



# The Commonwealth of Massachusetts

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**INDEPENDENT STATE AUDITOR'S REPORT  
ON CERTAIN ACTIVITIES OF  
ROXBURY COMMUNITY COLLEGE  
JULY 1, 2004 TO JUNE 30, 2005**

**OFFICIAL AUDIT  
REPORT  
MARCH 24, 2006**

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

We conducted a follow-up of our prior audit of RCC (No. 2005-0204-16S) covering the period July 1, 2004 to June 30, 2005. Our review was conducted in conjunction with the Single Audit of the Commonwealth of Massachusetts for the fiscal year ended June 30, 2005.

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RCC has made significant progress in addressing issues pertaining to its overall administration and fiscal operations as reported in prior audit reports dating back to 1997. It was further noted, however, that improvements are still needed in RCC's accounting and reporting system. RCC is continuing to improve its Jenzabar financial operating system and has implemented improvements throughout its entire financial operation. In response to our audit, RCC officials continued to make improvements, such as the installation of upgraded software, providing training opportunities, and continued monitoring of the data within the financial operating system, to assure a greater degree of effectiveness.

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RCC has continued to make improvements on its reporting and reconciliation of non-appropriated funds during fiscal year 2005 (starting in December 2004) by posting monthly summary information on its non-appropriated fund activity from its Jenzabar operating system to MMARS. However, due to the fiscal year 2005 implementation of new MMARS, RCC was unable to reconcile its monthly postings to MMARS until June 2005. In response to our audit, RCC officials indicated that they will be taking steps to ensure procedures for more efficient and effective means of posting, reconciling, and monitoring of non-appropriated funds are in place in the future. Also, RCC will review

the reconciliation methods used at other community colleges, and explore the methodology used by the Office of the State Comptroller.

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## INTRODUCTION

### ***Background***

Roxbury Community College (RCC) is authorized by Chapter 15A, Section 5, of the Massachusetts General Laws, and operates under the oversight of the Board of Higher Education, which is responsible for monitoring each educational institution to ensure that state funds support measurable performance, productivity, and results. RCC is governed by a Board of Trustees appointed by the Governor, which establishes RCC's administrative policies. RCC's President is responsible for implementing the policies set by the Board of Trustees, in accordance with the policies and guidelines established by the Board of Higher Education.

### ***Audit Scope, Objectives, and Methodology***

In accordance with Chapter 11, Section 12 of the Massachusetts General Laws we conducted a follow-up audit of RCC's Federal Student Financial Assistance Programs funded through the United States Department of Education (DOE) for the period July 1, 2004 to June 30, 2005. Our report is an abstract from the Commonwealth's Single Audit Report for the fiscal year ended June 30, 2005, and solely represents the Office of the State Auditor's audit results of the RCC. The Commonwealth's Fiscal Year 2005 Single Audit Report consists of the following volumes:

- Statutory Basis Financial Report
- Comprehensive Annual Financial Report
- Reports on Compliance and Internal Controls in Accordance with Governmental Auditing Standards and Requirements of OMB Circular A-133 and the Schedule of Expenditures of Federal Awards

We conducted a follow-up review of the issues contained in our prior audit report (No. 2005-0204-16S) and in the Single Audit of the Commonwealth of Massachusetts for the fiscal year ended June 30, 2004. Our review was conducted in accordance with the applicable generally accepted government auditing standards.

In performing our review of RCC's activities we referred to Office of Management and Budget (OMB) Circular A-133, Appendix B, 2005 Compliance Supplement (Supplement) (Updates and Amends the 2004 Compliance Supplement), to determine compliance requirements that must be considered in an audit conducted under OMB Circular A-133. Additionally our follow-up review

evaluated RCC's compliance with the Office of the State Comptroller's (OSC) policies, Massachusetts General Laws, and other applicable laws, rules and regulations.

