



Commonwealth of Massachusetts  
Office of the State Auditor  
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*Making government work better*

Official Audit Report – Issued April 30, 2012

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## Quinsigamond Community College's Use of American Recovery and Reinvestment Funds

For the period August 6, 2009 through October 31, 2010



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Quinsigamond Community College (QCC) 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 of the Commonwealth controls its operations, and QCC's President is responsible for implementing the policies set by the Board of Trustees, in accordance with the policies and procedures established by the Board of Higher Education.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of QCC for the period August 6, 2009 through October 31, 2010. The objectives of our audit were to evaluate QCC's controls over American Recovery and Reinvestment Act (ARRA) expenditures; determine whether ARRA funds were expended for their intended purposes and in compliance with applicable laws, rules and regulations; determine whether QCC is complying with ARRA accounting and reporting requirements as well as other grant requirements; and identify the number of jobs created and/or retained reported by QCC.

Based on our review we concluded that, except as reported in the Audit Results section of this report, for the period August 6, 2009 through October 31, 2010, QCC maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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Our review of the ARRA section of the QCC Business Office Internal Control and Policy Manual (ICP) and the sections of the ICP specific to ARRA expenditures as outlined in the approved spending plans (i.e., payroll, purchasing, financial aid, and grant management) revealed that improvements are needed in the documentation of a risk assessment specific to ARRA compliance objectives and related internal controls. Although QCC had developed an ARRA section of its ICP, QCC did not document its ARRA-specific risk assessment. Furthermore, the ARRA section of the ICP did not include documented internal controls specific to ARRA expenditures or specific references/cross-references (by title and/or page number) to other areas of the ICP that relate to ARRA funds.

## INTRODUCTION

### *Background*

Quinsigamond Community College (QCC) 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 of the Commonwealth controls its operations, and QCC's President is responsible for implementing the policies set by the Board of Trustees, in accordance with the policies and procedures 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 have conducted an audit of certain activities of QCC for the period August 6, 2009 through October 31, 2010. The objectives of our audit were to evaluate QCC's controls over American Recovery and Reinvestment Act (ARRA) expenditures; determine whether ARRA funds were expended for their intended purposes and in compliance with applicable laws, rules and regulations; determine whether QCC is complying with ARRA accounting and reporting requirements as well as other grant requirements; and identify the number of jobs created and/or retained reported by QCC.

Our audit scope was limited to a review of federal stimulus funds that QCC received under the American Recovery and Reinvestment Act (ARRA). During the audit period, QCC was awarded federal stimulus funds that totaled \$4,387,726. QCC's budget of these funds included amounts for state employee compensation; student financial aid; administrative expenses; federal work-study payments, and construction (i.e., parking lot repair and addition). As of October 31, 2010 QCC expended \$4,349,050 of its awards and received federal reimbursements totaling \$4,349,050 for these expenses. QCC officials stated that all of its ARRA funding will be fully expended by September 30, 2011. The following table details the federal stimulus funds awarded, received, and expended and the full-time equivalents (FTEs) reported during the audit period.

<u>Budgeted Purpose</u>	<u>ARRA Award</u>	<u>Award Date</u>	<u>ARRA Funds Received</u>	<u>ARRA Funds Expended</u>	<u>FTEs Reported</u>
State Employee Compensation	\$3,380,221	12/1/2009	\$3,356,217	\$3,356,217	56.15
Student Financial Aid	400,000	8/6/2009	400,000	400,000	
Administrative Expenses	12,576	8/6/2009	0	0	
Parking Lot Repair & Addition	560,000	8/6/2009	557,904	557,904	
Federal Work Study	<u>34,929</u>	7/1/2009	<u>34,929</u>	<u>34,929</u>	<u>4.00</u>
Total	<u>\$ 4,387,726</u>		<u>\$ 4,349,050</u>	<u>\$4,349,050</u>	<u>60.15</u>

