



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

Making government work better

Official Audit Report-Issued October 10, 2012

Springfield Technical Community College

For the Period October 1, 2006 through June 30, 2010



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Springfield Technical Community College (STCC) is authorized by Chapter 15A, Section 5, of the Massachusetts General Laws and operates under the oversight of the Board of Higher Education. A Board of Trustees appointed by the Governor controls STCC's operations, and STCC's President is responsible for implementing the policies and procedures set forth by its board. Our audit was initiated as a result of a Chapter 647 report filed by STCC with the Office of State Auditor (OSA). This report indicated that STCC's former Vice President of Business and Economic Development (Vice President) had been recorded by a campus security camera removing STCC equipment and supplies owned by STCC without authorization.

Chapter 647 of the Acts of 1989, An Act Relative to Improving Internal Controls at State Agencies, requires the OSA to determine the internal control weaknesses that contributed to or caused any unaccounted-for variance, loss, shortage, or theft of funds or property; make recommendations that address the correction of the condition found; identify the internal control policies and procedures that need modification; and report the matter to appropriate management and law enforcement officials.

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INTRODUCTION

Background

Springfield Technical Community College (STCC) is authorized by Chapter 15A, Section 5, of the Massachusetts General Laws and operates under the oversight of the Board of Higher Education. A Board of Trustees appointed by the Governor controls its operations, and STCC's President is responsible for implementing the policies set forth by its Board of Trustees, in accordance with the policies and guidelines established by the Board of Higher Education.

Our audit was initiated as a result of a Chapter 647 report filed by STCC with the Office of the State Auditor (OSA). Chapter 647 of the Acts of 1989, An Act Relative to Improving Internal Controls at State Agencies, requires the OSA to determine the internal control weaknesses that contributed to or caused an unaccounted-for variance, loss, shortage, or theft of funds or property; make recommendations that address the correction of the condition found; identify the internal control policies and procedures that need modification; and report the matter to the appropriate management and law enforcement officials. The Chapter 647 report filed by STCC indicated that a campus security camera had recorded its former Vice President removing equipment and supplies owned by STCC without authorization.

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the General Laws and Chapter 647 of the Acts of 1989, we have conducted an audit of STCC's Scibelli Enterprise Center (Center) located in the Business Technology Park on the campus of STCC. Our audit, which covered the period October 1, 2006 through June 30, 2010, included a review of the Center's internal controls and practices related to property and equipment, travel expenses, payroll, and procurement of consultants. 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.

The purpose of our audit was to determine the internal control weaknesses that contributed to the theft of equipment and supplies detailed in STCC's Chapter 647 report involving the Center and

what corrective actions had been taken by STCC to prevent any further abuses of the system. Our specific audit objectives consisted of the following:

- Obtaining an understanding of the circumstances surrounding the theft;
- Assessing STCC's internal control system to determine whether management's recording, reporting, and monitoring of financial activity was adequate to ensure that Center resources are safeguarded and are being used economically and efficiently;
- Assessing the Center's business practices in the areas of property and equipment, travel expenses, payroll, and procurement of consultants to determine whether STCC was in compliance with applicable laws, rules, and regulations; and
- As necessary, making recommendations for corrective action to improve internal controls and prevent future occurrences.

To accomplish our objectives, we examined the conditions that surrounded the reported theft and reviewed the adequacy of STCC's controls over the Center's property and equipment. We also assessed the measures taken by STCC to prevent future occurrences of this type. We met with STCC's President, Vice President of Finance, Controller, Associate Controller, Director of Purchasing, Assistant Director of Purchasing, and Director of Human Resources to discuss the circumstances surrounding the theft. We also interviewed employees and obtained and reviewed the following documents related to the incident: contracts, inter-office memos, travel vouchers, cash disbursements, payroll reports, and policy and procedure manuals.