Our follow-up review of RCC's procedures for corrective action and improvements in the areas identified in our prior audit were as follows:

- Implementing adequate controls over the processing of payments for utilities in the Reggie Lewis Center.
- Improving overall administrative controls in the areas of student financial assistance programs and overall internal controls over financial operations.
- Reconciling and reporting on a timely and accurate basis its non-appropriated funds activity to the Massachusetts Management Accounting and Reporting System (MMARS).

As reported in the Audit Results section of this report, we concluded that RCC has implemented the corrective action plan for the Reggie Lewis Center and has adequate internal controls in place. However, our follow-up audit disclosed that although RCC has made significant improvements over its overall administration and fiscal operations and reconciliation of non-appropriated funds, corrective action is still needed. We concluded that except for the audit results that have not been fully corrected, RCC has complied with the requirements of the United States DOE and the OMB Circular A-133 Compliance Supplement, the Massachusetts General Laws, and other applicable laws, rules and regulations for the areas tested in our follow-up review.

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## AUDIT RESULTS

### 1. PRIOR AUDIT RESULT RESOLVED – ADEQUATE INTERNAL CONTROLS OVER THE PAYMENT OF REGGIE LEWIS CENTER’S UTILITY BILLS

Our prior audit disclosed that Roxbury Community College (RCC) did not have written internal control guidelines or detailed policies and procedures within its College-wide procedures manual that address the financial responsibilities of departments submitting bills to the Business Office for payment. As a result, RCC incurred outstanding delinquent utility bills totaling \$169,498 at the Reggie Lewis Center, the RCC’s indoor athletic facility. Our follow-up audit disclosed that RCC took corrective action to ensure that bills are paid in a timely manner by implementing improved internal controls. Utility bills, as well as all other bills, are currently being paid on a timely basis, and procedures have been implemented by RCC which are functioning as intended.

### 2. PRIOR AUDIT RESULTS PARTIALLY RESOLVED

During our follow-up audit, we determined that the RCC did not take adequate measures to address issues identified during our prior audit (No. 2005-0204-16S) with regards to (a) improving its administration and (b) reconciling non-appropriated fund activities on a monthly basis. The issues that have not been completely resolved are as follows:

#### a. Roxbury Community College Administration Improved

During fiscal year 2005, RCC continued to make significant progress in improving its administration over Student Financial Assistance (SFA) Programs and all other financial areas.

Our follow-up audit disclosed that RCC has taken corrective action and made significant progress on two prior audit findings. RCC has implemented policies, procedures and internal controls to ensure that bills at the Reggie Lewis Center and all other departments are being paid on a timely basis, and RCC continues to make improvements in the accounting, reporting and recording of non-appropriated funds.

RCC has made significant progress in improving its overall administration and fiscal operations to address issues previously reported in prior years’ Single Audits and independent audits since 1997. RCC is continuing to improve its Jenzabar financial operating system, and has implemented many updated improvements throughout its entire financial operation.

RCC has made improvements in its overall financial administration, internal control plan, SFA programs and Jenzabar system, as follows:

- The Internal Control Plan has been updated to include improved written procedures for all significant portions of its operations. Positive steps have been taken by RCC's administration to improve its control environment, risk assessments, control activities, information and communication, and overall monitoring within its operations. RCC began integrating improvements starting in September 2004, and continuing through April 2005, in updating its Internal Control Plan.
- Steps have been taken to ensure that its administrative practices are reviewed annually and procedures are updated within each department. RCC now holds individual department heads responsible for their department's compliance with College policies and procedures, and conducts periodic meetings to this effect. RCC is continuing to implement administrative improvements that were identified in its previous corrective action plan update.
- Improvement continues in the administration, documentation, and oversight of SFA programs. The overall improvement of SFA administration has been identified as a major priority for RCC. Coordination and communication between the Admissions and Registrar's Offices in maintaining accurate and secure student files have significantly improved. RCC has stated that this will remain a priority during the years to come.
- RCC's Jenzabar system, although in place and working, was not providing sufficient assurance and output documentation necessary for consistent reliance of the RCC's financial records. RCC staff relied heavily on other supporting documentation such as spreadsheets to summarize the type of data that should have been readily available from the Jenzabar system for reporting and verification purposes. RCC acknowledged these shortfalls, and continued to make improvements to the system throughout fiscal year 2005.