A requirement of ARRA funding is for institutions to submit quarterly reports that help identify the impact of ARRA funds received and expended, including statistics on the creation and/or retention of personnel or FTEs. As depicted in the table above, the State Fiscal Stabilization Fund (SFSF) created and/or retained FTEs of 56.15 for the period August 6, 2009 through October 31, 2010. Of this total, 54.60 FTEs were reported through the Massachusetts Management Accounting and Reporting System (MMARS) to the Massachusetts Recovery and Reinvestment Office (MRRO). QCC officials submitted separate quarterly reports for one sub-recipient vendor that was paid ARRA SFSF funds totaling cumulative FTEs of 1.55. In addition to SFSF, QCC officials reported a total of 4.0 FTEs for the Federal Work Study (FWS) program, for a grand total of 60.15 FTEs. Our audit, which included a review of supporting documentation received from the MRRO, found that QCC was in compliance with ARRA reporting requirements.

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.

To achieve our audit objectives, we reviewed the following:

- Massachusetts Department of Higher Education Memorandum - Final Guidance on ARRA State Fiscal Stabilization Fund Spending.
- Federal stimulus funds awarded to QCC during the audit period for state employee compensation; student financial aid; administrative expenses; federal work-study payments; and construction (i.e., parking lot repair and addition).
- Budgets prepared by QCC to ensure that ARRA funds were expended for their intended purposes.
- Expenditures of ARRA funds to determine whether they were reasonable, allowable, and allocable under the terms of the grant awards.
- Eligibility requirements of the student financial aid program, including the federal work-study program, to determine whether sampled students met program requirements.
- MMARS submissions and supporting documentation for required quarterly reporting of FTEs to ensure compliance with reporting requirements for jobs created and/or retained.
- Internal controls developed to ensure that ARRA funds are safeguarded against loss, theft, or misuse.
- Recordkeeping procedures to determine whether the expenditure of ARRA funds is properly authorized, supported by adequate documentation, and accounted for separately within QCC's accounting records.
- Verification of whether QCC has applied for or plans to receive additional ARRA funds in the future.

Based on our review we have concluded that, except as reported in the Audit Results section of this report, for the period August 6, 2009 through October 31, 2010, QCC maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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## AUDIT RESULTS

### IMPROVEMENTS NEEDED IN DOCUMENTATION OF A RISK ASSESSMENT SPECIFIC TO ARRA COMPLIANCE OBJECTIVES AND RELATED INTERNAL CONTROLS

Our review of the American Recovery and Reinvestment Act (ARRA) section of the Quinsigamond Community College (QCC) Business Office Internal Control and Policy Manual (ICP) and the sections of the ICP specific to ARRA expenditures as outlined in the approved spending plans (i.e., payroll, purchasing, financial aid, and grant management) revealed that improvements are needed in the documentation of a risk assessment specific to ARRA compliance objectives and related internal controls. Although QCC had developed an ARRA section in its ICP, QCC did not document its ARRA-specific risk assessment. Furthermore, the ARRA section of the ICP did not include documented internal controls specific to ARRA expenditures or specific references/cross-references (by title and/or page number) to other areas of the ICP that relate to ARRA funds.

A requirement of receiving ARRA funds is that an agency must update its internal control plan to reduce the risk that these funds will be used for an unintended purpose. To facilitate agencies' compliance with this requirement, the Office of the State Comptroller (OSC) developed an additional guide entitled, "ARRA Internal Control Guidance," which states, in part:

*Each department has a system of internal controls consisting of an Internal Control Plan that summarizes objectives, risks, controls, and a detailed set of control activities that mitigate risk. Each component of the internal control system must be updated to include coverage of ARRA funds.*

*Two of the key components of internal controls that auditors will be examining closely are the internal control environment and risk assessment.*

Conducting an ARRA-specific risk assessment includes the identification of potential risks over ARRA funds as outlined in the approved spending plans (i.e., payroll, purchasing, financial aid, and grant management) and determining the agency's response to those risks. The OSC's Internal Control Guide, dated September 13, 2007, states in part as follows:

*A risk assessment is a process to identify and analyze factors that may affect the achievement of a goal. . . . Once identified, the assessment regarding the probability and significance of each risk is critical. The risk assessment design should be understandable, consider relevant risk factors and, to the extent possible, be objective.*