AUDIT RESULTS

1. MISAPPROPRIATION OF PROPERTY AND EQUIPMENT VALUED AT OVER \$1,000

We determined that although Springfield Technical Community College (STCC) implemented internal controls over the procurement and inventory of its property and equipment, STCC's former Vice President of Business and Economic Development (Vice President) may have abused his position of authority at STCC by overriding these controls and obtaining property and supplies for his own personal benefit. The former Vice President oversaw STCC's Scibelli Enterprise Center (Center) and Incubator Program located across the street from STCC's main campus. The Incubator Program was started by the former Vice President to assist start-up businesses in their development stage, and he was responsible for supervising seven to 10 employees and recruiting new businesses for the Center.

STCC's Chief Financial Officer informed us of the circumstances surrounding the theft. She stated that in 2008, one of the consultant companies located in the Center and hired by the former Vice President to perform various design services for the STCC Incubator Program purchased a large flat-screen television and DVD player as part of its design services. However, the Director of the Incubator Program stated that the television had never been removed from its original packaging. According to a campus video camera recording, on September 4, 2009, the former Vice President removed this television from the Center as well as several cases of bottled water.

During our audit, we reviewed the purchasing and accounts payable documents related to the purchase of the large flat-screen television and DVD player. We also interviewed employees who worked directly for the former Vice President. Our review found that the purchase order used to pay for these items was a blanket purchase order approved by STCC's Director of Purchasing. This purchase order, dated July 7, 2008 to August 31, 2009, allowed for the procurement of "Newsletter Design and Printed materials for the college." The invoice submitted by the consultant against this purchase order, dated November 25, 2008 and used to pay for this video equipment, stated that the requested amount was for "Design and layout for incubator show case campaign." Consequently, when the Accounts Payable department reviewed the purchase order and invoice, it assumed that it related to the services listed and did not realize the consultant was procuring a large flat-screen television and a DVD player. Our review also found

that the invoice in question was approved by the Director of the Center, who was a direct subordinate of the former Vice President, and stamped as paid on December 18, 2008. In addition, because the flat-screen television was purchased by the consultant but paid for by STCC, STCC's normal purchasing process was not followed.

Specifically, in order to procure goods and services, STCC requires all individuals within departments to follow its Best Practices for Services policy. Section G of this policy states the following:

In all cases, the required paperwork must be submitted to Purchasing prior to creation of Purchase Orders and prior to any service commencing. It is important to note that the Purchase Order is the official procurement document of the College. Services provided without a Purchase Order may become the sole responsibility of the individual requesting the services.

In addition, STCC's Business Office Handbook, Accounts Payable section, page 1, part B, states the following regarding the delivery of orders:

90% of orders placed by the college are delivered to the Receiving Dept. which in turn delivers the merchandise to the person (initiator) who placed the order in the first place. The order received is compared to the yellow/goldenrod copy of the PO [purchase order]. If the order is complete, the initiator must sign the Receiving copy of the PO. That signed copy is then forwarded to Accounts Payable as proof of delivery of the order.

Our audit determined that, contrary to normal procedures, the invoice in question that was sent to the Accounts Payable Department did not include a Voucher/Authorization for Direct Payment form that normally accompanies an invoice submitted for payment. This form lists the date of purchase, purchase order number, voucher number, vendor, invoice number, amount, description of the purchase, account to be charged, and authorized signature. Furthermore, the Assistant Director stated that the television was not delivered to the receiving department, as would be the normal practice, and that she never saw a purchase order for the procurement of a flat-screen television. If this item had been purchased according to STCC's policies and procedures, it would have been inventoried with a state property tag and added to STCC's inventory list.

We also interviewed a subordinate of the former Vice President, who stated that in November 2008, a large flat-screen television was in fact delivered and stored in one of the offices at the Center. Moreover, she stated that the former Vice President had authorized the transaction but

did not sign the invoice to approve the payment. On October 15, 2009, this employee received an email from another employee at the Center stating that the television in question and the DVD player were missing from the training room and could not be located. Our review of the STCC security access log for the Center showed that the former Vice President entered the building on September 4, 2009 at approximately 5:00 pm. A video camera recorded him removing the large flat-screen television and DVD player from the Center shortly after 5:00 pm. Our further review of the video camera footage and access log determined that on August 22, 2009, the former Vice President entered the building at approximately 3:35 pm. He was identified on the video camera as removing several cases of bottled water shortly after 4:00 pm on the same day.

