



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

*Making government work better*

Official Audit Report – Issued April 9, 2018

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## University of Massachusetts Dartmouth

For the period July 1, 2014 through June 30, 2016





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Office of the State Auditor  
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April 9, 2018

Dr. Robert E. Johnson, Chancellor  
University of Massachusetts Dartmouth  
Chancellor's Office  
Foster Administration Building, 332  
285 Old Westport Road  
Dartmouth, MA 02747-2300

Dear Dr. Johnson:

I am pleased to provide this performance audit of the University of Massachusetts Dartmouth. 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 the University of Massachusetts Dartmouth for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written over a light blue circular watermark.

Suzanne M. Bump  
Auditor of the Commonwealth

cc: Mr. Martin T. Meehan, President of the University of Massachusetts  
Mr. Robert J. Manning, Chair of the Board of Trustees  
Mr. Kyle David, Director of Internal Audit

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## LIST OF ABBREVIATIONS

ADA	Americans with Disabilities Act of 1990
AM	asset management
IT	information technology
OSA	Office of the State Auditor
Procard	procurement card
RA	resident assistant
UMass	University of Massachusetts

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## 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 the University of Massachusetts (UMass) Dartmouth for the period July 1, 2014 through June 30, 2016. Because of the results of our audit planning procedures, it was necessary to extend our audit period in the area of property and equipment through December 28, 2016.

In this performance audit, we examined certain UMass Dartmouth activities related to the inventory of fixed assets, certain expenditures made using the university's procurement cards (Procards), and the administration of certain services for students who are covered under the Americans with Disabilities Act of 1990.

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

<b>Finding 1</b> <b>Page <a href="#">8</a></b>	UMass Dartmouth did not properly administer its inventory of fixed assets.
<b>Recommendations</b> <b>Page <a href="#">9</a></b>	<ol style="list-style-type: none"><li>1. Management should enhance its monitoring controls to ensure compliance with inventory policies and procedures.</li><li>2. Management should investigate the reasons that assets in UMass Dartmouth's inventory list cannot be located and take whatever actions it deems necessary to resolve this issue, including updating its inventory list to remove these assets.</li></ol>
<b>Finding 2</b> <b>Page <a href="#">10</a></b>	University Procards were used to purchase items such as computer and camera equipment and cash advances that were prohibited by the university's Procard policies.
<b>Recommendation</b> <b>Page <a href="#">11</a></b>	UMass Dartmouth should enhance its training and monitoring controls to ensure that established policies and procedures are consistently followed.

## **OVERVIEW OF AUDITED ENTITY**

The University of Massachusetts (UMass) Dartmouth became one of the five public institutions of higher learning in the UMass system in 1991 in accordance with Chapter 75 of the Massachusetts General Laws. UMass is governed by a board of trustees composed of 22 members, 17 of whom are appointed by the Governor of Massachusetts for five-year terms and 5 of whom are UMass students elected by the student body who serve one-year terms. It is led by a president who oversees the five-campus system, as well as chancellors located at each campus. The board shapes general policies that govern all five campuses in the UMass system.

The executive leadership team at UMass Dartmouth consists of a chancellor; a provost and executive vice chancellor for Academic and Student Affairs; a vice chancellor for Administration and Fiscal Services; a vice chancellor for Marketing; an assistant chancellor for Strategic Communication, Media Relations, and Special Projects; and an interim vice chancellor for Research and Economic Development.

According to its website, UMass Dartmouth's mission is to "[distinguish] itself as a vibrant, public research university dedicated to engaged learning and innovative research resulting in personal and lifelong student success." The university's facilities consist of a main campus located in North Dartmouth as well as locations in Dartmouth, New Bedford, Fairhaven, and Fall River. For the 2016–2017 academic year, UMass Dartmouth had a total enrollment of 8,647, with 6,999 undergraduates and 1,648 graduate and law students. UMass Dartmouth employs 600 faculty members and 800 staff members.

