



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

*Making government work better*

Official Audit Report – Issued July 18, 2016

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## Framingham State University

For the period July 1, 2013 through June 30, 2015





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

*Making government work better*

July 18, 2016

Dr. F. Javier Cevallos, President  
Framingham State University  
100 State Street  
Framingham, MA 01701

Dear Dr. Cevallos:

I am pleased to provide this performance audit of Framingham State University. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2013 through June 30, 2015. 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 Framingham 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 in a cursive style.

Suzanne M. Bump  
Auditor of the Commonwealth

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## LIST OF ABBREVIATIONS

AM	asset management
Clery Act	Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act
FSU	Framingham State University
IT	information technology
OSA	Office of the State Auditor
Ptag	permanent tag
Ttag	temporary tag

## EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted an audit of certain activities of Framingham State University (FSU) for the period July 1, 2013 through June 30, 2015. Because of the results of our audit planning procedures, it was necessary to extend our audit period in the area of property and equipment to January 30, 2016.

In this performance audit, we examined certain FSU activities related to the safeguarding of fixed assets, the reporting requirements of Chapter 647 of the Acts of 1989, certain administrative expenditures, and the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act.

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>	FSU did not record all fixed assets in its inventory.
<b>Finding 1b</b> <b>Page <a href="#">8</a></b>	FSU did not conduct complete annual fixed-asset inventories, and its inventory records contain inaccuracies.
<b>Finding 1c</b> <b>Page <a href="#">10</a></b>	FSU did not properly dispose of assets or properly document that they had been cleared of sensitive data, and it did not report all missing items to OSA.
<b>Recommendations</b> <b>Page <a href="#">12</a></b>	<ol style="list-style-type: none"><li>1. FSU should immediately review all the items that are currently in “suspense” status in its Banner accounting system and process them appropriately.</li><li>2. In the future, FSU should ensure that all items in “suspense” status are reviewed weekly; appropriately processed; and, in the case of fixed assets, assigned permanent tag numbers and recorded in FSU’s inventory record. It should also establish monitoring controls to ensure that this process is functioning as intended.</li><li>3. FSU should modify its Fixed Asset Origination Tag report to include information from previous weeks so items that retain “suspense” status more than a week are not overlooked.</li><li>4. FSU should conduct the required annual inventory of all its fixed assets. To facilitate this process, FSU should continue to communicate to each department the university’s inventory policy requirements and provide technical support for this process.</li><li>5. FSU should retain documentation supporting its physical inventory, which currently consists of hardcopy lists and variance reports. FSU should determine whether an automated solution, such as barcode scanning with an automated upload of information into Banner, is a viable option.</li><li>6. If assets without tags are identified through the inventory process, they should be researched and added to the inventory list if appropriate.</li><li>7. Management should periodically review the inventory list to ensure that critical data are captured and that items are inventoried as required.</li><li>8. FSU should establish monitoring controls to ensure that its staff reports unaccounted-for losses to OSA and follows the university’s policies and procedures for the disposal of assets.</li><li>9. FSU’s Information Technology Department should log computer equipment that is scheduled for disposal and record its tag numbers to maintain traceable documentation that personally identifiable information has been deleted from specific items. Until such information is removed from an item, the item should be stored in an area with limited access.</li></ol>

## Post-Audit Action

FSU gave us the following summary of its recent actions. Because the actions were taken after the end of the audit, we have not audited this information.