*Risk responses fall into four basic categories: (1) accept the risk and monitor it, (2) avoid the risk by eliminating it, (3) reduce the risk by instituting controls, or (4) share the risk*

*by partnering or entering into a strategic alliance with another department or external entity.*

Our review of the ARRA section of QCC's ICP and the sections of the ICP specific to ARRA as outlined in the approved spending plans revealed that QCC did not document an ARRA-specific risk assessment. However, although QCC did not document its ARRA-specific risk assessment, QCC did develop an ARRA section in its ICP that outlines the general requirements for the implementation and management of ARRA funds and makes a general reference to existing policies, procedures, and internal controls within the ICP. The ARRA section of QCC's ICP, page 52, states, in part:

*The implementation and management of the American Recovery and Reinvestment Act stimulus funds will be treated with the same rigor as a Federal Grant. (See Internal Control Manual). . . . These funds will follow rules and regulations of QCC Internal Controls and those regulations of the Commonwealth of Mass with relation to the expenditures of payroll, projects and/or financial aid awards.*

Our review revealed that the ARRA section of the ICP neither includes documented internal controls specific to the areas of budgeted ARRA expenditures nor makes specific references (by title and/or page number) to existing policies, procedures, and internal controls that relate to ARRA. For example, further detail is recommended in the area of purchasing-construction projects to include an ARRA reference to the Buy America requirement (use of American iron, steel, and manufactured goods) and the Davis Bacon Act (prevailing wage rates). According to QCC officials, the controls over these ARRA expenditures are documented within the corresponding sections of the ICP. However, our review of the payroll, purchasing, financial aid, and grant management sections of the ICP noted that although there were documented policies and procedures, there were no ARRA references or cross-references made to indicate these sections relate to ARRA funds. Because there are no specific references made to ARRA within the regular ICP sections, it is unclear that these policies, procedures, and controls relate to ARRA funds.

Our review also revealed that although internal controls such as supervisory review, authorized signatures, separation of duties, reconciliations, computer passwords and limited access to computerized information, monitoring of construction projects by QCC officials, and the hiring of an engineer to ensure compliance are in place and functioning as intended, improvements were needed in the documentation of these controls. Of the ICP areas reviewed (payroll,

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purchasing, financial aid, and grant management) the only area that had a separate section titled internal controls was the financial aid area. For the other areas reviewed, the related internal controls can be inferred by the documented procedures; however, QCC would benefit from more clearly documenting the internal controls at the end of each section as it did for the financial aid section. QCC would also benefit from clearly documenting within each section related to ARRA funding that these policies, procedures, and controls relate to ARRA funds.

Because QCC did not document its ARRA-specific risk assessment and did not document and/or clearly reference existing internal controls over ARRA expenditures, the potential for inappropriate use of these funds increases.

### ***Recommendation***

QCC should document its risk assessment specific to ARRA compliance objectives. In accordance with the OSC Internal Control Guide, QCC's documented risk assessment should include the three Enterprise Risk Management (ERM) components of event identification, risk assessment, and risk response. Also, QCC should expand the ARRA section of its ICP to include ARRA compliance requirements specific to the budgeted ARRA expenditures. For areas already documented in the ICP that relate to ARRA funds (i.e., payroll, financial aid, purchasing, and grant management), QCC should include specific reference (by title and/or page number) from the ARRA section to the existing documentation of policies, procedures, and internal controls. Additionally, within each of the areas related to ARRA, QCC should document that these areas relate to ARRA and include cross-references to the ARRA section of the ICP.

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

*Quinsigamond Community College has reviewed your results. QCC has taken action to document a risk assessment in reference to the ARRA funds awarded. The QCC business office will also be reviewing our Internal Control Plan this summer and while doing so, we will specifically review the ARRA portion of the plan. QCC will work to adjust and update our plan in accordance with the Internal Control Guide from the OSC. Staff involved in the ICP may participate in the training workshops that are available from CTR [OSC]. This will be beneficial to all staff in reviewing and moving our plan forward. The CFO and Comptroller will work in collaboration with our QCC President to document the college support of the ICP. Although the college support has always been assumed, this statement will reiterate the commitment that senior management and all staff have to the college's ICP and the college mission.*