



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

*Making government work better*

Official Audit Report – Issued November 23, 2016

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## Westfield State University

For the period July 1, 2014 through February 29, 2016





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

*Making government work better*

November 23, 2016

Dr. Ramon S. Torrecilha, President  
Office of the President  
PO Box 1630  
Westfield State University  
Westfield, MA 01086-1630

Dear Dr. Torrecilha:

I am pleased to provide this performance audit of Westfield State University. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2014 through February 29, 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 Westfield State University 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

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## LIST OF ABBREVIATIONS

Clery Act	Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act
OIG	Office of the Inspector General
OSA	Office of the State Auditor
OSC	Office of the State Comptroller
OSD	Operational Services Division
WSU	Westfield State University

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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 an audit of certain activities of Westfield State University (WSU) for the period July 1, 2014 through February 29, 2016. For the safeguarding of property and equipment, it was necessary to extend our audit period through March 9, 2016.

In this performance audit, we examined certain WSU activities related to administrative expenditures, inventory of property and equipment, Chapter 647 of the Acts of 1989, the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act, and WSU's implementation of recommendations made by the Office of the Inspector General and the Office of the State Comptroller that were related to our current audit objectives.

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

<b>Finding 1a</b> <b>Page <a href="#">7</a></b>	WSU's fixed-asset inventory record is inaccurate.
<b>Finding 1b</b> <b>Page <a href="#">8</a></b>	WSU did not conduct complete annual fixed-asset inventories.
<b>Finding 1c</b> <b>Page <a href="#">8</a></b>	WSU did not properly dispose of fixed assets.
<b>Recommendation</b> <b>Page <a href="#">9</a></b>	WSU should take the measures necessary to ensure that the information in its inventory record is accurate and up to date, including promptly reporting inventory location changes to the Inventory Control Office; that it performs an annual inventory of all its fixed assets, including those used off campus, and reconciles any discrepancies; and that it properly disposes of fixed assets in accordance with its policies. These measures should include modifying its existing policies and procedures and ensuring that appropriate staff members in each department are trained in implementing them.

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## **OVERVIEW OF AUDITED ENTITY**

Westfield State University (WSU) is authorized by Section 5 of Chapter 15A of the Massachusetts General Laws and operates under the direction of a board of trustees, whose members are appointed by the Governor. The board is responsible for operating under the regulations promulgated by the state's Board of Higher Education; its responsibilities under these regulations include setting policy, approving annual budgets, monitoring quarterly budget performance, and participating in the approval of internal audits. The president of WSU reports to the board of trustees and is the administrative head of the university. During our audit period, the president was supported by an interim vice president of Academic Affairs; the vice presidents of Administration and Finance, Student Affairs, and Institutional Advancement; a chief of staff; and the director of Campus Communications.

WSU is a member of the Massachusetts public higher-education system, which consists of 15 community colleges, 9 state universities, and 5 University of Massachusetts campuses. WSU is located at 577 Western Avenue in Westfield. As of fall 2015, WSU had a student population of 6,496.

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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 Westfield State University (WSU) for the period July 1, 2014 through February 29, 2016. For the safeguarding of property and equipment, it was necessary to extend our audit period through March 9, 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 WSU comply with its policies and procedures for safeguarding property and equipment?	<b>No; see Findings <u>1a</u>, <u>1b</u>, and <u>1c</u></b>
2. Does WSU comply with the reporting requirements of Chapter 647 of the Acts of 1989 <sup>1</sup> ?	<b>Yes</b>
3. Does WSU comply with its policies and procedures for administrative expenses for consultants, honoraria, professional services, and travel?	<b>Yes</b>
4. Does WSU comply with the reporting requirements of the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the Clery Act)? <sup>2</sup>	<b>Yes</b>
5. Has WSU implemented recommendations from the Office of the Inspector General (OIG) and the Office of the State Comptroller (OSC) to improve internal controls and financial safeguards over administrative expenditures and compliance with Chapter 647?	<b>Yes</b>

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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.”  
2. The Clery Act requires colleges and universities to report crime and other emergencies on and near their campuses.