Our follow-up review disclosed that the Jenzabar system has been significantly updated, and it functioned at an improved level in the latter part of fiscal year 2005. RCC has been able to significantly improve its operating and control environment, utilizing the system as follows:

- The General Ledger accounts were posted and updated in January 2005 to reflect much of the prior six months' activity. Activities such as students accounts receivables, cash adjustments, entries from monthly reconciliations, and other adjusting data was recorded late because of the effort needed to correct prior year activity that had to be accomplished before the fiscal year 2005 activity was accurately posted.
- Student billing and accounts receivable information, as well as other accounts, were recorded into the Jenzabar system as planned starting in January 2005, and RCC continued to do so through the end of fiscal year 2005. An improvement in segregation of duties and addressing previous problems and shortfalls in the area of student receivable collections was made with the hiring of a full-time Bursar in March 2005. This has allowed staff more time

to address Jenzabar system recording issues that had previously affected the overall data integrity and programming issues.

- Financial reports were generated that were previously unavailable because of programming problems. Financial reports necessary for administrative fiscal monitoring were being generated from Jenzabar with accuracy starting in April 2005. RCC officials began using the reports during May 2005 in their day-to-day monitoring activities.

RCC's independent audit firm issued a report of the RCC's financial statements for fiscal year 2004. The auditor's report identified conditions that continued from the fiscal year 2003 audit report. The report disclosed that RCC did not have 1) a completely integrated general ledger system, 2) an accurate listing of student accounts receivable from its computer software system, and 3) adequate controls in remitting employee retirement withholdings to the appropriate administrator. The independent audit firm is currently auditing the RCC's fiscal year 2005 financial statements and following up on the conditions listed above.

### ***Recommendation***

RCC should continue to implement improvements and monitor its Jenzabar system to ensure that the applications are performing as planned. Correction of prior years' audit results should be monitored to ensure that full corrective action is implemented and full resolution is achieved.

### ***Auditee's Response***

*As the auditing team observed, the College has made a lot of progress with the use of the Jenzabar System. Our next leap in effectiveness will come with the installation of version 2.1. This version corrects a number of quirks that prevents the College from outputting some data to get ready to use results. For example, payments made after June 30<sup>th</sup>, but before August 31<sup>st</sup>, cannot be appropriately directed to the appropriate fiscal year. This is resolved in 2.1 version and will allow for queries or system reports that do not have to be reviewed closely for previous year postings. Posting tuition payments to a prior fiscal year will also be a feature of this new version. The reports that will be available surpass the capabilities of the previous version. Cost Center Manager Reports can be done as a system report instead of the custom report that was developed to accomplish the same result with the older version. General Ledger reports are also part of the system package that will also negate the need to maintain or refine custom reports for these summaries. In addition to the software upgrade, training will be offered on campus for the Business Office Staff this year. The training will be a refresh of the module for all staff as well as report generation for more senior staff. The combination of the upgraded version, training, and continued monitoring of the data within the system will assure a greater degree of effectiveness with the system.*

**b. Non-Appropriated Fund Activity and Balances not Reconciled in a Timely Manner**

Prior audit reports starting in fiscal year 1995 have disclosed that RCC was not entering and reconciling its Non-Appropriated Fund [Fund 901] activity monthly as required by Commonwealth laws and regulations. RCC should have posted and reconciled the Massachusetts Management Accounting and Reporting System (MMARS) with its internal records on a monthly basis.

