



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

Making government work better

Official Audit Report – Issued June 12, 2018

University of Massachusetts Lowell

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





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June 12, 2018

Dr. Jacqueline Moloney, Chancellor
University of Massachusetts Lowell
Office of the Chancellor
220 Pawtucket Street, Suite 400
Lowell, MA 01854-5120

Dear Dr. Moloney:

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

Sincerely,

A handwritten signature in blue ink, appearing to read "SMBump".

Suzanne M. Bump
Auditor of the Commonwealth

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

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LIST OF ABBREVIATIONS

ADA	Americans with Disabilities Act of 1990
IT	information technology
OSA	Office of the State Auditor
ProCard	procurement card
UMass	University of Massachusetts

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) Lowell for the period July 1, 2014 through June 30, 2016.

In this performance audit, we examined certain UMass Lowell activities related to the inventory of fixed assets, certain expenditures made with 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.

Finding 1 Page 7	UMass Lowell did not properly administer its inventory of fixed assets.
Recommendations Page 8	<ol style="list-style-type: none">1. UMass Lowell should review the Staging Table Report weekly to ensure that assets are properly recorded.2. UMass Lowell should review its fixed asset inventory list and ensure that all required information is present.3. UMass Lowell should determine why information may be missing from its PeopleSoft system and correct the issue as needed.
Finding 2 Page 10	ProCard activity logs were improperly approved.
Recommendation Page 11	UMass Lowell should enhance its policies to better define supervisory activities and should provide additional training to supervisors regarding their timely completion of their ProCard responsibilities, if needed.

OVERVIEW OF AUDITED ENTITY

The University of Massachusetts (UMass) Lowell became one of the five public institutions of higher learning in the UMass system in 1991 under Chapter 75 of the Massachusetts General Laws. UMass is led by a president who oversees the UMass system and by a chancellor at each campus. It is also 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 for one-year terms. The board shapes general policies that govern all five campuses in the UMass system.

As the administrative head of the university, the chancellor of UMass Lowell reports to the president and is supported by a senior vice chancellor for Finance, Operations, and Strategic Planning; a provost; an assistant vice chancellor for Student Affairs and Events; a vice chancellor for Advancement; a vice chancellor for Research and Innovation; a vice chancellor for University Relations; and a director of Athletics.

UMass Lowell is a member of the Massachusetts public higher-education system, which consists of 15 community colleges, 9 state universities, and 5 UMass campuses. It is located at 1 University Avenue in Lowell. As of spring 2016, UMass Lowell had a student population of approximately 16,874.

UMass Procurement Card Program

The President's Office and each of the UMass system's campuses administer a procurement card (ProCard) program. The use of the card simplifies the purchasing process for routine expenditures. According to the university's Procurement Card (ProCard) Program User's Guide and Policies, "The ProCard is to be used for purchases related to university business only. Use of the card for personal purchases is strictly prohibited." Each month, ProCard users are required to prepare a ProCard activity log, which represents a reconciliation between purchases made during the month and the bank statement, and submit it with supporting documentation (i.e., receipts and/or affidavits) to their supervisors to be reviewed, approved, and signed. During the audit period, there were 1,257 ProCards used by university department heads and other authorized employees to purchase approximately \$13.5 million of goods and services directly.

Americans with Disabilities Act of 1990

The Americans with Disabilities Act of 1990 (ADA) provides civil rights protections and requires equal opportunities for people with disabilities. According to the ADA, a “disability” is one of the following:

- A. a physical or mental impairment that substantially limits one or more major life activities . . .*
- B. a record of such an impairment; or*
- C. being regarded as having such an impairment.*

The statute specifically prohibits discrimination in employment, public services, public accommodations, and telecommunications.

UMass Lowell has established policies to assist disabled students by providing reasonable accommodations through services and programs. Student Disability Services staff members provide assistance through the university’s Wellness Center.

