



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

*Making government work better*

Official Audit Report – Issued December 28, 2017

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## Springfield Technical Community College

For the period July 1, 2014 through December 31, 2016





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Office of the State Auditor  
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*Making government work better*

December 28, 2017

Mr. Christopher C. Johnson, Chair of the Board of Trustees  
Springfield Technical Community College  
1 Armory Square  
Springfield, MA 01105

Dear Mr. Johnson:

I am pleased to provide this performance audit of Springfield Technical Community College. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2014 through December 31, 2016. My audit staff discussed the contents of this report with management of the college, whose comments are reflected in this report.

I would also like to express my appreciation to Springfield Technical Community College for the cooperation and assistance provided to my staff during the audit.

Sincerely,

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

Suzanne M. Bump  
Auditor of the Commonwealth

cc: Dr. John B. Cook, President, Springfield Technical Community College

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## LIST OF ABBREVIATIONS

ADA	Americans with Disabilities Act
IT	information technology
ODS	Office of Disability Services
OSC	Office of the State Comptroller
ProCard	procurement card
STCC	Springfield Technical Community College

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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 a performance audit of certain activities of Springfield Technical Community College (STCC) for the period July 1, 2014 through December 31, 2016.

In this performance audit, we followed up on issues we identified during our prior audit of STCC (No. 2010-0205-12S), including examining the inventory process for fixed assets and expenditures made with procurement cards (ProCards). Additionally, we examined STCC's compliance with the Americans with Disabilities Act.

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

<b>Finding 1</b> <b>Page <a href="#">8</a></b>	STCC did not properly administer its inventory of fixed assets.
<b>Recommendations</b> <b>Page <a href="#">9</a></b>	<ol style="list-style-type: none"><li>1. STCC should update its policies and procedures to be specific about the processes of adding new inventory records or updating existing ones and of performing, documenting, and reconciling the annual physical inventory of fixed assets.</li><li>2. STCC should communicate these changes to the third-party vendor responsible for its inventory.</li><li>3. STCC should request that the vendor complete and reconcile the annual inventory of all assets, update the inventory records that are missing information in required fields, ensure that all assets have inventory tags affixed, and keep documentary proof of completion of the physical inventory and reconciliation.</li><li>4. STCC should amend the current contract with its third-party vendor to clarify expectations and deliverables for inventory.</li></ol>
<b>Finding 2</b> <b>Page <a href="#">10</a></b>	ProCard users did not adhere to STCC requirements when procuring goods and services.
<b>Recommendations</b> <b>Page <a href="#">11</a></b>	<ol style="list-style-type: none"><li>1. STCC should annually review payments to specific vendors and determine whether the services or goods obtained should be subject to the purchasing procedures in place, including retaining documentation supporting any determinations that specific vendors are sole source providers.</li><li>2. STCC should update its ProCard Program Policy on restricted purchases to require prior authorization for any ProCard purchases of goods and services on STCC's restricted-purchase list for ProCards. STCC should also notify ProCard users of these changes.</li></ol>

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<b>Finding 3</b> <b>Page <u>12</u></b>	ProCard users did not submit purchase requisitions for approval before traveling or Travel Expense Vouchers after traveling.
<b>Recommendations</b> <b>Page <u>13</u></b>	<ol style="list-style-type: none"><li>1. STCC should work with the software provider for its accounting system to identify a way to account for ProCard transactions on purchase orders and apply ProCard transactions to them during final processing of Travel Expense Vouchers.</li><li>2. STCC should enforce its active policies requiring ProCard users to submit purchase requisitions for travel-related ProCard purchases and to submit Travel Expense Vouchers at the end of travel for expenses incurred during trips, including charges made to ProCards.</li></ol>

## **OVERVIEW OF AUDITED ENTITY**

Springfield Technical Community College (STCC) is authorized by Section 5 of Chapter 15A of the Massachusetts General Laws and operates under the direction of a board of trustees. The board operates under regulations promulgated by the state's Board of Higher Education; its responsibilities include setting policy, approving annual budgets, and monitoring quarterly budget performance. The president of STCC reports to the board of trustees and is the administrative head of the college. During our audit period, the president was supported by the vice presidents of Students and Multicultural Affairs, Training and Workforce Development, and Institutional Effectiveness; the vice president of Academic Affairs / chief academic officer; the vice president of Administration / chief financial officer; the assistant to the president; and the senior director of Human Resources.

STCC 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. As of fall 2016, STCC had an enrollment population of 5,622. Its main campus is located on 35 acres of the Springfield Armory National Historic Site at 1 Armory Square in Springfield.

