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

Making government work better

Official Audit Report – Issued November 13, 2017

Salem State University
For the period July 1, 2014 through June 30, 2016

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Office of the State Auditor
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Making government work better

November 13, 2017

Mr. John Keenan, President
Salem State University
352 Lafayette Street
Salem, MA 01970

Dear President Keenan:

I am pleased to provide this performance audit of Salem State University. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2014 through June 30, 2016. My audit staff discussed the contents of this report with management of the university, whose comments are reflected in this report.

I would also like to express my appreciation to Salem State University for the cooperation and assistance provided to my staff during the audit.

Sincerely,

Suzanne M. Bump
Auditor of the Commonwealth

cc: Paul Mattera, Chair of the Board of Trustees, Salem State University
        Gordon Hall, Chair of the Board of Directors, Salem State University Assistance Corporation
        Chris Gabrieli, Chair of the Massachusetts Board of Higher Education

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LIST OF ABBREVIATIONS

IT	information technology
ITRM	Information Technology Resource Management System
OSA	Office of the State Auditor
P-Card	procurement card
SSU	Salem State University
SSUAC	Salem State University Assistance Corporation

EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted an audit of Salem State University (SSU) for the period July 1, 2014 through June 30, 2016. In testing SSU's information technology (IT) equipment inventory, we expanded the audit period through December 16, 2016.

In this performance audit, we examined SSU's activities related to the inventory of its IT assets, its compliance with the reporting requirements of Chapter 647 of the Acts of 1989, and its use of credit cards. In addition, we reviewed certain activities of the Salem State University Assistance Corporation to determine whether its activities complied with applicable laws and regulations.

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

Finding 1 **Page 9**	SSU did not conduct complete annual inventories of its IT assets, and its inventory records contained inaccuracies.
Recommendations **Page 10**	1. SSU should conduct the required annual inventory of all IT assets. 2. SSU should allocate the necessary resources to ensure the completion of the required annual inventory process, including updating the inventory list as needed each year. 3. SSU should determine whether an automated solution, such as barcode scanning with an automated upload of information into the system of record, is a viable option. 4. SSU should develop and implement a defined policy and detailed procedure for the relocation of IT assets.
Finding 2 **Page 11**	SSU did not file required reports on unaccounted-for losses.
Recommendations **Page 12**	1. SSU should develop and implement policies, procedures, and monitoring controls to ensure that all unaccounted-for variances, losses, shortages, and/or thefts of funds or property are immediately reported to OSA. 2. SSU should designate 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.

Finding 3 **Page 12**	SSU did not ensure that fuel purchases made by its staff were cost effective and proper.
Recommendations **Page 14**	1. SSU should develop and implement a comprehensive fuel card policy and related procedures that ensure accurate and efficient use of its fuel card program. At a minimum, it should address supporting documentation for transactions, accurate entry of odometer readings at the time of fueling vehicles, logs to record purchases of fuel for cards that are not assigned to a vehicle, grade of fuel to be purchased, and management monitoring. 2. Management should perform a risk assessment of its fuel card program to determine the notifications it should receive from the WEX Inc. system. These notifications should include parameters for fuel type and gallons per transaction. 3. SSU should use WEX system reports and the related fuel transaction data to monitor and properly administer staff fuel use to ensure that all fuel purchases are proper and as economical as possible. When irregularities are detected, SSU staff members should investigate the transactions and resolve them appropriately.

OVERVIEW OF AUDITED ENTITY

Salem State University (SSU) 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, awarding degrees in approved fields, and recommending senior staff members for vacant positions. SSU is administered by a president, who reports to the board of trustees.

SSU is a member of the Massachusetts public higher-education system, which consists of 15 community colleges, 9 state universities, and the University of Massachusetts. It is an accredited public four-year undergraduate and graduate institution, established in 1854, and is located at 352 Lafayette Street in Salem. In the fall 2016 semester, SSU had a total student enrollment of 9,001 (7,346 in the undergraduate program and 1,655 in the graduate program), making it one of the largest state universities in Massachusetts.

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 Salem State University (SSU) for the period July 1, 2014 through June 30, 2016. In testing SSU's information technology (IT) equipment inventory, we expanded the audit period through December 16, 2016.