On November 23, 2009, the former Vice President was called to a meeting with STCC's President, at which time allegations of unprofessional conduct were presented along with evidence of the theft. Following the meeting with STCC's President, he voluntarily resigned his position as Vice President of Business and Economic Development, effective immediately. In addition, he agreed to immediately return to STCC all STCC equipment and materials in his possession.

Recommendation

STCC should require that a Voucher/Authorization for Direct Payment form be included with and accompany all invoices for payment. Any invoice lacking this documentation should not be paid. The purchase order should be specific as to what piece of equipment is being procured. The purchasing department should also track all equipment purchased until it is delivered through proper channels and properly inventoried. This process should also be documented within the purchasing department's internal control policies and procedures. STCC should also consider instituting a whistleblower program that will allow anyone aware of the misappropriation of STCC assets to receive anonymous protection when reporting such misappropriation.

Auditee's Response

We agree with the finding.

STCC has implemented a Fraud Prevention Policy and Program. The policy was prepared for the 15 Community Colleges by the Community College Legal Counsel in response to the requirements imposed under state and federal law. The policy includes a Whistleblower Program that instructs employees to contact the Massachusetts Inspector General Hotline, including the telephone number, should they suspect fraudulent activity. The Fraud Prevention Policy is issued to new full- and part-time employees at the College as part of the new hire packet, as is the State's Conflict of Interest Policy. In addition, the Fraud Prevention Policy, Conflict of Interest Policy, and Whistleblower hotline have been posted on the College's website.

STCC requires appropriate authorization(s) for payments of invoices. A final review is performed on the weekly check warrant by the Associate Controller to ensure that is in order.

The STCC Business Services Division has procedures in place to ensure that best pricing, procurement measures, receiving and inventory practices are being followed and they have been documented in the internal control policies and procedures.

2. INADEQUATE INTERNAL CONTROLS AND REPORTING OVER NON-GAAP FIXED ASSET INVENTORY

STCC was not in full compliance with Office of State Comptroller (OSC) regulations and its own internal control policies and procedures regarding the accounting and full reporting of non-GAAP (Generally Accepted Accounting Principles) fixed assets, equipment, and other inventory. STCC's policy requires maintenance of a perpetual inventory of all GAAP and non-GAAP fixed assets in accordance with the policy, rules, and regulations promulgated by the OSC. However, our audit disclosed that although STCC maintains a listing of its non-GAAP fixed assets inventory, the listing did not contain all the required information for STCC to fully comply with OSC regulations.

Non-GAAP fixed assets are defined as singular assets and include such items as vehicles, equipment, furniture, computer software, and all electrical and computer components with a useful life in excess of one year, and with an original cost of between \$1,000 and \$49,999. In addition, all buildings, roads, and other infrastructure with an original cost between \$1,000 and \$99,999 are considered non-GAAP fixed assets. The OSC's Accounting and Management Policy that was in effect during our audit period requires that all assets, regardless of whether they are fixed or not, be accounted for, managed, and reported in accordance with applicable laws and regulations of the Commonwealth. These guidelines require, in part, minimum standards for maintaining proper internal controls over fixed assets, as follows:

There shall be an annual inventory taken of fixed assets owned by every Department. This inventory shall include, at a minimum, verification of the existence and location of fixed assets owned by a Department. This inventory shall be done on or about June 30th of each year for GAAP and non-GAAP assets.

There shall be a reconciliation of the fixed asset inventory against the books and records maintained by the Department, either on a Fixed Asset Subsystem or other documented methods. This reconciliation is to be done, at a minimum, on an annual basis. This reconciliation shall be available for audit by the department's internal auditors, the State Auditor's Office or the Commonwealth's external auditors.

In addition, the OSC's Fixed Asset Acquisition policy that was in effect during our audit period states that non-GAAP fixed assets must be recorded in a department's inventory and reconciled at least annually. This inventory can either be electronic or on paper, as long as it records the date of purchase, amount, description, location, and disposition of an item.