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) Lowell for the period July 1, 2014 through June 30, 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. Does UMass Lowell properly administer its inventory of fixed assets?	No; see Finding <u>1</u>
2. Does UMass Lowell properly administer the use of procurement cards (ProCards) in terms of ensuring that all expenses paid using university credit cards are properly approved and documented?	No; see Finding <u>2</u>
3. Does UMass Lowell ensure that it takes appropriate measures to comply with the Americans with Disabilities Act of 1990 (ADA)? Specifically,	
a. Has UMass Lowell developed an emergency evacuation plan that takes into account the needs of students with mobility-related disabilities?	Yes
b. Has UMass Lowell taken appropriate measures to ensure that students with disabilities have access to supplemental learning aids, services, and alternative learning and testing formats in a timely manner?	Yes

To achieve our objectives, we gained an understanding of the internal controls we determined to be significant to our audit objectives and evaluated the design and effectiveness of those controls for the inventory of fixed assets and certain ProCard expenditures.

In addition, we performed the following procedures to obtain sufficient, appropriate evidence to address our audit objectives.

Inventory

We obtained and reviewed the Staging Table Report generated by UMass Lowell's inventory software. This report identifies fixed assets (e.g., computer equipment, automobiles, and certain types of laboratory equipment) that have been purchased but not added to the university's inventory list.

We sampled and examined inventory items to verify their existence and the completeness of UMass Lowell's inventory list and proper tagging of items with asset identification numbers. The population consisted of 13,181 fixed assets, totaling \$69,329,911 in purchase costs, which included all capital and non-capital assets and all information technology (IT) equipment. From this population, we selected a nonstatistical judgmental sample of 45 fixed assets to physically verify their existence. We also judgmentally selected another 45 fixed assets on the UMass Lowell campuses to verify that they had asset identification 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). We did not test the disposal of fixed assets.

In order to determine whether lost or stolen inventory was reported properly in accordance with UMass Lowell guidelines and Chapter 647 of the Acts of 1989,¹ we compared all 12 of UMass Lowell's Chapter 647 reports that were submitted during the audit period with OSA records and compared the date of each incident with the date the report was submitted to OSA.

ProCards

To verify the completeness of the ProCard data, we compared all ProCard transactions recorded in UMass Lowell's general ledger (PeopleSoft) to all ProCard transactions processed by UMass Lowell's ProCard vendor during the audit period.

To determine whether ProCard activity logs were properly approved and documented, we obtained from the ProCard vendor a list of all transactions whose dates were within our audit period and determined the population of monthly ProCard activity logs. From the population of 12,745 logs, valued at \$13,462,978, we chose a nonstatistical judgmental sample of 72, valued at \$909,355. We tested this sample of 72 logs to validate that each transaction listed had a stated business purpose applicable to the

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."

employee role and department involved. We verified that each transaction was supported by vendor receipts and by proper approval for purchases.

Student Disability Services

To evaluate whether students covered by the ADA were offered emergency planning, we identified a population of 79 students² with mobility-related disabilities and selected a judgmental sample of 11 UMass Lowell Student Disability Services student files to identify evidence of communication of ADA-related information and development of personal evacuation plans.

We evaluated the completeness and timeliness of UMass Lowell's process for administering ADA accommodation requests. Specifically, we judgmentally selected a sample of 35 student files out of 952 for students who had identified themselves as having disabilities and reviewed each one to verify that it was supported by an ADA Accommodation Form and diagnosis documentation from a medical practitioner or accepted official source (such as a school district psychologist) verifying a need for services.

Data Reliability

We obtained information from UMass Lowell's PeopleSoft system, which contains employee and student records, the inventory of fixed assets, and ProCard transactions. We conducted information security testing by using questionnaires, conducting interviews, reviewing supporting documentation, and performing observations to determine the reliability of the information obtained from PeopleSoft. We traced all fixed assets purchased during the last quarter of fiscal year 2016 according to UMass Lowell's inventory list to source documents (e.g., purchase orders) and general-ledger amounts. We traced all ProCard transactions recorded in the general ledger during the audit period to ProCard vendor records. We traced 35 student records for individuals with disabilities to source documents. We determined that the information was sufficiently reliable for the purpose 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.

2. The population of students identified represented only students registered during the fall and spring semesters that occurred during the audit period.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

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

The University of Massachusetts (UMass) Lowell did not ensure that all the fixed assets that it purchased were added to its inventory records in a timely manner or that its inventory list was accurate and contained all the information needed to identify assets. As a result, there is a higher-than-acceptable risk of undetected theft or misuse of these fixed assets or that it may not be possible to find some items.