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To achieve our objectives, we gained an understanding of the internal controls we deemed significant to our audit objectives and evaluated the design and effectiveness of controls over property and equipment, Chapter 647 reporting, and administrative expenditures.

We conducted further audit procedures as follows:

- We reviewed WSU inventory policies and procedures and interviewed key employees in the Administration and Finance Department to gain an understanding of WSU's inventory practices. We also performed the following tests:
  - We requested and obtained WSU's current inventory list, which was from March 9, 2016. We analyzed the "last inventory" date field on WSU's inventory list to determine whether an annual physical inventory was performed on all WSU inventory during the audit period.
  - We sampled and examined 80 inventory records using both random and judgmental sampling strategies to verify the accuracy of the inventory record. To do this, we sampled 40 inventory items from WSU's inventory list using a statistical random sampling method and then, using a nonstatistical judgmental sampling method, traced 40 inventory items from their locations back to the inventory list to determine whether each item was appropriately recorded on the list.
- We reviewed WSU's Chapter 647 reporting policies and procedures and interviewed key employees in the Administration and Finance Department to gain an understanding of WSU's practices in reporting unaccounted-for variances, losses, shortages, and/or thefts. We also performed the following tests:
  - We used a nonstatistical, random sampling method to review 7 of 20 monthly bank reconciliations completed during the audit period to determine whether there were any unreconciled variances and, if any were discovered, to determine whether a Chapter 647 report was filed with OSA.
  - We reviewed all Chapter 647 filings made from July 1, 2014 through March 2, 2016 to determine whether they were made in a timely manner and whether an internal control weakness contributed to each loss, shortage, theft, and/or unaccounted-for variance.
  - We reviewed WSU campus police log incident reports from our audit period to determine whether WSU properly filed a complete Chapter 647 report with OSA for missing or stolen WSU property.
- We reviewed WSU's policies and procedures for administrative expenditures and interviewed key employees in the Administration and Finance Department to gain an understanding of WSU's procurement procedures. We also performed the following tests:
  - From a population of 83 vendors with 122 separate contracts, each with total expenditures exceeding \$2,500, we reviewed documentation (invoices, purchase orders, and contracts) of a nonstatistical, judgmental sample of 22 administrative expenditure contracts from 15

different vendors, related to consultants, honoraria, and professional services, to determine whether the expenditures were made in compliance with WSU procurement and expenditure policies and procedures and were expensed to appropriate funds.

- We used a nonstatistical sampling method to randomly select a sample of travel-related procurement-card expenditures made by WSU during our audit period. We obtained a random sample of 25 travel-related procurement-card expenditures from a population of 128 expenditures greater than or equal to \$250. We reviewed the expenditures to determine whether they complied with WSU travel, expenditure, and procurement-card policies; were supported by WSU's Request to Travel Form, Travel Reimbursement or Travel Advance Payment Form, procurement-card transaction reports, and receipts; and were expensed to appropriate funds.
- We used a nonstatistical sampling method to randomly select a sample of travel-related expenditures that were made by WSU during our audit period and were not purchased with a procurement card. We obtained a random sample of 33 travel-related expenditures from a population of 532 expenditures of \$250 or more. We reviewed the expenditures to determine whether they complied with WSU travel and expenditure policies; were supported by WSU's Request to Travel Form, Travel Reimbursement or Travel Advance Payment Form, and receipts; and were expensed to appropriate funds.
- We interviewed WSU's police chief, and key employees of the Administration and Finance Department, regarding Clery Act reporting policies and procedures. We also reviewed the Annual Security Report and Fire Safety Report filed in 2015 and tested these reports for compliance with the Clery Act.
- We reviewed the recommendations in OIG and OSC reports from 2014 and determined which issues related to administrative expenditures and compliance with Chapter 647. We discussed with key employees of the Administration and Finance Department how WSU implemented each recommendation that was related to our audit objectives. We determined that the following actions had been taken:
  - WSU established an internal audit office that reports to the board of trustees.
  - The board of trustees assessed WSU practices regarding the reporting and approval of expenditures by the university president. The board chair is now responsible for overseeing the president's travel expenditures and purchases.
  - WSU is in the process of centralizing travel operations for WSU staff members, faculty members, and students.
  - WSU switched to a procurement-card system and reduced the number of university-paid credit/procurement cards.
  - WSU added to its internal control plan a statement on compliance with Chapter 647 and identified the position responsible for Chapter 647 reporting.