In order to be effective, STCC's internal control system over its non-GAAP fixed assets should readily identify the age; condition; cost of original acquisition; verification of true identification by make, model, and serial number, and provide a summary or composite value of all items purchased and maintained by STCC. During our audit, STCC staff provided us with internal control policies and procedures that require each STCC department to track inventory and note any changes such as moves, deletions, or additions in what STCC staff refers to as "blue books" provided to each department. According to STCC officials, blue books are three-ring binders containing spreadsheets listing the inventory for each department. In addition, these policies and procedures require that all items over \$1,000 have an STCC property tag. These policies and procedures also state that STCC's Business Office will collect the inventory blue books from each department for the purposes of conducting a mandatory fiscal inventory of these assets in June of each year. However, although these policies and procedures have been drafted, STCC officials informed the OSA that they were never implemented. STCC officials stated that they are in the process of implementing these policies and procedures but were not using the blue books to track inventory at the time of our audit fieldwork.

During our audit, STCC staff provided us with an inventory list of the property and equipment located at the Center. However, our review of this inventory listing found that although the list does include the serial number and manufacturer of each inventory item, it did not include identifying features such as historical cost data, purchase order numbers, purchase order date, and asset property tag numbers for many of the items on the listing.

Further, this inventory listing does not provide a basis for valuation of the total inventory for replacement and disposal purposes as the equipment becomes obsolete and unusable. Because data was not entered or complete in many fields, many items on the list cannot be readily traced or referenced to the detail records of purchase invoices or source-funding accounts to verify when, from whom, and at what cost the items were purchased.

Specifically, we noted the following conditions in our audit testing:

- The Center inventory listing did not denote the acquisition date of 29 of the 51 items, or 57% of the items on the list. In addition 28, or 55%, of the items did not have the historical cost recorded as required by OSC regulations and STCC internal control policies and procedures.
- Contrary to OSC regulations, 44 of the 51 items, or 86%, did not have property tag numbers documented on the inventory list. These items included Dell computer equipment such as monitors, processors, laptops, and a network server.
- Twenty nine of 51 items, or 57%, did not have purchase orders or purchase order dates documented on the inventory list.
- We found seven computer-related items on site at the Center that were not on the inventory listing. Of the seven, six items did not have property tag numbers.

As a result of these conditions, STCC is not effectively controlling the Center's non-GAAP fixed assets in compliance with OSC regulations and is exposing these assets to potential loss, theft, or misuse. STCC officials told us that its Receiving Department is responsible for tagging items once they have been received and that there had been personnel changes in that department. In addition, these officials stated that STCC does perform an annual inventory based on a central inventory list it maintains and is presently in the process of setting up a new inventory list that will encompass all of STCC, and will contain all required information in accordance with OSC regulations.

Recommendation

To properly control and maintain its non-GAAP fixed asset inventory, STCC needs to update and implement its internal control policies and procedures. These policies and procedures should ensure that STCC complies with OSC's Fixed Asset Accounting Management and Acquisition regulations regarding its non-GAAP fixed assets. Moreover, the following steps

should be taken to ensure that STCC complies with OSC regulations and its own updated internal control policies and procedures:

- Create a master listing to include the historical cost of each inventory item (inventory recording documents should be compared to purchase orders and sales invoices for agreement to ensure that a value is given to all items on the inventory list);
- Record on the master inventory listing the purchase order number, date, and state property tag number; and
- Establish policies and procedures for transferring non-GAAP fixed assets from one location to another (this will provide an audit trail for the agency's non-GAAP fixed assets).

Auditee's Response

We agree with the finding.

In order to comply with OSC Fixed Asset Accounting Management and Acquisition regulations regarding non-GAAP fixed assets, STCC has updated its internal control policies and procedures to include a master listing that includes the historical cost of each item, the purchase order number, date and state property tag number and has established policies. Procedures for transferring non-GAAP fixed assets from one location to another are currently being implemented.