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## 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 the University of Massachusetts (UMass) Dartmouth for the period July 1, 2014 through June 30, 2016. Because of the results of our audit planning procedures, it was necessary to extend our audit period in the area of property and equipment through December 28, 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 UMass Dartmouth properly administering its inventory of fixed assets in accordance with its policies and procedures?	No; see Finding <u>1</u>
2. Are procurement-card (Procard) expenses appropriate according to UMass Dartmouth's policies and procedures?	No; see Finding <u>2</u>
3. Has UMass Dartmouth taken effective measures to ensure that the needs of students with disabilities are incorporated into emergency plans and that these students have access to supplemental learning aids and services?	Yes

To achieve our objectives, we gained an understanding of the internal controls by evaluating the design and operating effectiveness of controls over fixed assets, Procard expenses, and services for students covered by the Americans with Disabilities Act of 1990 (ADA), such as emergency plans and access to supplemental learning aids.

In addition, we performed the following procedures.

## **Inventory**

To verify the completeness of the inventory list, we obtained and reviewed the Staging Table Report generated by UMass Dartmouth's inventory software. This report identifies fixed assets (e.g., computer equipment, automobiles, and certain types of laboratory equipment) that have been purchased but have not been added to the university's inventory list and therefore are more vulnerable to misuse and theft.

We sampled and examined inventory items to verify their existence and the accuracy of UMass Dartmouth's inventory list and proper tagging of items with an asset identification number. The population consisted of 8,542 fixed assets, valued at \$30,290,075, that included capital assets with purchase costs above \$5,000, non-capital equipment items with purchase costs above \$1,000, and all information technology (IT) equipment regardless of purchase cost. From this population, we selected a judgmental sample of 30 fixed assets to physically verify their existence. We also randomly selected another 30 fixed assets on the UMass Dartmouth campuses to verify that they had inventory tags affixed and were accurately recorded on the inventory list. Both sample selections included items that we deemed most vulnerable to theft or misuse, such as IT equipment (e.g., laptops and tablet computers).

In order to determine whether lost or stolen inventory was reported properly in accordance with UMass Dartmouth guidelines and Chapter 647 of the Acts of 1989,<sup>1</sup> we compared UMass Dartmouth's 15 Chapter 647 submittals made during our audit period with OSA records and compared the date of each incident with the date the report was submitted to OSA. We also reviewed campus police logs to determine whether there were losses, stolen items, or shortages of university property that had not been reported to OSA.

We obtained a list of 724 fixed assets, valued at \$14,484,719, that were disposed of during our audit period. We judgmentally selected a sample of 35 of these disposed-of items (valued at \$69,054), including 34 IT assets, that we deemed most vulnerable to misuse or theft. For each of the items in our sample, we verified that a UMass Dartmouth Equipment Disposal Form was on file and that the form was signed by the department head to indicate that the disposal was authorized. For IT equipment, we

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1. This law requires agencies to file a report with OSA if they find any "unaccounted for variances, losses, shortages or thefts of funds or property."



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also verified that UMass Dartmouth's IT department certified on the Equipment Disposal Form that the hard drives were destroyed as described in the university's policies and procedures. We physically verified that equipment that had been disposed of was housed in a secured area (specifically, large, locked shipping crates). For the one non-IT asset, a 1988 Chevrolet cargo van, we examined documentation that supported its disposal.

## **Procards**

To determine whether Procard transactions were appropriate, we obtained a list of all 30,512 transactions dated within our audit period from Citibank, UMass Dartmouth's Procard vendor. These transactions were valued at a total of \$5,481,569. We defined appropriate transactions as those that were made in accordance with UMass Dartmouth's policies and procedures. We stratified our population into two categories: a refined high-risk population of 3,362 transactions, valued at a total of \$689,881, and the remaining general population of 27,150 transactions, valued at \$4,791,688. To identify the high-risk subpopulation, we performed multiple keyword searches on the list of transactions to identify prohibited items listed in UMass Dartmouth's Procard User Guide, certain transactions with a high likelihood of being personal rather than business transactions, and cardholders who had a high volume of transactions or high-value transaction amounts. To identify prohibited transactions, we searched for keywords in the transaction description, vendor name, and merchant classification code (the code used to classify the type of services provided by the vendor). To identify potential personal transactions, we reviewed the nature, timing, and frequency of transactions, looking for those that were made on Saturdays, Sundays, and holidays; were for less than \$10; and involved certain vendors or types of vendors. Our combined search criteria generated the aforesaid high-risk population of 3,362 transactions, from which we judgmentally selected a nonstatistical sample of 80 transactions (valued at \$44,945) plus an additional 30 transactions specific to gift cards (valued at \$12,855). From the general subpopulation of 27,150 transactions, we judgmentally selected a nonstatistical sample of 30 transactions, valued at \$9,008. We had a total of 140 transactions in our sample.