The fiscal year 2004 single audit disclosed that RCC was making improvements on its reporting and reconciliation of non-appropriated funds. Our follow-up audit disclosed that the College has continued to make improvements during fiscal year 2005 (starting in December 2004) by posting monthly summary information on its non-appropriated fund activity from its Jenzabar operating system into MMARS. However, due to the fiscal year 2005 implementation of new MMARS, RCC was unable to reconcile its monthly postings to MMARS until June 2005. The reconciliations prepared in June were an extensive compilation of data extracted from MMARS that verified all prior data. The Director of Finance had to verify every individual posting to MMARS made during the fiscal year in order to complete a reconciliation of the RCC's Jenzabar financial operating system information to MMARS. Summary information of transactions posted into MMARS was not being reconciled because RCC had not devised or implemented an appropriate information retrieval process to obtain the appropriate information from the OSC Information Warehouse in order to reconcile the Jenzabar system to MMARS. RCC did not effectively prepare for the changes made in MMARS, and was not able to provide timely reconciliations of the non-appropriated funds as required to verify the accuracy of its postings in MMARS during the fiscal year.

Chapter 15A, Section 15C, of the Massachusetts General Laws requires that public institutions of higher education shall report monthly by subsidiary all expenditures and revenues from all appropriated and non-appropriated funds on MMARS. Chapter 138, Section 339 of the Acts of 1991 requires public institutions of higher education to report all non-appropriated fund activity on MMARS by July 1, 1992. Directives from the Office of the Comptroller (OSC) instructed the colleges to post monthly the cash inflows and outflows for non-appropriated funds and reconcile the information appearing in MMARS to the information in RCC's records on a monthly basis.

Chapter 647 of the Acts of 1989, an act relative to improving the internal controls within state agencies, requires that all transactions be promptly recorded, clearly documented and properly classified. Also, periodic comparisons should be made between resources and the accounting records.

By not posting and reconciling non-appropriated fund transactions to MMARS on a monthly basis, there is not a complete and accurate accounting of RCC's funds on the Commonwealth accounting system.

***Recommendation***

RCC should improve its monthly reconciliation of non-appropriated funds from its Jenzabar system to MMARS. RCC needs to address the report reconciliation process to include identifying the data reporting and retrieval process from the OSC Information Warehouse to prepare reconciliation reports which verify the postings of non-appropriated fund transactions. Also, RCC should contact the OSC to determine the appropriate training for staff on how to obtain non-appropriated fund information from the OSC Information Warehouse.

***Auditee's Response***

*While much progress was made in reconciling our trust fund activity to MMARS, it is agreed that we need to find a more efficient and effective way of completing the task. Our Comptroller recently surveyed the other community colleges on how they complete this task. These results from late September will be shared with staff next week. In addition, our staff is completing the annual reconciliation of the trust fund activity to MMARS for the Comptroller's Office. This exercise has exposed staff to a query used by the Comptroller's Office that would be helpful to the College. In short, our immediate goal is to review the different methods that our sister institutions are using for reconciliation. In addition, we will explore the methodology used by the Comptroller's Office to provide our year to date information through FY 2005. Beyond the process review and the adoption of a new process, staff plan to review the query workshops offered by the OSC Information Warehouse and register for appropriate courses.*

## APPENDIX I

Chapter 647, Acts of 1989, An Act Relative to Improving the  
Internal Controls within State Agencies

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Chapter 647

THE COMMONWEALTH OF MASSACHUSETTS

*In the Year One Thousand Nine Hundred and Eighty-nine*

AN ACT RELATIVE TO IMPROVING THE INTERNAL CONTROLS WITHIN STATE AGENCIES.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

Notwithstanding any general or special law to the contrary, the following internal control standards shall define the minimum level of quality acceptable for internal control systems in operation throughout the various state agencies and departments and shall constitute the criteria against which such internal control systems will be evaluated. Internal control systems for the various state agencies and departments of the commonwealth shall be developed in accordance with internal control guidelines established by the office of the comptroller.