3. INADEQUATE INTERNAL CONTROLS OVER TRAVEL REIMBURSEMENT

Our audit found that from October 4, 2006, through October 27, 2009,¹ STCC's former Vice President was reimbursed for STCC travel-related expenses totaling \$7,760. However, our review of the former Vice President's travel vouchers determined that STCC was not in full compliance with its own internal control policies and procedures regarding these travel reimbursements in that most of them lacked the required approval.

According to STCC's Travel Policies and Procedures Manual (Manual), any employee traveling on STCC business will be reimbursed for reasonable and proper out-of-pocket travel-related expenses. Section 5 of the Manual requires each employee to sign each travel voucher submitted for reimbursement, thereby signifying that all travel expenses are true and correct. STCC's Manual also requires that an employee's supervisor or Vice President must approve employee travel and expenses. In addition, Section 6 of the Manual states that STCC has established a meal

¹ STCC's former Vice President submitted the last travel voucher in October 2009 before resigning.

allowance of \$35 per day for individuals traveling for more than one day. Finally, STCC's Manual states that all employees traveling on STCC business must obtain approval prior to travel. Section 3 of these policies and procedures details the travel requisition process as follows:

All employee travel requests must include the following information: Employee traveling, destination, date(s) of travel, estimated price (amount to be reimbursed to the employee), purpose of travel, and approvals. In-state travel approvals require the names on the travel requisition. In addition, all out-of-state travel must be approved by the President.

We reviewed all travel vouchers submitted for reimbursement by the former Vice President during our audit period and noted the following issues:

- From October 4, 2006 through October 27, 2009, STCC's former Vice President submitted 17 travel vouchers and was reimbursed for \$7,760 in expenses he claimed on these vouchers. The Vice President signed all 17 of these vouchers; however, 16 vouchers totaling \$7,614 did not have the required supervisory approval.
- As noted above, STCC's Travel Policies and Procedures establish a meal allowance rate of \$35 per day for individuals traveling for more than one day. During our audit period, STCC's former Vice President received \$175 for meals for the maximum \$35 daily meal allowance for five separate single-day trips. Since the former Vice President was not travelling for more than one day on any of these trips, he should not have received these reimbursements.
- Two out-of-state travel reimbursements totaling \$847 did not have pre-approved purchase orders as required by STCC's Manual.

Regarding these reimbursements, the STCC employee who processed the former Vice President's travel reimbursement requests in question and worked directly for him stated that she questioned some of the amounts in these requests. She also stated that, after she submitted the former Vice President's reimbursement requests for August and September 2009, she contacted the Assistant Director of Purchasing and Business Services, who informed her that the amounts of reimbursement requested appeared to be excessive. However, no further action was taken, and the reimbursements were processed. STCC officials could not explain why these expenses were paid without the proper approval.

Recommendation

STCC should require all of its employees to comply with its Manual without exception. All travel reimbursement requests should be properly completed by the employee and approved prior to

travel. Any incomplete or inaccurate travel reimbursement requests should be returned without authorization. Moreover, all travel reimbursement request forms should be completed with all required supporting documentation and approval signatures prior to reimbursement. Any employee reimbursement requests that do not fully comply with STCC's Manual should not be paid. In addition, STCC should review the travel vouchers in question and seek restitution from the former Vice President for all amounts deemed to be unallowable.

Auditee's Response

We agree with the finding.

The Travel Policies and Procedures pamphlet has been posted to the College's website. Once a year the Business Services Division emails the pamphlet to the campus community. The Accounts Payable Supervisor and the Associate Controller review all travel reimbursements for compliance and completeness before payment will be made.

4. CONSULTANT PROCUREMENT AND PAYMENT PRACTICES CONTRARY TO STCC'S INTERNAL CONTROL POLICIES

Our audit disclosed significant problems relative to contracts awarded by STCC's former Vice President to three consultants. Specifically, contrary to STCC's policies and procedures, STCC's former Vice President did not award these consultant contracts using a competitive procurement process, did not execute formal contracts with these consultants, and did not ensure the delivery of consultant services and products. Consequently, there is inadequate assurance that STCC's former Vice President obtained these consultant services for the best possible price.