We tested our sample of 140 Procard transactions to validate that each had a stated business purpose applicable to the role and department involved. We verified that each transaction was supported by vendor receipts, and by business expense or travel request forms where applicable. For the sample of 30 gift card transactions, we evaluated the same criteria described above, and we verified that there was

evidence of receipt by the recipient, as required under the UMass Dartmouth Business Expense Policy and Procedure.

## **Student Disability Services**

To evaluate whether the needs of students covered by the ADA were incorporated into emergency planning and training and whether those students had access to supplemental learning resources, we evaluated the communication of ADA-related information to the campus community, the administration of ADA accommodation requests, and resident assistant (RA) training on emergencies affecting students covered by the ADA.

In order to verify that RAs received this emergency training, we obtained a list of RAs from both academic years in our audit period from UMass Dartmouth's Housing and Residential Education Office. From that list of 133 people, we randomly selected 10 RAs and acquired automated timestamps of required online training, including emergency procedures affecting students covered under the ADA, to determine whether they received training.

To validate that students covered under the ADA are made aware of support services provided by UMass Dartmouth, we reviewed the different media for communicating about ADA-related services. We verified that these services were clearly outlined and that the communications included contact information and the locations of service providers. We also verified that the information was provided in an accessible manner.

We inquired as to grievances filed by students at UMass Dartmouth who were covered by the ADA, but we were unable to obtain source documentation because of privacy concerns.

We evaluated the effectiveness of UMass Dartmouth's process for administering ADA accommodation requests. Specifically, we randomly selected a sample of 30 out of 651 requests and reviewed each one to verify that it was supported by an ADA Reasonable Accommodation Form that was signed by the student, a professor, and a Center for Access and Success<sup>2</sup> staff member; a contract signed by the student outlining the student's responsibilities; and medical documentation from a licensed medical practitioner to verify a need for services.

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2. The Center for Access and Success is the campus department charged with ensuring that students covered under the ADA receive academic accommodations that address their needs.

## **Data Reliability**

We used UMass's PeopleSoft system at both the UMass President's Office in Shrewsbury and the UMass Dartmouth campus. The PeopleSoft system contains employee and student records, the inventory of fixed assets, and Procard transactions. We determined the reliability of data obtained from PeopleSoft by observations and by comparing PeopleSoft data to other sources for agreement to test certain general IT controls over security management, access controls, and configuration management. We determined that the data were sufficiently reliable for the purposes of audit testing.

For ADA services, we reviewed hardcopy source documents such as original medical documentation, signed accommodation request forms, and ADA student contracts. We determined that the information was sufficiently reliable for the purposes of audit testing.

Whenever sampling was used, we applied a nonstatistical approach, and as result, we were not able to project our results to the entire populations.

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## DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

### 1. The University of Massachusetts Dartmouth did not properly administer its inventory of fixed assets.

The University of Massachusetts (UMass) Dartmouth did not maintain an accurate inventory list or assign asset identification tags to all of its fixed assets. As a result of these issues, there is a higher-than-acceptable risk of undetected theft or misuse of fixed assets.

Of the 30 items sampled in order to verify their physical existence, we could not locate 12 items, totaling \$70,064. Additionally, for our audit period, 330 items, valued at \$1,433,515, had not been added to UMass Dartmouth's inventory list.

UMass Dartmouth processes all purchases, including fixed assets, through PeopleSoft. When a fixed asset is purchased, the item is moved to the Staging Table. This holds the asset in "suspense" until UMass Dartmouth's Property Control staff records the asset identification tag number, the location of the asset, and other pertinent information about the asset. The asset is then added to PeopleSoft's asset management (AM) module and tracked on the inventory list.