*Framingham State University (FSU) has reviewed the findings of the OSA's performance audit and recognizes that a number of deficiencies exist within its past fixed asset practices. The President and Executive Vice President of Administration, Finance, and Technology (EVP-AFT) have briefed the Board of Trustees, FSU's executive team, and FSU's Quality Assurance manager regarding the situation. Subsequently, a task force consisting of the EVP-AFT, [associate vice president of Facilities and Capital Planning], [chief information officer], [assistant vice president of Finance and Business Services] and key team members from these respective areas has been formed to review FSU's property management policies, procedures, reporting, controls, and technologies as well as higher education best practices. Revised policies and procedures will include a communication and training program for departmental management. The task force will provide its recommendations and oversee implementation during the Fall 2016 semester. The Inventory Control Office has already implemented controls to improve the tracking of fixed assets on campus and compliance with [Operational Services Division, or OSD] guidelines for surplus and disposal of fixed assets. Simultaneously, the Inventory Control Office is performing a full review of FSU's fixed asset inventory and inventory reports and is working with FSU departments, management, and OSD to take appropriate steps to update fixed asset status and information within its reporting system.*

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## **OVERVIEW OF AUDITED ENTITY**

Framingham State University (FSU), formerly Framingham State College, 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; this includes setting policy, approving annual budgets, monitoring quarterly budget performance, and participating in the approval of internal audits. The president of FSU reports to the board of trustees, is the administrative head of the university, and is supported by the executive vice president of Administration, Finance and Technology; the vice president of Academic Affairs; the vice president of Enrollment and Student Development; a chief diversity and inclusion officer; a Chief of Staff / General Counsel; and the executive director of Development and Alumni Relations.

FSU 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. It is located at 100 State Street in Framingham. As of spring 2015, FSU had a student population of 6,878.

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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 Framingham State University (FSU) for the period July 1, 2013 through June 30, 2015. 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 January 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 FSU comply with its policies and procedures for property and equipment to ensure that assets are safeguarded and variances are identified and reported in accordance with Chapter 647 of the Acts of 1989? <sup>1</sup>	No; see Finding <u>1</u>
2. Does FSU comply with its policies and procedures for administrative expenses, such as consultants and travel, to ensure that they are business related, appropriate, and approved?	Yes
3. Does FSU adhere to the requirements of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the Clery Act)? <sup>2</sup> Specifically, does the university disclose information regarding crime on or around campus as required?	Yes

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 administrative expenses.

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1. Chapter 647 of the Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies, requires agencies to file a report with the Office of the State Auditor 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 on and near their campuses.



We conducted further audit procedures as follows:

- We reviewed FSU inventory policies and procedures and interviewed key employees in the Financial Services, Capital Planning and Facilities Operations, and Information Technology Departments to gain an understanding of FSU's inventory practices. We also performed the following tests:
  - To ascertain whether new asset purchases were correctly added to the inventory list and tracked, we obtained a system-generated list of assets that were purchased during our audit period and did not have permanent tags assigned in FSU's Banner accounting system, the accounting system containing financial and asset inventory records used at the university.
  - We examined inventory records and verified the existence of a sample of inventory items. To do this, we judgmentally selected a sample of 30 of the 3,316 items on FSU's inventory list and attempted to verify their physical existence. We also conducted an additional test by judgmentally selecting 30 other items from different locations on the FSU campus to determine whether each item was correctly recorded on the inventory list.
  - We analyzed the "last inventory" date field on FSU's inventory list to determine whether an annual physical inventory was performed according to FSU policy.
  - We examined a list of 164 items disposed of during our audit period and judgmentally selected a sample of 20 items to verify that the disposals were performed according to FSU policy and practice, including sanitization of data from information technology (IT) assets. Based on our results, we expanded our audit period through January 30, 2016 and judgmentally selected an additional sample of 84 of the 2,484 items disposed of during that added period.
  - We gained an understanding of FSU's reporting process under Chapter 647 by interviewing key FSU personnel, and we reconciled Chapter 647 reports submitted by FSU to OSA records to determine whether FSU complied with reporting requirements. We also reviewed the police reports filed for each incident reported.
- We reviewed and analyzed FSU's policies and procedures for administrative expenses and interviewed FSU's director of Procurement and director of Financial Planning and Treasury Management to gain an understanding of FSU's procurement procedures. We also performed the following tests:
  - We judgmentally selected a sample of 45 administrative expenditures from the 24,278 invoices paid by FSU during our audit period and tested them for business purpose, appropriateness, and proper approval.
  - We judgmentally selected a sample of 45 of the 1,567 employee travel reimbursements paid during our audit period to test for business purpose, appropriateness, and proper approval.
  - We examined all expenses incurred on the university's procurement cards during the audit period for business purpose, appropriateness, and proper approval.