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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 has conducted a performance audit of certain activities of Springfield Technical Community College (STCC) for the period July 1, 2014 through December 31, 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 STCC purchase, record, and safeguard property and equipment in accordance with its inventory policies and procedures, and has it implemented the recommendations of our prior audit?	No; see Finding <u>1</u>
2. Are expenditures that are made with procurement cards (ProCards) approved, supported, and business related, and has STCC implemented the recommendations of our prior audit?	No; see Findings <u>2</u> and <u>3</u>
3. Does STCC perform ongoing reviews of programs and services provided to students with disabilities to ensure that it accommodates those students' needs?	Yes
4. Does STCC's emergency evacuation plan consider the needs of students with disabilities, and is it supported through communication and training?	Yes
5. Does STCC give students with disabilities access to requested supplemental learning aids, services, and/or alternative testing formats?	Yes

To achieve our objectives, we gained an understanding of STCC's internal control environment in relation to our audit objectives by reviewing applicable laws, regulations, and college policies and procedures, as well as conducting inquiries with STCC management. We evaluated the design of controls over property and equipment; expenditures made with ProCards; the review of programs and services for compliance with the Americans with Disabilities Act (ADA); communication and training regarding



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the emergency evacuation plan; and access to requested learning aids, services, and/or alternative testing formats provided to students with disabilities. In addition, we performed the following procedures:

- Using the inventory lists provided by STCC, we consolidated the individual department lists and confirmed their accuracy by reconciling the consolidated list to the original lists. We then combined the information technology (IT) inventory lists with the consolidated list to come up with a population of assets containing the following information: location, cost, serial/tag number, and description. Using a nonstatistical sampling method, we randomly sampled 40 of 1,541 assets with a cost between \$1,000 and \$49,999.99 from the population created and traced the assets to their locations on campus. We selected a nonstatistical judgmental sample of 40 assets we physically observed on campus that appeared to be worth \$1,000 or more and traced the assets back to inventory lists to verify that they were recorded there.
- Using general ledger activity obtained from STCC's Colleague accounting system, which the college uses for financial and student accounts, we selected a nonstatistical random sample of 30 transactions out of a population of 335 transactions of \$1,000 or more from categories that could involve equipment. For the sample selected, we requested the invoices, the procurement records, and any additional inventory documentation (e.g., packing slips from orders). We reviewed the documents provided to determine whether the purchased goods that met STCC's inventory thresholds were appropriately included on STCC's inventory and whether the purchases complied with STCC inventory purchasing policies.
- We completed an analysis of inventory records to identify any asset lists that were not identifiable and reportable and confirm that STCC had created a master list of assets as recommended in our prior audit. We determined that the assets should have the following information in order to be identifiable and reportable: location, cost, serial/tag number, and description. Using the consolidated inventory list and the IT inventory lists, we analyzed the records to identify assets that did not have at least one of the identifiable and reportable fields completed.
- To determine whether STCC had implemented prior audit recommendations related to informing ProCard users of the purpose and restrictions of ProCards, we selected a nonstatistical random sample of 25 ProCard users out of a potential 114 total users from the audit period. We requested and obtained copies of the acknowledgment form all ProCard users are required to sign before obtaining their cards, confirming that they have read and understand the policies and the responsibilities of having a ProCard.
- From the general ledger data obtained, with a confidence level of 95% and a tolerable error rate of 5%, we selected a statistical random sample of 60 out of 1,734 ProCard transactions related to travel expenditures. We requested the purchase requisition<sup>1</sup> or purchase order,<sup>2</sup> the Travel

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1. A purchase requisition is a request sent by a department to the Purchasing Department for authorization to proceed with the purchase of goods or services. Once approved, a purchase requisition becomes a purchase order.

2. A purchase order is an official document created when a purchaser has obtained a quote from a seller and agrees to purchase the item or service at a specified amount. Departments use it as a budgeting tool to set aside funds from the budget for the purchase.

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Expense Voucher, and backup documentation provided by the ProCard users. We reviewed the documents to determine whether the purchases complied with STCC's travel, purchasing, and ProCard policies.