UMass Dartmouth officials told us that their unwritten practice was for Property Control personnel to run the Staging Table Report weekly to identify assets in suspense, match each asset to a purchase order, and record the asset information in the AM module. If an asset is added in error, Property Control makes the correction by removing the asset from the AM module. The Staging Table Report had 330 items that had not been added to the inventory list.

#### Authoritative Guidance

According to UMass Dartmouth's Moveable Equipment Inventory User Manual, the AM module of its PeopleSoft system is the system of record for the university's movable equipment and fixed assets and should be accurate: "This system operates . . . to provide accurate and timely information concerning University moveable equipment and fixed assets."

The manual also states that once the university has received purchased equipment,

*The Property Control Office will tag the asset and retain the information until the inventory item is downloaded to the Asset Management (AM) staging table for processing into AM. Upon payment of invoice . . . the Property [Control] Office will review all applicable purchase orders to*

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*determine title, location and tag type. The Property Control Officer will then record the item's physical characteristics [in the AM module].*

## **Reasons for Noncompliance**

Although UMass Dartmouth has established policies and procedures for the inventory of fixed assets, it has not established adequate monitoring controls to ensure that they are consistently followed.

Management was unable to provide explanations for the missing fixed assets.

## **Recommendations**

1. Management should enhance its monitoring controls to ensure compliance with inventory policies and procedures.
2. Management should investigate the reasons that assets in UMass Dartmouth's inventory list cannot be located and take whatever actions it deems necessary to resolve this issue, including updating its inventory list to remove these assets.

## **Auditee's Response**

*A full time staff person was hired in December of 2016. In the last year the individual has been updating the asset management system by processing updates to the database, reconciling missing assets and addressing assets on the Staging Table.*

*The 330 items on the Staging Table have been reconciled with all assets being tagged that required tagging. Management will continue to utilize the two quarterly reports that monitor asset purchases that assist in ensuring policy and procedures are followed, and it will enhance these monitoring processes by implementing a third aging report that identifies assets on the Staging Table that are not recorded in the asset database. . . .*

*Management will investigate why these assets could not be found, reconcile as required and based on what is discovered determine if controls require enhancement.*

## **Auditor's Reply**

The actions taken by UMass Dartmouth to address its inventory practices, as described above, were responsive to our concerns and will allow it to account for its assets more effectively. The additional staff member and the use of monitoring reports should ensure that all assets are accounted for accurately in the database. The status of all missing assets should be determined and the necessary adjustments made to the database.

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## 2. Prohibited purchases were made with university procurement cards.

UMass Dartmouth allowed prohibited purchases on the university's procurement cards (Procards), resulting in a higher-than-acceptable risk of misuse of university funds.

For our two-year audit period, UMass Dartmouth had more than 30,500 transactions on 422 Procards, totaling \$5,481,569. According to the university's Procard User Guide, Procards are issued to faculty and staff members "to purchase and pay for consumable commodities of a low dollar value, as well as travel expenses, when pre-approved."

The university Procard User Guide establishes rules for the use of Procards, including specifically identifying items that are prohibited Procard purchases. We found 19 instances of prohibited purchases, totaling \$9,129, in our test of Procard transactions, as described below:

- 3 cash advances, totaling \$1,245, during a trip to India by a faculty member who was approved for only a \$500 cash advance and did not have supporting documentation to explain how the money was spent
- 10 transactions for computer equipment (monitors, servers, and system boards), totaling \$4,204
- 4 transactions for camera equipment, totaling \$3,054
- 2 transactions, for a tablet computer and an e-reader, totaling \$626

We also noted control deficiencies in the use and documentation of Procard purchases, as follows:

- Twenty-six cardholders lacked approvals and/or required backup documentation, including Procard activity logs, gift card recipient logs, and business expense forms, for 48 transactions, totaling \$20,059.
- A Procard cardholder shared a card with students. We found 23 transactions during one billing period, totaling \$645, charged by two authorized student groups for travel expenses on an employee's card. Management told us that this was a routine practice and the employee was following an unwritten policy. Although this action was approved, we feel that there is a risk inherent in loaning out a card.