- We interviewed FSU's police chief regarding Clery Act reporting policies and procedures and performed the following procedures:
  - We verified that all the Clery Act's requirements were met on the university's annual security reports.
  - We compared internal reports with the statistics on the annual security reports and the Department of Education website for agreement.
  - We compared the number of reported incidents with those at similarly sized public institutions to determine whether the numbers were similar.

Because our sampling was nonstatistical, we did not project the results of our audit tests to the total populations in the areas we reviewed.

We determined the reliability of data obtained from Banner by comparing Banner reports to other sources for agreement; performing electronic tests of report data; and testing certain general IT controls using questionnaires, interviews, and observation. 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. Framingham State University did not properly manage its fixed assets.

Framingham State University (FSU) did not properly administer its inventory of fixed assets. Specifically, it did not ensure that all these assets were recorded in its inventory record, conduct a complete annual physical inventory, properly dispose of fixed assets, or report missing fixed assets to the Office of the State Auditor (OSA). As a result, the university's fixed assets were not adequately safeguarded against potential theft or misuse.

#### a. FSU did not record all fixed assets in its inventory.

A significant number of FSU's purchased fixed assets were not added to FSU's inventory record, which is maintained in the asset management (AM) module of its Banner accounting system.

FSU processes all purchases, including those of fixed assets, through Banner. When a fixed asset is purchased, a Banner-generated origination tag / temporary tag (TTag) is assigned to the item. It is then held in a "suspense" status in Banner until FSU's property-control staff processes it further. FSU's staff generates a weekly report that identifies fixed assets with TTags that need to be added to the Banner AM module. FSU's property-control staff uses this report to add assets to the AM module by assigning permanent tags (PTags) and recording other information (e.g., location and custodian) for the assets. Assets with PTags are then tracked in FSU's inventory record.

We obtained a list of items that had TTags, but no corresponding PTags, for our two-year audit period. On that list were 2,828 items, valued at \$3,551,164, that appeared to be fixed assets that had been purchased during the audit period but not added to the AM module and tracked in FSU's inventory record. Of the 2,828 items, 968 were purchased in fiscal year 2014 and 1,858 in fiscal year 2015; two had no dates listed. In addition to these assets, the list contained 20,671 non-asset items, valued at \$75,111, that had been assigned TTags and "suspense" status. The asset items should have been assigned PTags, removed from "suspense" status, and recorded in FSU's inventory record, or if they were assigned TTags in error, the errors should have been corrected. The non-asset items should have had their TTags removed and their related information corrected as necessary, after which they also should have been removed from "suspense" status.

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## Authoritative Guidance

FSU's Internal Control Policies and Procedures Manual states,

*A Framingham State University barcode identification asset tag [PTag] will be affixed to any item that meets the pre-determined inventory criteria. The Banner Fixed Asset Origination Tag (FFPOEXT) Report is run on a weekly basis to review all inventory items that have been invoiced. The Inventory Department uses this report to cross-reference into the Master Inventory with the bar coded asset tag.*

The Banner user guide states that TTags for items that are not fixed assets must be "tagged out" (corrected).

## Reasons for Inaccurate Inventory

FSU's Property Control staff was unable to explain why the items on the FFPOEXT report were not processed in the AM module or corrected. FSU had not retained hard copies of the report, so there was no documentation that we could use to substantiate that FSU's staff was performing the weekly reviews of items in "suspense" status and ensuring that fixed assets were properly tagged and included in FSU's inventory record.