- Using a confidence level of 95% and a tolerable error rate of 5%, we selected a statistical random sample of 60 out of 6,693 ProCard transactions from the general ledger of all expenses except travel expenditures for testing. We requested and obtained the appropriate procurement documentation, including itemized invoices or receipts, purchase orders, and supporting documents. We reviewed the documentation provided by STCC officials to confirm that the purchases were made in accordance with STCC's ProCard and purchasing policies.
- We selected a nonstatistical judgmental sample of 16 out of 21 vendors whose total ProCard expenditures exceeded \$10,000 to determine whether STCC followed procurement procedures when obtaining goods or services using ProCards. We requested and reviewed procurement and purchasing documentation in making this determination.
- We chose a nonstatistical judgmental sample by examining 6 summary reports from a population of 11 reports. From each report, we chose one activity that demonstrated monitoring of programs and services, such as involvement in committees concerned with ensuring that classes are designed with accessibility in mind, captioning of videos to be shown at presentations, and meetings with external advocates about student rights.
- We summarized all evidence provided by the ADA coordinator to show the Office of Disability Services' (ODS's) continuous involvement with, and improvement of, programs and services on campus to ensure that they are inclusive of the entire population of students, including those with disabilities. The evidence included correspondence, internal policies and procedures, brochures given to faculty members and students, forms used by STCC, and notifications that were sent to students regarding the services available at ODS.
- We obtained the population of STCC campus police officers employed during the audit period to determine whether they met the minimum training standards to obtain the needed certification for employment as campus police officers. We requested and obtained the documentary evidence that all the campus police officers employed during the audit period successfully completed a training curriculum at a Massachusetts State Police–approved training center, as well as proof of the Special State Police Officer certification.<sup>3</sup>
- We reviewed and summarized the emergency evacuation plan and emergency evacuation procedures to identify all instances where assisting people with disabilities was addressed. We also identified the locations of these plans and procedures on the STCC website to determine whether they were properly communicated and available to students.
- We selected a nonstatistical random sample of 35 students from a total of 516 students who received accommodation plans<sup>4</sup> during the audit period. We obtained the case notes and case

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3. The designation of Special State Police Officer is given to campus police officers in Massachusetts who successfully complete a 16-week training program developed and conducted by the Massachusetts State Police.

4. Accommodation plans are kept by a student, his/her teachers, and ODS; they document the services that the student needs for specified classes. The student and ODS develop a new accommodation plan each semester depending on the student's courses and needs.

files for each student to review and confirm that there was documented proof of a disability, that the forms used by ODS were appropriately filled out, and that either the services requested were provided or there was sufficient and appropriate proof to support a denied request.

We used the Colleague accounting system to obtain financial data related to inventory and ProCard expenditures for the audit period. To determine the reliability of the data, we conducted interviews with STCC personnel to gain an understanding of the controls in place in Colleague. We conducted tests on data produced by Colleague and authorized users of the system. We selected a sample of items and tested this information to verify the accuracy and completeness of the inventory list from STCC's Neopost inventory management system. To determine the completeness and accuracy of summary reports provided, campus police officer lists, and the list of students receiving accommodations, we obtained internal emails, verified that officers on the lists were employed by the STCC campus police through STCC records, and reviewed original student case files. Based on our audit work performed, we determined that the data were sufficiently reliable for our purposes.

When using nonstatistical sampling methods for testing, we cannot project the results of our testing to the population.

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## DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

### 1. Springfield Technical Community College did not properly administer its inventory of fixed assets.

Springfield Technical Community College (STCC) did not have documentation that it had completed an annual physical inventory of its fixed assets during our audit period, did not have accurate and complete inventory records, did not affix inventory tags to all of the assets in its inventory so that they could be properly located, and did not ensure that all purchased fixed assets were recorded in its inventory. As a result, there is a higher-than-acceptable risk of undetected theft or misuse of these assets.

During our audit, we asked STCC officials to provide us with documentation of the annual inventory of its fixed assets that was conducted during our audit period, but the college could not provide us with this documentation. Further, we analyzed STCC's inventory lists and found that 2,382 of the 4,052 assets on the lists were missing information critical to making assets identifiable and recordable, such as locations, serial/tag numbers, and purchase amounts.

Additionally, we selected a sample of 40 fixed assets from STCC's inventory lists to verify their existence and found that 5 did not have inventory tags attached. Therefore, we could not be sure we had identified the correct items from STCC's inventory lists. We also sampled 40 assets observed on campus to verify that they had the correct locations recorded on the college's inventory lists. Of the 40 assets selected, 5 did not appear on STCC's inventory lists. Finally, we sampled 30 purchases made during the audit period that might have contained fixed assets required to be recorded on STCC's inventory lists. We identified 12 assets, totaling \$29,878, that did not appear on the lists.

### Authoritative Guidance

The Office of the State Comptroller (OSC) Fixed Assets—Acquisition Policy states,

*Non-GAAP Fixed Assets must be recorded in a Department's inventory and reconciled at least annually. This inventory can be either electronic or on paper, as long as it records the date of purchase, amount, description, location and disposition of an item.*

The OSC Fixed Assets—Accounting and Management Policy states, "There shall be an **annual inventory** taken of fixed assets owned by every Department."