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 SSU's IT equipment accurately accounted for and properly safeguarded?	**No; see Finding 1**
2. Does SSU comply with the requirements of Chapter 647 of the Acts of 1989 in reporting stolen and/or missing property?	**No; see Finding 2**
3. Are procurement card (P-Card) expenditures properly approved, business related, supported by adequate documentation, and compliant with applicable policies and procedures?	**Yes**
4. Has SSU established adequate internal controls to ensure the integrity of its fuel card program, including eliminating card misuse, fraud, and other forms of waste and abuse?	**No; see Finding 3**
5. Were transactions between SSU and its related party, the Salem State University Assistance Corporation (SSUAC), reasonable and allowable?	**Yes; see Other Matters**

To achieve our audit objectives, we gained an understanding of internal controls and tested their operating effectiveness over the inventory of IT assets, P-Card transactions, SSUAC related-party transactions and conflicts of interest, and SSUAC administrative expenditures.

IT Inventory

To gain an understanding of SSU's inventory process, we reviewed SSU's policies and procedures and interviewed the chief information officer, the Information Technology Department's physical inventory coordinator, and other staff members who were involved in SSU's inventory process for IT equipment.

We requested, obtained, and examined inventory records to verify the existence of a sample of inventory items and the accuracy of the inventory list. Specifically, we selected a statistical random sample, with a 95% confidence level, of 65 of the 3,982 IT items on SSU's inventory list; verified the existence of each item; and determined whether each item was properly tagged with an SSU asset identification number and accurately recorded on the inventory list. We also analyzed the "physically verified date" field on SSU's inventory list, which indicates the last date when an inventory or physical observation of the asset was conducted, to determine whether an annual physical inventory was performed according to SSU policy.

During the audit period, SSU disposed of 1,295 IT items that it categorized as surplus. We randomly selected a nonstatistical sample of 45 of these items to verify that (1) the disposals were performed in accordance with SSU policy and the state Operational Services Division's regulations, including obtaining approval from the State Surplus Property Office before disposal, and (2) the university's inventory list had been properly updated to account for the items that had been disposed of.

Chapter 647

We gained an understanding of SSU's reporting process under Chapter 647 by interviewing the university's general counsel and vice president of administration, its chief information officer, and its chief of campus police. To determine whether SSU complied with reporting requirements, we requested and obtained a system-generated list of assets that were lost or stolen during the audit period. We reconciled the list to the Chapter 647 reports submitted by SSU to OSA. We also reviewed campus police incident reports from the audit period to determine whether there were any variances, losses, shortages, or thefts of funds or property that had not been reported to OSA.

P-Card Expenditures

To gain an understanding of SSU's process for P-Card expenditures, we reviewed SSU's policies and procedures and interviewed the associate vice president of Business Affairs, the director of Purchasing and Materials Management, and the procurement systems manager.

We requested and obtained a list of all of SSU's P-Card transactions from the audit period from JP Morgan Chase's electronic accounting system. Total P-Card activity for the audit period consisted of 43,972 P-Card transactions, totaling $21,944,482.67. We performed analytical procedures on all transactions to examine the types and dollar values of all SSU's P-Card purchases. We used this information to identify any transactions that were prohibited by SSU's and the Office of the State Comptroller's P-Card Program policies.

We grouped, or stratified, the P-Card transaction data into different ranges of transaction amounts. We identified seven transactions for amounts greater than $80,000. The remaining transactions were less than $80,000 each. We tested all seven of the transactions that were more than $80,000. We then selected a random statistical sample with 90% confidence and a 0% expected error rate from the remaining population for testing. More specifically, using data analytics software called Audit Control Language, we selected 50 P-Card transactions and reviewed their supporting documentation to determine whether they were properly approved, were supported by adequate documentation, and appeared to be legitimate and in the ordinary course of business.

Fuel Card Program

SSU's fuel card program, currently operated by WEX Inc., allows certain university employees to use fuel cards to purchase fuel for college vehicles and equipment. According to SSU's staff, WEX issues cards, retrieves transaction data, issues monthly invoices, and supplies customer service and fraud protection as part of its services. SSU has access to WEX's database so it can analyze transaction data, request information, cancel or request cards, set card parameters, and change card users' personal identification numbers.