STCC's Business Office Handbook (Handbook) requires STCC to solicit a Request for Responses (RFR) when the cost of a product or service required exceeds \$5,000 for the fiscal year and the product or service is not available on a current contract. The Handbook also states that occasionally an RFR is submitted if the item costs over \$2,000 because the Business Office determines the competitive bidding process will allow STCC to acquire the product or service at a lower price.

During our audit, we reviewed the documentation STCC was maintaining relative to contracts that were awarded by STCC's former Vice President to three consultants. These contracts all exceeded \$5,000 in payments per fiscal year and were for services not available under a current

STCC contract; therefore, STCC's Handbook requires that they be procured through a competitive bidding process. During fiscal years 2007 through 2010, STCC paid these three consultants a total of \$173,121. Based on our review, we found that, contrary to STCC policies, the former Vice President awarded these three contracts without using a competitive procurement process, did not utilize formal agreements to document the terms and conditions of the procured services, and did not maintain all documentation authorizing and supporting all the payments made to these three consultants.

We also found that the former Vice President inappropriately paid for some of these consultant services using STCC's ProCard credit card program. According to STCC's ProCard User Guide, the ProCard should not be used for contract services or services of any type. Despite this restriction, we found that STCC's former Vice President used the ProCard to make 121 payments totaling \$33,600 to one of the three consultants.

Regarding this matter, STCC's Director of Purchasing and Business Services stated that STCC has since terminated its relationship with these consultants and has put these services out to bid. In addition, since the resignation of STCC's former Vice President, all contract services are now procured in accordance with STCC's own internal policies and procedures.

Recommendation

STCC should take measures to ensure that it fully complies with its internal control policies regarding the procurement of consultant services. In addition, STCC should ensure that all ProCard users are fully aware of the purposes and restrictions for using the ProCard.

Auditee's Response

We agree with the finding.

We have reviewed our procedures and policies regarding the procurement of consultants and contractors to ensure that it delineates a competitive and fair bid process. . . .

Before an employee is issued a Procard, the Assistant Director of Purchasing and Business Services meets with him/her to review the requirements, restrictions, policies and procedures and gives a hard copy of the same. Annually the Assistant Director emails the procard policies and procedures to all the cardholders as a review and reminder to all. An annual audit of all procard transactions is performed by an independent auditor at the end of the fiscal year. The Assistant Director has access to JP Morgan Chase account at all times and reviews all Procard holder transactions on a

monthly basis to ensure all Procard spending appears to be in order. If the Assistant Director finds an employee in violation of Procard policies, the Assistant Director immediately rescinds ProCard access, requires the Procard to be returned and depending on the violation will request management action if necessary.

5. NONCOMPLIANCE WITH STCC'S HIRING POLICIES AND PROCEDURES AND POSSIBLY THE STATE'S CONFLICT OF INTEREST LAW

STCC's former Vice President did not comply with STCC's hiring policies and procedures when he authorized the hiring of his daughter as a part-time employee. In addition, in this instance, the former Vice President may have been in violation of Chapter 268A of the General Laws (the state's Conflict of Interest Law), which prohibits elected and appointed public officials at the state, county, and municipal level from participating in particular matters in which their immediate family members have a financial interest.

STCC's Human Resource Policies Manual states, in part:

HIRING PROCEDURES

A Personnel Employment Requisition to request to hire is mandatory for any full or part-time positions. Signatures must be obtained from the Division/Department Chair and appropriate Dean/Vice President with final signature from the Vice President of Development/CFO. Requisition will then be forwarded to Human Resources to begin the following search process.

Further, STCC's Business Office Handbook states, in part:

Once the personnel requisition has been approved by appropriate departments and submitted to the Human Resources Office (HR), the part-timer may begin work. A part-timer who is paid on an hourly basis must submit a timesheet for the hours worked. The beginning and end time of the workday and a lunch break (if it is taken) should be recorded.

All employees, full- and part-time, must complete employment paperwork prior to their first day of work. This includes, but is not limited to, the W-4 tax form, OBRA, I-9, union enrollment, insurance, etc.