- WSU maintained segregation of duties in areas related to our audit objectives and designated an alternate reviewer of bank reconciliations to avoid potential conflicts of interest caused by the bank reconciliation preparer reviewing transactions that were entered by his/her supervisor.
- WSU amended its internal control plan by establishing internal procedures for department-head signature authority, annually updated the authorized signers during our audit period, and reduced the number of employees who had spending authority by ending the practice of sub-delegating this authority.
- WSU trustees reviewed state guidelines on the expenditure of trust funds and updated the university's Trust Fund Management Policy effective February 2016.
- WSU trustees continue to be provided with quarterly financial reports on the expenditure of trust funds for their review.
- WSU updated procurement policies and procedures by designating one employee as responsible for this function, creating a central location where procurement policies and procedures are accessible to WSU staff and faculty members, and formalizing procedures regarding when WSU must request bids and how the vendor will be selected.

When our sampling was nonstatistical, we could not project the results of our audit tests to the total populations in the areas we reviewed. When our sampling was statistical, we determined that it was not necessary to extrapolate the results of our testing to the entire population.

We determined the reliability of data obtained from WSU's Banner system, the accounting system containing financial and asset inventory records used at the university, by comparing Banner reports to other sources for agreement; performing electronic tests of report data; and testing certain general information-technology controls using questionnaires, interviews, and observations. We determined that the data were sufficiently reliable for the purposes of this report.

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## DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

### 1. Westfield State University did not properly administer its inventory of fixed assets.

Westfield State University (WSU) did not maintain an accurate inventory record of its fixed assets, conduct a complete annual physical inventory of all its fixed assets, or properly dispose of fixed assets. As a result, the university's fixed assets, which had a value of \$16,914,534 as of March 9, 2016,<sup>3</sup> were not adequately safeguarded against potential theft or misuse.

#### a. WSU's fixed-asset inventory record is inaccurate.

WSU's fixed-asset inventory record was not accurate. We selected a statistical, random sample of 40 items from the inventory list to verify the accuracy of the list. We physically inspected each sampled inventory item to determine whether the list reported the correct item description and location. One laptop computer that had cost \$1,099 was on the list but could not be located.

We also selected a nonstatistical, judgmental sample of 40 items from various locations on WSU's campus and attempted to find them on the inventory list. We found that one information-technology network device that cost \$1,020 had the wrong location listed.

### Authoritative Guidance

WSU's Fixed Assets, Capitalization, and Inventory Control policy states,

*Accurate records must be created and maintained for each fixed asset with a value of \$1,000 or more and an expected useful life longer than one year. . . .*

*Technology, Media, and Facilities staff are responsible for promptly reporting location information for all assets they deploy, relocate, or retrieve to the Inventory Control office.*

### Reasons for Inventory Inaccuracies

WSU personnel could not explain why the laptop in question could not be located. The incorrect listed location occurred because the item in question had been moved, but WSU officials told us that employees were not familiar with WSU's policy of notifying the Inventory Control Office of location changes of fixed assets.

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3. This amount is the sum of the original costs of items that appeared on the university's inventory record on March 9.

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**b. WSU did not conduct complete annual fixed-asset inventories.**

WSU did not conduct complete annual inventories of all its fixed assets, including fixed assets assigned to off-campus locations, to verify their existence and locations and to reconcile any discrepancies. The existence of a total of 492 fixed assets that cost a total of \$917,255 has not been physically verified since as early as 2007.