(A) Internal control systems of the agency are to be clearly documented and readily available for examination. Objectives for each of these standards are to be identified or developed for each agency activity and are to be logical, applicable and complete. Documentation of the agency's internal control systems should include (1) internal control procedures, (2) internal control accountability systems and (3), identification of the operating cycles. Documentation of the agency's internal control systems should appear in management directives, administrative policy, and accounting policies, procedures and manuals.

(B) All transactions and other significant events are to be promptly recorded, clearly documented and properly classified. Documentation of a transaction or event should include the entire process or life cycle of the transaction or event, including (1) the initiation or authorization of the transaction or event, (2) all aspects of the transaction while in process and (3), the final classification in summary records.

(C) Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority. Authorizations should be clearly communicated to managers and employees and should

**Chapter 647, Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies**

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include the specific conditions and terms under which authorizations are to be made.

(D) Key duties and responsibilities including (1) authorizing, approving, and recording transactions, (2) issuing and receiving assets, (3) making payments and (4), reviewing or auditing transactions, should be assigned systematically to a number of individuals to ensure that effective checks and balances exist.

(E) Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved. The duties of the supervisor in carrying out this responsibility shall include (1) clearly communicating the duties, responsibilities and accountabilities assigned to each staff member, (2) systematically reviewing each member's work to the extent necessary and (3), approving work at critical points to ensure that work flows as intended.

(F) Access to resources and records is to be limited to authorized individuals as determined by the agency head. Restrictions on access to resources will depend upon the vulnerability of the resource and the perceived risk of loss, both of which shall be periodically assessed. The agency head shall be responsible for maintaining accountability for the custody and use of resources and shall assign qualified individuals for that purpose. Periodic comparison shall be made between the resources and the recorded accountability of the resources to reduce the risk of unauthorized use or loss and protect against waste and wrongful acts. The vulnerability and value of the agency resources shall determine the frequency of this comparison.

Within each agency there shall be an official, equivalent in title or rank to an assistant or deputy to the department head, whose responsibility, in addition to his regularly assigned duties, shall be to ensure that the agency has written documentation of its internal accounting and administrative control system on file. Said official shall, annually, or more often as conditions warrant, evaluate the effectiveness of the agency's internal control system and establish and implement changes necessary to ensure the continued integrity of the system. Said official shall in the performance of his duties ensure that: (1) the documentation of all internal control systems is readily available for examination by the comptroller, the secretary of administration and finance and the state auditor, (2) the results of audits and recommendations to improve departmental internal controls are promptly evaluated by the agency management, (3) timely and appropriate corrective actions are effected

Chapter 647, Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies

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by the agency management in response to an audit and (4), all actions determined by the agency management as necessary to correct or otherwise resolve matters will be addressed by the agency in their budgetary request to the general court.

All unaccounted for variances, losses, shortages or thefts of funds or property shall be immediately reported to the state auditor's office, who shall review the matter to determine the amount involved which shall be reported to appropriate management and law enforcement officials. Said auditor shall also determine the internal control weaknesses that contributed to or caused the condition. Said auditor shall then make recommendations to the agency official overseeing the internal control system and other appropriate management officials. The recommendations of said auditor shall address the correction of the conditions found and the necessary internal control policies and procedures that must be modified. The agency oversight official and the appropriate management officials shall immediately implement policies and procedures necessary to prevent a recurrence of the problems identified.

House of Representatives, December 21, 1989.

Passed to be enacted, *George Luvaan*, Speaker.

In Senate, December 22, 1989.

Passed to be enacted, *William W. Budge*, President.

January 3, 1990.

Approved, *Richard H. Kiah* Governor.