UMass Lowell processes all purchases, including fixed assets, through PeopleSoft, a software-based system. When assets are purchased, they are moved to the Staging Table. This holds them in "suspense" until UMass Lowell's Property Control staff generates the Staging Table Report and then records each item's asset identification tag number, location, and other pertinent information. Each asset is then added to PeopleSoft's asset management module and tracked on UMass Lowell's inventory list.

Of the 285 assets on the Staging Table Report, 283 were information technology (IT) assets (e.g., computers, tablets, and related accessories), valued at \$320,208, that had been purchased during our audit period but not assigned asset identification tag numbers in the inventory system. In addition, UMass Lowell's inventory list was not updated with new IT purchases weekly. In fact, 210 of the 283 items that were purchased between July 1, 2014 and June 30, 2015 still had not been added to this list as of the end of our audit period.

Additionally, in our review of UMass Lowell's inventory list, consisting of 13,181 items, we noted that the original costs were not recorded for 133 of them. Finally, in addition to the 283 items from the Staging Table Report that were not on the inventory list, we also found another asset (valued at \$20,000) that was on campus and had an asset identification tag but was not on the inventory list.

Authoritative Guidance

According to UMass Lowell's Internal Control Manual,

Once a week, the Property Coordinator transfers all purchases coded as assets to the PeopleSoft asset management system and will review each asset that was transferred over to ensure that it is actually an asset and was entered correctly. PeopleSoft will queue all new fixed assets that need to be tagged. The Property Coordinator also assigns sequentially numbered tags. . . . All pertinent information for the new asset is recorded.

Although "pertinent information" is undefined in this manual, best practices suggest that each asset's original cost should be a required field in an asset management system. Additionally, UMass Lowell's inventory list of fixed assets already includes fields for tag number, cost, location, descriptions, etc., and a majority of the listed items have these fields completed. This information should be consistently recorded for all items.

Reasons for Noncompliance

UMass Lowell personnel did not review a report of the Staging Table weekly to ensure that all assets received are given asset identification tag numbers and recorded in the university's inventory.

UMass Lowell officials could not explain why some items were not on the inventory list or did not have original acquisition costs recorded, although they suggested that it might have happened because of a conversion of data from a prior inventory management system.

Recommendations

1. UMass Lowell should review the Staging Table Report weekly to ensure that assets are properly recorded.
2. UMass Lowell should review its fixed asset inventory list and ensure that all required information is present.
3. UMass Lowell should determine why information may be missing from PeopleSoft and correct the issue as needed.

Auditee's Response

Although some exceptions were noted, UMass Lowell properly administers the asset inventory in accordance with policy. . . .

The Staging Table is continually reviewed and asset purchases are posted timely to the Asset Management (AM) System. Assets with missing information remain in "Staging" although they are identified and recorded in the accounting records. In some instances, all asset information was not collected timely nor complete in order to process from the Staging Table into AM. The assets were however identifiable, but more difficult to track. An escalation process was established to ensure any missing information is obtained from departments and items are cleared from "Staging" on a timely basis. . . .

Property Control continually updates and monitors the AM system and coordinates campus department inventories per policy. During testing, one asset, valued at approximately \$20,000, was not located. The asset was assigned to the correct department, but the asset location had

changed. This asset was subsequently located by the department and the department location code updated in the AM system and the auditor advised. . . .

Management has reviewed the PeopleSoft AM System and there is no missing asset inventory information. While there is no missing information in the system, a system generated report error omitted the original cost value for 133 non-capital items when provided to the auditor. A correct report which identified the original cost information was provided.

Auditor's Reply

We found that UMass Lowell did not properly administer its inventory of fixed assets in that it did not ensure that all the fixed assets that it purchased were added to its inventory records in a timely manner or that its inventory list was accurate and contained all the information needed to identify assets. Although UMass Lowell asserts in its response that it continually reviews the Staging Table and asset purchases are posted promptly to the asset management system, there was no documentation to substantiate this assertion. On the contrary, we found that 210 of the 283 IT assets that were purchased between July 1, 2014 and June 30, 2015 still had not been added to its inventory list as of the end of our audit period. Therefore, we again suggest that the Staging Table Report be reviewed weekly to ensure that all asset information is recorded correctly and that items are added to the asset management module.