Our review of STCC's payroll records found that on December 20, 2004, the former Vice President signed and authorized a Personnel Employment Requisition form to hire his daughter as a consultant for STCC assigned to work at the National Association for Community College Entrepreneurship (NACCE). NACCE is a nonprofit organization within STCC located at the Center that was founded by the former Vice President. According to the Personnel Employment

Requisition form and other STCC payroll documentation, the Vice President's daughter was hired for the period December 27, 2004 through January 21, 2005 as a part-time consultant working 37.5 hours per week at a rate of \$8.25 per hour whose total compensation was not to exceed \$1,237.50.

Similarly, STCC's fiscal year 2006 payroll records indicated on a Personnel Employment Requisition form dated December 18, 2005, the former Vice President's daughter was re-hired by STCC for the period December 18, 2005 to January 27, 2006. Her total compensation for this period of employment was to be \$2,000, with a salary of \$1,000 per two-week pay period.

Our review of this individual's personnel file and STCC's related payroll records identified the following:

- There was no job description on file identifying her duties or the qualifications required to perform them.
- The Personnel Employment Requisition forms relative to her employment during both periods were not properly completed. Information such as the authorizing signatures of the Vice President and Chief Financial Officer along with the approval signature of the Budget Office was missing.
- According to the Personnel Employment Requisition forms on file, the Human Resources Office had not received a W-4 tax withholding form or an I-9 Verification form from this individual.
- Timesheets documenting her work hours were requested but not available.
- On January 5, 2006, the former Vice President's daughter submitted an invoice, dated January 5, 2006, in the amount of \$1,000. The description on the invoice read "Marketing Development for 2006 Conference and Organization." Attached to the invoice was an accounts payable voucher authorizing payment. The voucher had been authorized by the former Vice President's Administrative Assistant.

Regarding the hiring of the former Vice President's daughter, the Executive Director of NACCE told us that the former Vice President asked for her help in finding his daughter a job. The Executive Director further stated that the former Vice President proposed to pay his daughter as a consultant in order to bypass the employee hiring process; however, the Executive Director did not accept the proposition.

In addition to its being contrary to STCC's personnel policies and procedures, the former Vice President's hiring of his daughter for this position may have been in violation of Chapter 268A of the Massachusetts General Laws (the state's Conflict of Interest Law), which prohibits elected and appointed public officials at the state, county, and municipal level from participating in particular matters in which their immediate family members have a financial interest.

In this regard, STCC has published a summary of the state's Conflict of Interest Law on its website. Part II of this summary, section (d), discusses self-dealing and nepotism:

A state employee may not participate in any particular matter in which he or a member of his family (parents, children, siblings, spouse, and spouse's parents, children and siblings) has a financial interest. He may also not participate in any particular matter in which a prospective employer or a business organization of which he is a director, officer, trustee, or employee has a financial interest. Participation includes discussing as well as voting on a matter, and delegating a matter to someone else.

Since Chapter 268A prohibits state employees such as the former Vice President from using their position to obtain benefits for themselves or their relatives, the actions taken by the former Vice President in this matter may represent a violation of this statute.

Recommendation

STCC should take measures to ensure that Personnel Employment Requisition forms are fully and properly completed for all potential employees. All required documents such as tax withholding and I-9 Verification forms should be completed prior to beginning employment. In addition, timesheets should be properly completed, signed by the employee, and have proper supervisory approval. Timesheets for all full- and part-time employees should be available for review. Further, STCC should take measures to ensure that it complies with Chapter 268A in hiring all employees. The OSA intends to forward this report to the State Ethics Commission for its review on the matter.

Auditee's Response

We agree with the finding.

The Employee Benefits and Operations Center (EBOC), located in the Business Office, handles all full and part time employee hiring paperwork at STCC. The EBOC will not hire an employee into the HRCMS system until all required paperwork and approvals are in place. Timesheets for part time employees are reviewed by the Payroll Supervisor for

completeness and approval and matched to an approved and outstanding personnel requisition before hours for the job record are entered into the HRCMS system.

The State's Conflict of Interest policy is given to all new employees at the time of hire.

It has also been posted on the College's website.