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These OSC policies were also included in a section of the STCC Policy and Procedure Manuals titled "MA General Policies."

Finally, the STCC Internal Control Document states,

*All tangible property, Electronic/computer equipment and audio/visual equipment with a cost of **\$1,000** or more, purchased by the College must be tagged with an I.D. number / Bar Code by the Receiving Department and the information recorded in the Inventory database.*

## Reasons for Noncompliance

STCC officials told us that the college had conducted inventories of its fixed assets during our audit period but not documented them. STCC does not have detailed inventory policies and procedures specifying how to record new fixed-asset information in the inventory, conduct annual physical inventories, and maintain lists of preexisting assets. Additionally, a third-party vendor is responsible for conducting inventory processes for STCC, but the contract does not specify that the vendor must follow STCC's Policy and Procedure Manuals and Internal Control Document in recording fixed-asset purchases and the performance of an annual physical inventory.

## Recommendations

1. STCC should update its policies and procedures to be specific about the processes of adding new inventory records or updating existing ones and of performing, documenting, and reconciling the annual physical inventory of fixed assets.
2. STCC should communicate these changes to the third-party vendor responsible for its inventory.
3. STCC should request that the vendor complete and reconcile the annual inventory of all assets, update the inventory records that are missing information in required fields, ensure that all assets have inventory tags affixed, and keep documentary proof of completion of the physical inventory and reconciliation.
4. STCC should amend the current contract with its third-party vendor to clarify expectations and deliverables for inventory.

## Auditee's Response

*The College agrees with the finding. The College has purchased a new inventory system, WASP, which will help improve the documenting and tracking of the physical inventory of fixed assets. The College is in the process of implementing the new system and is concurrently updating its policies and procedures. The College will include the third-party vendor in the training of the new WASP system, inform them of the new policies and procedures, and clarify the responsibilities of*

*both parties. The College is also in the preliminary phase of exploring the use of a KACE monitoring tool for network connected devices.*

*The sample the auditors selected included items that are uniquely-shaped and frequently used by instructors and students causing the inventory tags to occasionally fall off. The College will identify alternative methods for tagging these items to ensure they can be properly identified at all times.*

## **2. Procurement card users did not adhere to STCC requirements when procuring goods and services.**

STCC's staff misused the college's procurement cards (ProCards). Specifically, STCC paid two vendors (a vehicle repair service and a transportation service) a total of \$330,048 during the audit period and did not competitively procure the services from these vendors or, alternatively, document that the services were exempt from this process. Without adhering to competitive purchasing procedures, STCC cannot be certain it received the best value for these services.

STCC uses ProCards to purchase and pay for consumable goods. There were 114 ProCard users who made purchases totaling \$2,721,861 during the audit period. The table below details the total expenditures made by STCC on ProCards during the audit period.

<b>Fiscal Year</b>	<b>Total</b>
<b>2015</b>	\$1,202,854
<b>2016</b>	\$1,143,255
<b>2017*</b>	\$375,752

\* We received data through December 2016 for fiscal year 2017. This does not represent a full fiscal year.

ProCards were also used to purchase \$1,097 of goods and services that were on the college's list of items that should not be purchased with a ProCard, including cell phone services, data services for an electronic device, and gifts exceeding \$50 in value. Using a statistical sampling method, we reviewed 60 of 6,693 transactions and determined whether the goods and services obtained were on the restricted-purchase list. Because these were purchases made with ProCards, for which there is less oversight than for other purchases, STCC management could not determine whether they were appropriate and necessary, or whether purchasers were obtaining the best value, before the purchases were made.

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## Authoritative Guidance

The STCC Internal Control Document requires that STCC obtain bids when making purchases that total or exceed \$10,000 from vendors that are not included in a contract in the category of State, Massachusetts Higher Education Cooperative, or Education and Institutional Cooperative Service. (None of the purchases discussed in this finding are from vendors included in these types of contract.)

The document does state,

*Emergency repairs and replacement parts [and] services . . . over \$10,000 can be exempted by the Dean of Business Services, Vice President of Administrative Services/CFO and the Director of Purchasing and Business Services with sufficient cause and documentation.*

However, no exemption was sought for the purchases in question.

In addition, the STCC ProCard Program Policy states that ProCards should not be used for hazardous materials, contracted services, or gifts or donations above \$50.