The FFPOEXT report is prepared weekly but is not cumulative. Items on the report that are not added to the AM module only appear on the report the week their tag is generated; after that, they do not appear on subsequent reports and remain in the "suspense" status. There is no review to ensure that all items on the report are processed.

There is also no management monitoring of the process; this has resulted in the issue going undetected and uncorrected.

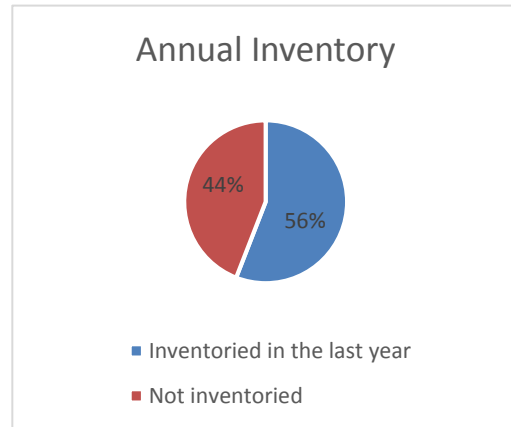
### **b. FSU did not conduct complete annual fixed-asset inventories, and its inventory records contain inaccuracies.**

FSU did not conduct complete annual inventories of all of its fixed assets to verify their existence and locations and reconcile any discrepancies. In addition, there were inaccuracies in its inventory records. As a result of these issues, there is no assurance that these assets are properly safeguarded against loss and theft.

The annual physical inventory process consists of employees verifying assets' physical existence and locations throughout the campus via handwritten notations with subsequent manual updates to the

AM module. As variances are detected during the inventory, the Property Control staff sends variance reports to the departments responsible for the items in question for explanation and/or assistance in locating the items. However, if an asset does not have an FSU asset identification tag, staff members do not include it in this verification process, so any lost items will not be detected if they were not originally tagged.

FSU gave us its current inventory list, which contained 3,316 items, valued at \$5,962,059, as of December 11, 2015. In our review of the "last inventory" date field of the inventory list, we found that 1,462 items, valued at \$2,682,160 (45% of the total value), had not been inventoried in the past year, and some had not been inventoried since as far back as 2008. Twelve other items, valued at \$34,314, had blank "last inventory" date fields. Furthermore, in some instances, we could



not verify the accuracy of the "last inventory" date field because there was no supporting documentation and, in a few cases, because the field contained conflicting information. For example, on December 28, 2015, FSU filed a Chapter 647 report with OSA for a stolen camcorder, but according to FSU's inventory records, FSU inventoried the same camcorder on January 6, 2016.

We also found inaccuracies in the inventory record. To test the accuracy of this record, we had selected a sample of 60 assets to physically verify. For half the items in this sample, OSA attempted to verify that the location of each asset was the same as what was indicated on FSU's inventory list by physically locating the asset. For the other half of the sample, we selected assets throughout the campus and attempted to determine whether they were in the locations recorded on FSU's inventory list. We identified the following problems:

- We could not physically locate 17 (57%) of the first 30 items. The 17 items were together valued at \$81,171. They included computers, exercise equipment, and laboratory equipment.
- We could not trace 14 (47%) of the second group of items, whose value could not be determined. Twelve of these 14 items had no records in the AM module, meaning they were never entered there. These 12 items included computer equipment, a utility vehicle, and projectors. The other 2, a laptop and an aerator, were listed as surplus and disposed of in the AM module.

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## Authoritative Guidance

FSU Internal Control Policies and Procedures Manual states,

*An annual campus-wide inventory is conducted at the end of the fiscal year. All found assets will be updated and a listing will be generated to reflect a current and accurate inventory.*

## Reasons for Noncompliance

The physical inventory is a manual process. The inspection and verification of items is noted on a piece of paper and later entered into Banner, increasing the likelihood of errors. In addition, the supporting paperwork created during the physical inventory is not retained so that management can verify that the annual inventory was correctly completed and any recommended adjustments to the inventory record were supported by documentation.