6. NONCOMPLIANCE WITH STCC'S PROCARD POLICIES AND PROCEDURES

Our audit determined that STCC's former Vice President and his subordinate, STCC's Business Manager, were not in compliance with STCC's policies governing the use of STCC ProCards (credit cards). Specifically, contrary to STCC's policies, STCC's Business Manager allowed the former Vice President, who was not authorized by STCC to use a ProCard, to use the Business Manager's ProCard to procure goods and services for STCC. In addition, as noted in Audit Finding No. 4, our review of ProCard transactions found that the ProCard was used by the former Vice President to procure consultant services in violation of STCC's ProCard policies. STCC's ProCard User Guide outlines and identifies specific restrictions that are applicable to individual STCC-authorized cardholders, as follows:

It is the Cardholder's responsibility to safeguard the ProCard to the same degree that a Cardholder safeguards his/her personal credit card.

The Cardholder must not allow any unauthorized individuals to use the ProCard or the card number. A violation of this trust may result in the Cardholder having his/her card withdrawn and/or disciplinary action for the Cardholder and/or the unauthorized individual.

Restricted Purchases

The ProCard should not be used for the following:

Cash Advances

Construction and Renovation

Hazardous Materials

Lease or Lease to Purchase

Personal Items

Disposal of Radioactive or Hazardous Materials

Reimbursements of Any Type

Contract Services

Gifts and Donations

Educational Equipment

Information Technology Equipment – Computers and Printers

Electronic Equipment – Cameras, VCR's, etc.

Facility Equipment

Furniture

Prescription Drugs

Service of Any Type

In addition, when employees are issued a ProCard, they are required to read and sign an Employee Agreement form documenting the cardholder's agreement to comply with the terms and conditions regarding the use of the card. The signed agreement states, in part:

I understand that the College is liable to JP Morgan Chase for all charges made on the card.

I will follow the established procedures for the use of this card. Failure to do so may result in either revocation of my use of privileges or other disciplinary actions.

I have reviewed the Procurement Card Procedures and understand the requirements for the card's use.

STCC's Business Manager, who worked under the direct supervision of the former Vice President at NACCE in the Center, stated that she was the ProCard Manager for these areas and that her responsibilities included reviewing travel vouchers and ProCard charges for accuracy. According to STCC ProCard records, she signed an Employee Agreement and was issued one ProCard on January 19, 2006. She further stated that her supervisor, the former Vice President, did not have custody of a ProCard until December 2008 and that, prior to this, he would regularly ask her to let him use her ProCard. According to STCC's Assistant Director of Purchasing, the former Vice President was not issued his own ProCard because he purportedly misused a STCC credit card that was issued to him. The Business Manager told us that because the former Vice President hired her and was her direct supervisor, she felt compelled to give him her ProCard when requested.

Our examination of ProCard transactions found that during calendar year 2008, charges in the amount of \$40,473 were made to the Business Manager's ProCard. Moreover, during fiscal years 2007 and 2008, the Business Manager's ProCard was used to pay \$33,600 in contract/consultant services contrary to ProCard policies, which ban procurement of services of any kind. During our audit, we requested copies of the documentation supporting these charges to determine who signed the receipts. STCC officials were unable to provide receipts; however, they did verify that the former Vice President had used the card assigned to the Business Manager.

Recommendation

STCC should take immediate measures to ensure that all staff members comply with its ProCard policies. STCC should also document in its ProCard User Guide and Employee Agreements the

dollar limit that can be charged using the ProCard. In addition, if noncompliance issues continue to occur, ProCard privileges should be revoked. In addition, STCC should ensure that the ProCard activities of the Business Manager be reviewed and approved by someone other than the Business Manager.

Auditee's Response

We agree with the finding.

The Assistant Director of Purchasing and Business Services oversees the College's Procard Program. The Assistant Director reviews the Procard transactions monthly for compliance and reasonableness. If the Assistant Director encounters evidence of noncompliance the Assistant Director immediately rescinds the user's Procard access and requires return of the card. In addition the Assistant Director keeps tight control over Procard limits for each card. The Procard limits vary by department/employee depending on the needs of the department.