To gain an understanding of the university's process for the use of fuel cards, we interviewed the associate vice president of Business Affairs and the fuel card program administrator. We obtained a list of all of SSU's fuel card transactions for the audit period from the WEX electronic accounting system. We

reviewed and analyzed all transactions to assess spending patterns and identified any unusual transactions to determine compliance with SSU's established practices.[1]

Related-Party Transactions

To determine whether any related-party transactions existed within SSUAC's real-estate transactions and, if so, whether they were reasonable and allowable, we examined all five acquisitions made by SSUAC since its creation in 1994. We reviewed supporting documentation to verify that none of the property sellers was a previous or current SSU or SSUAC board member and that each sale price was consistent with the appraised value of the property. We also reviewed board members' files to determine whether conflict-of-interest statements had been received from board members.

Data Reliability

We determined the reliability of data obtained from SSU's Information Technology Resource Management System (ITRM), the system of record for its IT equipment, by comparing ITRM reports to other sources for agreement and by testing certain general IT controls using questionnaires, interviews, and observations. We determined that the data were sufficiently reliable for the purposes of this audit.

To determine the completeness of SSU's inventory list, we selected a judgmental sample of 25 IT items from different locations on the SSU campus to determine whether each item was correctly recorded on the inventory list. In addition, to ascertain whether new asset purchases were correctly added to the inventory list and tracked, we selected a judgmental sample of 25 IT equipment vendor invoices from the audit period and compared them to the items on the inventory list.

To determine the completeness and accuracy of the university's surplus list, we compared the items on the list to the invoices of the vendor that had been hired to dispose of them. However, the vendor invoices only listed the number of items and their weight and gave generic descriptions (e.g., "mixed electronics"). Therefore, we were not able to reconcile the items on the invoices to the items on SSU's surplus list.

We analyzed data stored in both JP Morgan Chase's electronic accounting system (for P-Card transactions) and WEX's electronic accounting system (for fuel card transactions) by performing additional validity and integrity tests, including (1) testing for missing data and (2) scanning for duplicate

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1. Unusual transactions included transactions that exceeded the capacity of a vehicle's tank, incorrect odometer reading entries, purchases of premium-grade gasoline, and purchases of diesel fuel for vehicles with gasoline engines.

records. We also matched monthly credit card statement totals to the electronic data provided to us for accuracy. Based on the analyses conducted, we determined that the data obtained from these systems were sufficiently reliable for the purposes of this audit.

We determined the reliability of data obtained from QuickBooks, SSUAC's electronic accounting system, by tracing certain electronic transactions to original source documents as well as performing other electronic tests of data and making relevant inquiries. We determined that the data from the system were sufficiently reliable for the purposes of this audit.

For all areas other than IT equipment and P-Card transactions, we used nonstatistical sampling and did not project the results of our audit tests to the total populations.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. Salem State University did not conduct complete annual inventories of its information technology assets, and its inventory records contained inaccuracies.

Salem State University (SSU) did not conduct a complete annual inventory of all its information technology (IT) assets during our audit period. In addition, some assets could not be located, others were found in different locations from the ones on the inventory list, and some items' recorded physical inventory dates were missing or indicated that they had not been inventoried in several years. As a result, SSU cannot be certain that all its IT assets are adequately safeguarded against abuse and misuse or that it can effectively detect lost, missing, or stolen items.

Although it made periodic checks of some assets, SSU did not confirm the existence of all IT inventory items annually. SSU gave us its then-current IT inventory list, which included items with costs greater than or equal to $1,000 and all of SSU's computers regardless of cost. The list, dated December 16, 2016, contained 3,982 items, valued at $4,832,814. The "physically verified date" field on the list, showing the most recent inventory date, indicated that 1,907 items, valued at $2,373,518 (49% of the total value), had not been inventoried in the past year. Some of the 1,907 had not been inventoried since as far back as 2012. Furthermore, we were unable to determine the last time 517 other items, valued at $471,938 (10% of the total value), had been inventoried because the "physically verified date" fields on the inventory list were blank.

In addition, the university's inventory of IT equipment was inaccurate. We selected a statistical sample of 65 IT items from SSU's inventory list to physically locate. Two of these assets could not be located, and 7 others were found in different locations from those on the inventory list. In addition, to determine the completeness of the inventory list, we judgmentally selected 25 assets on the campus and determined whether they appeared on the list. One of them did not. Three others were found in locations other than the ones on the list.

Authoritative Guidance

SSU's IT Equipment and Technology Inventory Quality Control Policy requires an annual inventory of all IT items with costs greater than or equal to $1,000, as well as all computers regardless of cost. The

Office of the State Comptroller's Accounting and Management Policy also requires an annual physical inventory.