In addition, management does not monitor the progress of the inventory to ensure that it is completed in accordance with FSU policy.

The Property Control staff explained that there is a lack of cooperation with the campus community regarding the physical inventory process.

### **c. FSU did not properly dispose of assets and document that they were free of sensitive data, and it did not report all missing items to OSA.**

FSU personnel did not obtain proper authorization or ensure that assets had been disposed of before identifying them as disposed of in Banner. They also did not verify, before disposing of equipment that could contain personally identifiable information, that all such information had been removed. In addition, FSU did not report all unaccounted-for losses of assets to OSA, and therefore it did not give OSA the opportunity to identify and help remediate internal control weaknesses.

Items designated as disposed of no longer appear on the active inventory list and are no longer tracked. This means that if they are actually still in use, there is a greater risk of any thefts of such items going undetected. In addition, unsecured equipment that may contain personally identifiable information presents a heightened risk of sensitive data being obtained inappropriately.

We obtained from FSU a list of all 164 assets (valued at \$272,819) that were designated as disposed of during our audit period. We judgmentally selected and tested 20 of those items to determine

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whether the disposals were supported by the required authorizations. We could not obtain supporting authorization for 19 (95%) of the 20 items.

Based on these results, we extended our testing through January 30, 2016. During this period, 2,484 items, valued at \$2,777,515, were designated as disposed of. We judgmentally selected 84 items to determine whether their disposals were authorized as required. We could not obtain supporting authorization for 78 (93%) of the items, valued at \$228,521, in our additional sample. In researching the disposals, FSU found that 19 (23%), valued at \$64,097, of the 84 selected items were still in service and should not have been designated as disposed of in Banner. Most of these items were information technology (IT) equipment such as computers.

During our test of assets that were designated as disposed of, we attempted to determine whether FSU's Information Technology Department could demonstrate that before disposing of equipment (such as the 13 IT items included in our sample of 20 items that had been disposed of) that could contain personally identifiable information, FSU removed such information from the equipment. FSU had documentation that deletions had occurred, but it did not include information that could be traced back to any specific device. Therefore, we could not verify that personally identifiable information had been deleted from the 13 IT items in our sample that had been disposed of. We also observed that computer equipment that had been designated as ready for disposal was not maintained in a secure location.

Finally, one asset on FSU's disposal list had been designated as stolen, but FSU had never filed a Chapter 647 report for the asset. We also found another asset that, according to an FSU employee, had been stolen in 2013 without a Chapter 647 report being filed. Although this item was found later (in March 2016), FSU should have filed a Chapter 647 report when the theft was originally suspected.

### **Authoritative Guidance**

FSU Internal Control Policies and Procedures Manual states,

*All Assets that have been deemed surplus/worthless and are no longer of value to the University will be collected, documented, and signed off by a designated disposal team.*

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The policy also states that variances are to be reviewed and reported as required by Chapter 647 of the Acts of 1989, which states, "All unaccounted for variances, losses, shortages or thefts of funds or property shall be immediately reported to the state auditor's office."

FSU has an established practice of removing hard drives from computer assets that are disposed of and later destroying or sanitizing the drives. In addition, the Massachusetts Office of Information Technology's Enterprise Physical and Environmental Security Policy requires the removal of sensitive information from equipment before it is transported off site or disposed of. Although FSU is not required to follow this policy, the policy does represent what the Commonwealth considers a best practice for state-owned electronic equipment.

### **Reasons for Improper Disposal**

The Inventory Department staff was able to designate items in Banner as disposed of on the basis of phone calls and emails, rather than the required authorizations, because FSU management had not implemented monitoring controls to ensure that established policies and procedures were adhered to.

FSU officials told us that they had not implemented a process to effectively trace computer equipment designated as disposed of to the data-sanitization records because no one had ever requested this type of comparison.

FSU could not explain why the stolen items had not been reported in accordance with Chapter 647.