### Authoritative Guidance

UMass Dartmouth's Procard User Guide prohibits cardholders from using Procards to obtain cash advances or to purchase "Computers/Laptops, iPads, and E-Readers."

The Procard User Guide also states that a Procard can be used to purchase equipment, including camera equipment, at a cost of less than \$1,000 **only** if it is not to be tagged for inventory purposes. According to the Moveable Equipment Inventory User Manual, UMass Dartmouth is required to tag any equipment purchased for \$5,000 or less that is considered "sensitive," i.e., at a "high risk of loss"; this includes cameras, which the manual specifically identifies as an example of "sensitive equipment."

The guide also states,

*The cardholder will maintain adequate documentation to support the legitimate business purpose of all transactions made with the Procard. It is required that the Cardholder keep a monthly Card Activity Log of all his/her purchase transactions conducted with the Procard, to better track his/her purchases and available budget. . . .*

***Additionally, the statement must be reviewed by the cardholder's supervisor. The supervisor must sign the statement as an indication of review/approval.***

The UMass Dartmouth Business Expense Policy and Procedure states that departments issuing gift certificates or gift cards "must keep a record of all gift certificates/cards issued. This record should include recipient name and amount received. The recipient of such gift card must sign a receipt." The policy also states, "Business expenses must be supported by a completed business expense form."

Finally, the Procard User Guide identifies the "assignment or transfer of an individual's card to another person" as an example of "misuse" of a Procard.

## Reasons for Noncompliance

Although UMass Dartmouth's policies and procedures for Procard use are clearly defined, the university lacks adequate monitoring controls to ensure that these policies and procedures are followed. For example, we found that supervisors were not reviewing Procard transactions, monthly statements, and supporting documentation; in addition, monthly Procard account reconciliations were not consistently completed and were missing supervisory reviews and approvals. Although UMass Dartmouth provides training on Procard use to cardholders, it does not provide that training to its supervisory staff.

## Recommendation

UMass Dartmouth should enhance its training and monitoring controls to ensure that established policies and procedures are consistently followed.

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## Auditee's Response

*The timeframe of the audit was FY15 and FY16. A new CFO and Associate Vice Chancellor for Finance were hired in the summer of 2015 (FY16). During their tenure additional controls were added, including but not limited to:*

- a. Weekly review of [Procard] spend using queries to show transactions by card holder and vendor to ensure appropriateness of purchases and compliance, and [enhanced] fraud prevention.*
- b. Stringent requirements for the purchase of gift cards using a [Procard] were implemented in October 2016. These requirements include receipt of Administration and Finance approval prior to purchase of gift cards, log maintenance of recipients, including employee status for the addition of the card value to wage earnings, signed receipts by recipients, maximum value of card purchases, and procedures for excess gift card purchase (i.e., organization purchases 10 cards but only 9 are used).*
- c. Discontinuance of cards available to holders who do not follow established policies and procedures.*

*The [Procard] purchases referred to as prohibited were appropriate business purchases; however, we understand that according to policy they should have been purchased by other means, e.g., via a purchase order.*

*As a result of the audit we will:*

- Update our written policies to reflect current practices that already mitigate risk to a reasonable level;*
- Enhance our [Procard] audit procedures to include unscheduled audit reviews by visiting departments throughout the campus; and*
- Enhance monitoring controls by implementing mandatory supervisor training.*

*In addition, the majority of the IT purchases noted by the auditors were made by the IT department and consisted of small, quickly required items such as a mouse, keyboard or monitor. Dartmouth will formalize this exception to the [Procard] policy allowing only the IT department to purchase small items of an IT nature via a [Procard].*

## Auditor's Reply

We believe UMass Dartmouth's proposed changes to its internal practices will strengthen its oversight and monitoring of the Procard process. The implementation of unscheduled audits, weekly queries to monitor purchases, and mandatory supervisory training should reduce the purchases of prohibited items and help ensure that proper supporting documentation is available for each transaction. Updating



the university's policy to include these proposed practices and the information technology purchasing exception will help to clarify staff members' responsibilities.