Reasons for Noncompliance and Inaccurate Inventory

SSU IT officials told us that the current IT inventory system, developed in house more than 10 years ago, is outdated and that the university needs a commercial system for added support. The current Web application used exclusively by the Information Technology Department for inventory management has barcode scanning capabilities, but SSU has not implemented this feature. A mobile barcode reader would help improve efficiency, save time, and reduce errors. The officials also stated that the university lacks sufficient staffing resources to conduct a complete annual inventory.

In addition, SSU does not have a defined policy or detailed procedure for IT asset relocation. The IT staff explained that when equipment is moved to a different location, staff members are expected to notify the Information Technology Department, and the Information Technology Department is supposed to physically move the asset and update the inventory list. However, some departments have their own technology assistants, who do not report to the Information Technology Department and who occasionally move equipment without notifying the department.

SSU's IT staff members could not explain the missing items.

Recommendations

1. SSU should conduct the required annual inventory of all IT assets.

2. SSU should allocate the necessary resources to ensure the completion of the required annual inventory process, including updating the inventory list as needed each year.

3. SSU should determine whether an automated solution, such as barcode scanning with an automated upload of information into the system of record, is a viable option.

4. SSU should develop and implement a defined policy and detailed procedure for the relocation of IT assets.

Auditee's Response

In order to comply with the audit recommendations, auditee has started a search for a professional asset management software package that has the ability to use barcode scanning. Auditee intends to utilize this software to help with conducting the annual IT asset inventory process in a timely fashion, reduce input errors, better track assets, and enforce policy. Auditee intends to install an appropriate product within this fiscal year. In addition, auditee will reallocate

resources as needed to conduct and complete the IT asset inventory as prescribed by auditee's policy.

Auditee will develop a policy and procedure for the allocation and relocation of IT assets that complies with the audit recommendations and is supported by the asset management software. Auditee will update the IT asset inventory policy to more closely reflect the Commonwealth's policy on IT assets by removing more stringent activities that do not represent good value for the university and Commonwealth.

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

During our audit period, SSU did not immediately report to the Office of the State Auditor (OSA) 7 instances of missing or stolen IT equipment, totaling $13,923. SSU notified OSA of these 7 previously unreported losses only after we began our fieldwork. In addition, 10 other unaccounted-for losses during the audit period, totaling $5,994, were not reported to OSA.

Because it did not immediately report these thefts and losses, SSU did not give OSA the opportunity to identify the internal control weaknesses that might have contributed to, or caused, these incidents. In addition, OSA did not have the opportunity to make recommendations to SSU regarding addressing those weaknesses to reduce the risk of future thefts or losses.

Authoritative Guidance

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

SSU's IT Equipment and Technology Inventory Quality Control Policy states,

- *Any equipment that is missing or believed stolen is reported to Campus Police for further investigation. . . .*

- *A Chapter 647 Report is prepared by Police Services and filed with the Office of State Auditor.*

Reasons for Noncompliance

SSU has not established university-wide policies, procedures, and monitoring controls to ensure compliance with Chapter 647. According to the university's general counsel and vice president of administration, there was a breakdown in communication between the Information Technology Department and the campus police regarding who was responsible for filing the Chapter 647 loss reports.

Recommendations

1. SSU should develop and implement policies, procedures, and monitoring controls to ensure that all unaccounted-for variances, losses, shortages, and/or thefts of funds or property are immediately reported to OSA.

2. SSU should designate 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

Auditee has adopted and posted a procedure for missing or stolen assets on the university's intranet, Polaris. There is also an ITS Procedures: Equipment and Technology Inventory Quality Control policy posted on Polaris. The campus community will be notified periodically of the process via email newsletter.

Auditee has assigned the office of general counsel as responsible for filing a Chapter 647 report with OSA.

3. SSU did not ensure that fuel purchases made by its staff were cost effective and proper.

SSU typically assigns fuel cards to specific vehicles, not individual employees. According to SSU officials, each fuel card should stay in the assigned vehicle and only be used for fuel purchases for that vehicle. To initiate a fuel transaction, an SSU employee must enter two required inputs at the point of sale: a unique PIN and the vehicle's odometer reading.

We reviewed all of the 3,199 fuel card transactions that were conducted during our audit period and found that people who used fuel cards did not always enter accurate odometer readings when refueling vehicles. Specifically, our analysis identified at least 610 instances where odometer entries at the time of fueling were exactly the same as a previous entry, were rounded figures, or were otherwise incorrect. SSU uses the WEX Inc. system to collect these data and generate reports. Without ensuring that card users enter correct information, SSU cannot effectively monitor fuel purchases to ensure that they are reasonable and appropriate.