### **Recommendations**

1. FSU should immediately review all the items that are currently in "suspense" status in Banner and process them appropriately.
2. In the future, FSU should ensure that all items in "suspense" status are reviewed weekly; appropriately processed; and, in the case of fixed assets, assigned PTag numbers and recorded in FSU's inventory record. It should also establish monitoring controls to ensure that this process is functioning as intended.
3. FSU should modify its FFPOEXT report to include information from previous weeks so that any items that cannot be removed from "suspense" status in less than a week are not overlooked.
4. FSU should conduct the required annual inventory of all its fixed assets. To facilitate this process, FSU should continue to communicate to each department the university's inventory policy requirements and provide technical support for this process.



5. FSU should retain documentation supporting its physical inventory. It should determine whether an automated solution, such as barcode scanning with an automated upload of information into Banner, is a viable option.
6. If assets without asset tags are identified through the inventory process, they should be researched and added to the inventory list if appropriate.
7. Management should periodically review the inventory list to ensure that critical data are captured and that items are inventoried as required.
8. FSU should establish monitoring controls to ensure that its staff reports unaccounted-for losses to OSA and follows the university's policies and procedures for the disposal of assets.
9. FSU's Information Technology Department should log computer equipment that is scheduled for disposal and record items' tag numbers in order to maintain traceable documentation that personally identifiable information has been deleted from specific items. Until such information is removed from an item, the item should be stored in an area with limited access.

## Auditee's Response

### Finding 1a

*Since the audit, the University is making changes to its Banner asset management module. The University Inventory Control Department, Business Office, and IT Department are working together to correct the deficiencies reported above and to develop more comprehensive property control procedures and reporting processes. The threshold for recording assets as inventory have been changed (increased) to \$1,000. All items with a purchase price of \$1,000 or higher received at the University's central receiving dock now remain at the dock until Property Control Staff enter all required information about the item into the system of record (a.k.a. "Banner") as an inventory item, which includes the permanent inventory tag (a.k.a. "P" Tag), designated location and custodian. Additionally, the weekly FFPOEXT reports are now being stored electronically so that prior period reports continue to be available and confirmation that all new T-tagged items have been issued a "P" (permanent) tag and the updates made in Banner.*

### Finding 1b

*Although FSU has consistently performed an annual physical inventory, it recognizes that its process requires significant improvement. FSU is currently researching the physical inventory best practices of other universities and plans to investigate technologies that will improve both the efficiency and accuracy of the physical inventory process. As noted in 1a above, the University is again making changes to its inventory recording, tracking, and disposal processes and the University Inventory Control Department, Business Office, and IT Department are working together to correct the deficiencies reported. In order to track asset locations across the University, a process is being developed to control the physical moving of assets. No asset with an inventory tag will be relocated without prior notification and recording in the Asset Management (AM) Module by the Inventory*

*Control Department. Annual physical inventories are now being done on a rotating basis on a monthly schedule. The Inventory Control Department is exploring obtaining an electronic barcoding system that can sync with the AM module in Banner to record all University room numbers (for asset location) and all inventory items. As a part of the physical inventory process management will provide University faculty and staff with quarterly notice of the importance of cooperating with the Inventory Control Department and will elevate requests for any missing departmental physical inventory information to senior staff.*

### **Finding 1c**

*Since the audit, the University Inventory Control Department has developed a procedure to properly report to the Operational Services Division State Surplus Property Office (OSD) and to comply with [Chapter 647 of the Acts of 1989] for the disposal or surplus of all University assets in order to correct the deficiencies reported above. Files of all documentation are kept on file in the Inventory Control Office. The University Information Technology Services Department will incorporate additional controls into the established practice of removing and destroying computer hard drives from computer assets slated for disposal. Computer equipment will be stored in an area with more restricted access until personally identifiable information is removed, and traceable documentation that personally identifiable information has been deleted from specific items will be maintained by the University's Information Technology Services Department.*