**Authoritative Guidance**

The Annual Physical Inventory section of WSU's Fixed Assets, Capitalization, and Inventory Control Policy states that "a physical inventory of all fixed assets must be taken annually."

The Office of the State Comptroller's Fixed Assets—Accounting and Management Policy requires agencies to perform complete annual reviews and updates of their inventory records.

**Reasons for Lack of Complete Physical Inventories**

The Inventory Control section of WSU's Fixed Assets, Capitalization, and Inventory Control Policy contains a statement regarding annual physical inventory that conflicts with the above-mentioned requirement. The policy only requires an annual physical inventory on 20% of inventory items that have been approved for off-campus use.

Additionally, WSU management did not monitor its physical annual inventory process to ensure that it was completed in accordance with WSU policy.

**c. WSU did not properly dispose of fixed assets.**

WSU did not follow inventory control procedures when its employees improperly disposed of 65 information-technology devices (such as laptop and desktop computers, cameras, printers, and scanners) without first receiving approval to do so from the state's Operational Services Division (OSD). OSD is in charge of overseeing the state's surplus property program.

**Authoritative Guidance**

WSU's Fixed Assets, Capitalization, and Inventory Control Policy requires departments with fixed assets that are considered to be in poor or worthless condition to submit an Action Request Form to prompt the university's Inventory Control Office to determine the condition of the fixed asset and retrieve it from the department. The policy also requires WSU staff to follow OSD requirements for

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asset disposal as set forth in Section 3.00 of Title 802 of the Code of Massachusetts Regulations. Those requirements preclude WSU from disposing of assets without first receiving OSD approval of the transfer, donation, destruction, or sale of the asset.

### **Reason for Noncompliance**

Officials at WSU told us that university employees were unaware of WSU's surplus fixed-asset disposal process.

### **Recommendation**

WSU should take the measures necessary to ensure that the information in its inventory record is accurate and up to date, including promptly reporting inventory location changes to the Inventory Control Office; that it performs an annual inventory of all its fixed assets, including those used off campus, and reconciles any discrepancies; and that it properly disposes of fixed assets in accordance with its policies. These measures should include modifying its existing policies and procedures and ensuring that appropriate staff members in each department are trained in implementing them.

### **Auditee's Response**

*WSU has already taken steps to revise our fixed assets policy to ensure alignment with Commonwealth policies and proper internal control practices, as a result of an internal audit. The fixed assets policy changes will be proposed to the trustees in fall 2016. This includes a 100% annual physical inventory of fixed assets, both on and off campus.*

*WSU will communicate to faculty and staff the existing and revised fixed assets policy and require compliance. The campus will also communicate the proper means of asset disposal including Operational Services Division approval requirements. In-person and online presentations will be held before the conclusion of the fall 2016 semester.*

*WSU will develop a more effective method for faculty and staff to report relocations of assets and will implement it by the conclusion of the spring 2017 semester.*

*The campus community will also receive semi-annual notices of the fixed assets policy to further promote awareness and compliance. Per the WSU Computer Allocation, Support, and Tracking Policy, Technology staff are responsible for scanning assets that they issue and relocate. Technology staff are issued hand-held scanners to easily and efficiently report asset movements. Due to the significant amount of assets handled by Technology staff and their use of scanners, they will receive separate notices focused on their specific responsibilities.*

*Management will review the fixed assets inventory report to investigate discrepancies. The Associate Director of Accounting will analyze inventory data on a quarterly basis and report findings to the Associate Vice President of Finance and Vice President of Administration and Finance.*

*Our board of trustees is given a progress report annually regarding the annual inventory, per our existing fixed assets policy.*

*As a result of our internal audit, steps have been taken to improve procedures. Department Heads are now given an annual report of all assets on record for their department. Also, additional review of fixed asset accounting reconciliations occurs monthly.*