Our analysis also showed a number of questionable transactions. First, for 23 transactions, the amount of fuel purchased exceeded the capacity of the vehicle's gasoline tank according to vehicle manufacturer information by more than one gallon. Second, some employees purchased premium-grade fuel even though regular unleaded gasoline was recommended for the vehicles they were fueling. In fact, of the 3,199 transactions (totaling $124,313 of total fuel purchased during the audit period), only 1,227

(totaling $44,525, or 36% of the full total) were for regular unleaded gasoline. Third, in 18 instances, diesel fuel was purchased for vehicles with gasoline engines.

Authoritative Guidance

Although SSU is not required to comply with the state Office of Vehicle Management's Policies and Procedures Manual, which governs the use of state vehicles, the manual provides best practices for Commonwealth vehicles and can be used as a guideline for responsible fuel card use. According to the manual,

> **The only type(s) of gasoline purchased with the fuel card are either <u>regular</u> (unleaded) or <u>diesel</u>.** *Under no circumstances is a state employee to use super and/or premium gasoline when fueling a state-owned or leased vehicle. . . .*

> *Fuel purchased under the fuel card program will be monitored by management reports provided by the contractor to minimize the risk of fraud.*

During our audit, we brought these issues to the attention of SSU's associate vice president of Business Affairs and the associate director of Business Affairs, who is also the administrator of the fuel card program. They told us that employees are expected to enter an accurate vehicle odometer reading at the time of fueling.

Reasons for Problem Payments

SSU did not implement controls to establish accountability or effectively monitor employees' use of fuel cards. Although SSU's fuel card program has been operating since 2008, the university has not established any formal written policies and procedures for the use of fuel cards. There is no documented guidance available to employees that specifies the procedures to be followed for proper transactions (e.g., supporting documentation to be maintained, grades of fuel to be used). In addition, responsibilities for monitoring the fuel card program and the related monitoring procedures have not been established and implemented.

In relation to the questionable fuel card transactions, SSU officials told us that of its 48 fuel cards, there are 5 active cards that are not associated with specific vehicles. Two of the 5 are assigned to individuals (a head coach in the Athletics and Recreation Department and a foreman in the Custodial Services Department), 2 to the Geological Sciences Department, and 1 to the Athletics and Recreation Department. SSU officials told us that these 5 cards are used to fuel rental vehicles during out-of-state

travel and to buy gasoline for equipment like tractors and mowers. In OSA's opinion, this does not sufficiently account for questionable fuel purchases, such as the significant number of transactions (more than 50% of the total number for the audit period) in which employees purchased premium-grade fuel even though regular unleaded gasoline was the recommended fuel for the vehicle. Further, of the 212 transactions made with these 5 fuel cards during the audit period, only 44 (21%) were for gasoline purchased out of state.

The fuel card program administrator also told us that only a very high level of review of transactions is conducted. He stated that he does not have enough time to conduct consistent, in-depth reviews of fuel card transactions.

The WEX electronic accounting system assists in tracking fuel use by employee, vehicle, department, and other categories. For each vehicle, there are monthly reports that summarize key details of purchase activity. However, SSU does not use these reports and fuel transaction data to monitor fuel use. SSU does receive notifications from the WEX system when certain transactions fall outside preset parameters. However, SSU has not set parameters for fuel type and gallons per transaction.

Recommendations

1. SSU should develop and implement a comprehensive fuel card policy and related procedures that ensure accurate and efficient use of its fuel card program. At a minimum, it should address supporting documentation for transactions, accurate entry of odometer readings at the time of fueling vehicles, logs to record purchases of fuel for cards that are not assigned to a vehicle, grade of fuel to be purchased, and management monitoring.

2. Management should perform a risk assessment of its fuel card program to determine the notifications it should receive from the WEX system. These notifications should include parameters for fuel type and gallons per transaction.

3. SSU should use WEX system reports and the related fuel transaction data to monitor and properly administer staff fuel use to ensure that all fuel purchases are proper and as economical as possible. When irregularities are detected, SSU staff members should investigate the transactions and resolve them appropriately.

Auditee's Response

Auditee acknowledges that controls over its operation of the state's WEX fuel card program need to be both formalized and strengthened to ensure accountability. . . . We have begun this process.