## Reasons for Noncompliance

STCC officials stated that they considered the transportation and vehicle repair vendors sole source providers, which meant that their services were unique and could not be matched by other vendors providing similar services in the same area. Therefore, STCC exempted these transactions from the competitive procurement requirement and did not keep documentation to substantiate that additional quotes were obtained or the Request for Proposal process was completed. However, STCC could not provide any documentation to substantiate how it determined that these vendors were sole source providers.

STCC had an undocumented practice of allowing restricted purchases if the purchases had prior authorization from management. However, the STCC ProCard Program Policy does not specifically state that restricted purchases can be made on ProCards with prior authorization.

## Recommendations

1. STCC should annually review payments to specific vendors and determine whether the services or goods obtained should be subject to the purchasing procedures in place, including retaining documentation supporting any determinations that specific vendors are sole source providers.

2. STCC should update its ProCard Program Policy on restricted purchases to require prior authorization for any ProCard purchases of goods and services on STCC's restricted-purchase list for ProCards. STCC should also notify ProCard users of these changes.

### **Auditee's Response**

*The College agrees with the finding. The College has updated the Procard policies and procedures . . . and will provide refresher training for employees that have been authorized to use a Procard. The College will also review payments to vendors annually to determine if the services and goods received were purchased utilizing proper purchasing procedures and that appropriate documentation for the purchases is on file.*

### **3. ProCard users did not submit purchase requisitions for approval before traveling or Travel Expense Vouchers after traveling.**

ProCard users did not submit purchase requisitions to obtain prior approval for travel, or submit Travel Expense Vouchers<sup>5</sup> after their travel began, for STCC officials to review expenses incurred during the travel. We sampled 60 travel-related ProCard expenditures, totaling \$20,901, and found that none of them had the required Travel Expense Voucher submitted to STCC's Business Services Department after travel commenced. Additionally, 17 of the 60, totaling \$7,506, did not have purchase requisitions<sup>6</sup> submitted before travel. These expenditures included items such as hotel stays, airfare, parking, conference fees, and meals. Without ensuring that all personnel obtain the required preapproval for travel expenses and submit documentation supporting travel expenses incurred, STCC is at risk of staff members incurring travel costs that are not appropriate and reimbursable under STCC policies.

### **Authoritative Guidance**

The STCC Travel Policy states,

*All employees prior to making any travel arrangements must obtain authorization to travel from their supervisor. . . .*

*All travel requests that will require College funds are done by creating a purchase requisition. . . .*

*After traveling on College business, employees should fill out and submit a properly completed Travel Expense Voucher for all of the travel related expenses.*

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5. The Travel Expense Voucher is a form used by STCC for employees who have traveled on college business to report actual expenses incurred during travel and receive reimbursement from STCC if necessary. It is also used to monitor employee expenditures on travel and ensure compliance with STCC policies for travel expenses.
  6. A purchase requisition is a request sent by a department to the Purchasing Department for authorization to proceed with the purchase of goods or services. Once approved, a purchase requisition becomes a purchase order.



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## Reasons for Lack of Travel Documentation

STCC officials told us that they did not require staff members to submit purchase requisitions for travel that they had paid for with ProCards, contrary to the Travel Policy, because the college's accounting system could not properly close purchase orders<sup>7</sup> (which are created in the accounting system from approved purchase requisitions) from ProCard expenditures. Because ProCard-paid travel did not require purchase requisitions, and purchase requisitions are STCC's standard method of documenting preapproval for travel, no preapproval was obtained for ProCard-paid travel.

STCC officials also told us that one purpose of the Travel Expense Voucher is to close open purchase orders. Since STCC did not require purchase orders for all travel-related items, as discussed above, the requirement of Travel Expense Vouchers was overlooked.

## Recommendations

1. STCC should work with the software provider for its accounting system to identify a way to account for ProCard transactions on purchase orders and apply ProCard transactions to them during final processing of Travel Expense Vouchers.
2. STCC should enforce its active policies requiring ProCard users to submit purchase requisitions for travel-related ProCard purchases and to submit Travel Expense Vouchers at the end of travel for expenses incurred during trips, including charges made to ProCards.

## Auditee's Response

*The College agrees with the finding. The College has updated the travel policy and communicated the new policy with all employees. The College will ensure that proper policies and procedures exist for all travel, including travel that utilizes a Procard. The College will also ensure that required documentation is maintained on file to demonstrate necessary approvals have been obtained.*

*The College will continue to work with software providers to identify and create the greatest efficiencies possible to support the policies and procedures.*

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7. A purchase order acts as a placeholder for funds needed for an expense. Once the item/service is received, the Accounting Department processes the transaction against the purchase order, closing the purchase order, and the purchase becomes an actual expense.