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## APPENDIX II

### Chapter 647 Awareness Letter from the State Auditor and the State Comptroller



## The Commonwealth of Massachusetts

Office of the State Auditor  
State House  
Boston, MA 02133

Office of the Comptroller  
One Ashburton Place  
Boston, MA 02108

September 19, 2000

Legislative Leadership  
Judicial Branch Administrators  
Elected Officials  
Secretariats  
Department Heads

The State Auditor and the Comptroller are both committed to departmental improvements in the Internal Control structure of the Commonwealth. A good system of controls, as you know, assists management in meeting objectives while avoiding serious problems. Chapter 647 of the Acts of 1989, *An Act Relative To Improving Internal Controls Within State Agencies*, establishes acceptable Internal Control systems for state government operations and constitutes the criteria against which we will evaluate internal controls. With the passage of this law, we began a campaign to educate all department staff on the significant role of internal controls in department operations.

In the past few years, departments have made significant progress in the area of internal controls. Every department has certified that they have documented internal controls in the form of an Internal Control Plan. In Fiscal Year 2001, we are focusing our Internal Control Campaign on the review of department risk assessments, as documented within the departments' internal control plans. Internal control plans must, of course, include all aspects of a department's business, programmatic operations as well as financial.

A major requirement of Chapter 647 is that "an official, equivalent in title or rank to an assistant or deputy to the department head, shall be responsible for the evaluation of the effectiveness of the department's internal controls and establish and implement changes necessary to ensure the continued integrity of the system". This official, whom we refer to as the Internal Control Officer, is responsible for ensuring that the plan is evaluated annually or more often as conditions warrant.

During this annual Statewide Single Audit, we continue with our review of the Commonwealth's internal controls. We analyze and evaluate information obtained during the audit process in our continuing effort to educate agencies regarding both the need for internal controls and the risks of not having adequate internal controls in place.

## Chapter 647 Awareness Letter from the State Auditor and the State Comptroller

To assist departments with this effort, we provide the following support activities:

- ◆ The Office of the Comptroller offers departments free monthly training on internal controls. These classes are listed in the *OSC Training Bulletin*.
- ◆ The Office of the Comptroller provided a new document entitled the *Internal Control Guide for Managers* on the Office of the Comptroller's Web page: <http://www.osc.state.ma.us/>. Part II of the guide will be available shortly and will replace the current *Internal Control Guide for Departments*, currently available on the Web.
- ◆ Upon request, the Office of the Comptroller provides assistance to departments in the process of redefining or reviewing their internal control plans.
- ◆ As part of the Statewide Single Audit, auditors will review and comment upon departments' internal control plans, risk assessments, and the reporting level of the Internal Control Officers.
- ◆ We have updated and automated the Internal Control Questionnaire (ICQ) for easier submission. These changes to the ICQ will enable OSA and OSC to evaluate department internal controls and monitor their progress.

Chapter 647 also requires that "all unaccounted for variances, losses, shortages, or thefts of funds or property be immediately reported to the Office of the State Auditor" (OSA). The OSA is required to determine the amount involved and the internal control weaknesses that contributed to or caused the condition, make recommendations for corrective action, and make referrals to appropriate law enforcement officials. In order to comply with this law instances must be reported on the *Report on Unaccounted for Variances, Losses, Shortages, or Thefts of Funds or Property* and be submitted to the OSA. Reporting forms can be obtained by contacting the Auditor's office, Room 1819, McCormack State Office Building, or Web Site:

<http://www.magnet.state.ma.us/sao/>.

In conjunction with the above requirement, please note that management is responsible for financial records and systems and must inform, disclose and make representations to the auditors with regards to their management of funds, account activities, programs and systems.

The Offices of the State Comptroller and the State Auditor are committed to the goal of improving the Internal Control structure of the Commonwealth. Thank you for your cooperation and attention on this worthwhile task. Please do not hesitate to call upon the staff of either office for assistance.



A. JOSEPH D. NUCCI  
Auditor of the Commonwealth



MARTIN J. BENISON  
State Comptroller