UMass Lowell asserts in its response that it reviewed PeopleSoft and determined that there was no missing asset inventory information, but that it had provided the Office of the State Auditor (OSA) with an erroneous inventory report that omitted the inventory information in question. We cannot comment on this assertion, since the report in question was provided to OSA by UMass Lowell officials during the audit and represented as an accurate record, and therefore we used it in conducting our audit testing in this area. With its response, UMass Lowell did provide an updated inventory list that included the original costs for the 133 items noted in our report. However, because this inventory list was provided after we completed our fieldwork, we could not verify its accuracy.

Finally, in its response UMass Lowell states that the issue regarding the \$20,000 asset that was on campus and had an asset identification tag but was not on the university's inventory list has been corrected. However, it should be noted that to support this assertion, UMass Lowell provided OSA with documentation for an inventory item valued at approximately \$23,000 that was not related to the item noted in the report valued at \$20,000.

2. Procurement card activity logs were improperly approved.

Our sample³ of procurement card (ProCard) activity logs identified 31 logs that were improperly approved. Without ensuring that these logs are properly approved, the university faces a higher-than-acceptable risk of misuse of university funds.

UMass Lowell ProCard users are required to prepare monthly activity logs that itemize and total the costs of their transactions during the month and submit them along with all supporting documentation to their supervisors for review and approval. We reviewed the supporting documentation for the 72 monthly ProCard activity logs sampled and found that 31 of the logs should not have been approved because they lacked required information and/or documentation. Specifically, 12 logs were missing receipts or affidavits; 8 were missing required totals; and 11 were missing multiple elements, such as receipts, bank statements, totals, and/or signatures. Additionally, four supervisory approvals were made more than 300 days after the corresponding ProCard bank statement dates and were approved after the date of our request to review the related logs.

Authoritative Guidance

According to UMass Lowell's Procurement Card (ProCard) Program User's Guide and Policies, monthly reconciliation processes for ProCards require that users and supervisors do the following:

2. *Prepare your monthly ProCard log: list all charges from the bank statement onto the log, fully document the business purpose of each charge, total the charges, and sign and date the log. The total of charges on the log must match the total on the statement.*
3. *Attach your ProCard statement and related receipts to the ProCard log. You may also attach further documentation if needed to support the business use of ProCard charges. . . .*

Note: there must be a ProCard Log for each bank statement you receive.

Submit your completed ProCard Monthly Reconciliation (ProCard log, bank statement and receipts) to your supervisor for review and signature. . . .

Supervisory signoff indicates review and approval on a departmental level and an awareness that all transactions fall within University policy.

To ensure that all ProCard expenditures are appropriate and that a proper reconciliation of all these expenditures can be performed, supervisors should make sure they review and approve the expenditures in a timely manner.

3. Our sample consisted of 72 ProCard activity logs, totaling \$909,355, from a population of 12,745 logs, totaling \$13,462,978.

Also, according to the Cardholder Responsibilities listed on UMass Lowell's website,

It is the responsibility of the cardholder to have the ProCard Log reviewed and signed by his/her immediate supervisor or the Research Administration Financial Administrator as applicable.

Reason for Noncompliance

Although UMass Lowell has established monitoring controls over ProCard users (specifically, audits every two years in most instances), there are no monitoring controls over supervisors to ensure that they properly review and approve ProCard activity logs to verify that the logs comply with UMass Lowell's policies.

Recommendation

UMass Lowell should enhance its policies to better define supervisory activities and should provide additional training to supervisors regarding their timely completion of their ProCard responsibilities, if needed.

Auditee's Response

It should be noted all of the purchases were allowable business expenses and the vast majority of the transactions were supported and approved appropriately. Campus ProCard policies and audit procedures are in place, and audits are performed periodically for all Procard cardholder logs which include verifying supervisors are reviewing logs. Management will provide additional guidance and training where necessary to supervisors to ensure they are aware of supervisory responsibilities concerning ProCard log approval.

Auditor's Reply

Whether or not the expenditures in question were business related, the 31 logs in question should not have been approved, because they lacked required information and/or documentation. Based on its response, the university is taking measures to make sure that supervisors are aware of their responsibilities, but it should also enhance its policies to better define supervisory activities to ensure that supervisors properly review and approve ProCard activity logs to verify that the logs comply with UMass Lowell's policies.