT fixed asset shall be reported to the director of Administrative Services by the Custodial department. The inventory records will then be updated to reflect the new location. The director of Administrative Services will also train the property custodians on this procedure. For location changes of IT fixed assets, the designated IT employee will update the inventory database to reflect the new equipment location once the move has been completed. This step is for all location changes, which include the assignment of new equipment, moving existing equipment and removal of old equipment.