Going forward, auditee will continue to reinforce with staff the prohibition against premium gasoline, to enter odometer readings accurately, and to purchase fuel only for the vehicle assigned to that specific card. Management's review will also increase.

Auditee notes however that we do not agree with the finding that the majority of the fuel purchased was premium-grade fuel, for two reasons. The majority of the purchases the auditors classified as premium fuel purchases occurred at the predominant supplier, University Fuel. WEX has confirmed systemic coding anomalies in that supplier's gasoline pumps (subsequently corrected, in May 2016). Afterward, the number of UN+ transactions from that supplier was reduced to just two such purchases in the thirteen-month period 7/1/16–7/31/17. Additionally, an analysis of prices shows the university paid three cents per gallon less than the WEX National Average for 87 Grade Unleaded Regular gasoline during the period.

The auditee commits to the following:

1. *Establish and implement written fuel card program policy and procedures. This will include cardholder certification regarding their rights and responsibilities and provision of training.*

2. *Conduct a risk assessment of fuel card program in order to tailor WEX notifications.*

3. *Hold cardholders and their supervisors accountable for appropriate and cost-effective spending on the cards. This includes investigation and resolution of irregularities, if any.*

4. *Advocate for improved features and reports for the overall WEX program.*

Auditor's Reply

SSU acknowledges the problems we identified with fuel purchases and indicates that it is taking measures to address these problems. However, SSU asserts that the majority of purchases OSA classified as premium grade fuel were not for premium grade fuel because they occurred at University Fuel and systemic coding anomalies at this supplier caused inaccurate information on fuel types. Because we were not given this information during our audit, we cannot comment on the accuracy of the assertion. Although we do not dispute that coding anomalies could have occurred, our analysis of SSU's fuel transactions indicated that even if SSU's assertion is correct, there were still 585 transactions, totaling more than $31,000, that were for fuel purchases such as ethanol and super unleaded gasoline or were made with other suppliers for vehicles that did not require this type of fuel, indicating that this is a problem that needs to be addressed.

OTHER MATTERS

The Salem State University Assistance Corporation (SSUAC) was created by a special act of the state Legislature in 1994 and is a nonprofit assistance corporation separate from Salem State University (SSU). According to its enabling legislation, SSUAC was created to promote SSU's growth and development and to assist the university in securing the resources necessary to acquire and develop properties and manage and operate SSU's Enterprise Business Center. (The Enterprise Business Center provides education, training, and networking opportunities for businesses of all sizes.) SSUAC is governed by its own board of 13 appointed directors. During the audit period, SSU's president was also a member of the SSUAC board and participated in SSUAC's governance. SSUAC acquires property on SSU's behalf and leases property back to the university. SSUAC remains the owner of the property, but SSU assumes all of the property's costs, expenses, and liabilities. Since its creation in 1994, SSUAC has made five property acquisitions.

During our audit of the university, in addition to reviewing transactions between SSU and SSUAC, we determined that it was necessary to conduct additional audit work at SSUAC. Specifically, based on a risk assessment, we selected the following expense categories for further review: repairs and maintenance, website consulting, computer and equipment repairs and maintenance, building supplies, and office supplies and expenses. We used nonstatistical, random sampling to select a sample of 25 out of a population of 500 administrative expenditures to determine whether they were business related, supported by adequate documentation, and consistent with SSUAC's legislative purposes. In addition, we assessed SSUAC's compliance with the state's open-meeting law (Sections 18–25 of Chapter 30A of the Massachusetts General Laws), by reviewing all board-meeting agendas and minutes for open and executive sessions from our audit period to verify that notices of meetings were publicly posted before the meetings occurred and that minutes were properly completed and approved.

To determine whether SSUAC complied with Section 277 of Chapter 60 of the Acts of 1994 (and subsequent amendments) when acquiring property, we selected all five acquisitions made by SSUAC since its creation in 1994 for testing. We then obtained applicable supporting documentation to verify that SSUAC entered into a Memorandum of Understanding with the Executive Office for Administration and Finance and/or submitted a plan to the Massachusetts Office of the Inspector General for review and comment as required by SSUAC's enabling legislation. (The plan submitted by SSUAC details the

location of the proposed acquisition, the cost, and the financing arrangement; the legislation requires it

to be reviewed with comment by the Office of the Inspector General within two weeks of submission.)

Our audit work in these areas did not identify any reportable problems.