

MIDDLESEX COMMUNITY COLLEGE

# *Internal Controls*

Bedford • Lowell  
Massachusetts



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## INTRODUCTION AND ENTERPRISE RISK MANAGEMENT

The Middlesex Community College (MCC) administration recognizes the significant role of internal controls in all aspects fiscal, administrative and programmatic operations. The college's internal control plan incorporates the basic principles of internal controls:

- a.) Benefiting rather than hindering the colleges operations,
- b.) that they must make sense within the context of the operating environment,
- c.) that they are not stand alone practices but must be woven into the day-to-day responsibilities of managers and staff, and
- d.) they must be cost effective.

MCC has prepared its internal control plan in a framework which address the following eight interrelated components of Enterprise Risk Management:

- a.) Internal Control Environment. This is the foundation for all components of internal control encompassing such factors as integrity and ethical values, commitment to competence, board of trustees and audit committee participation, management's philosophy and operating style, organizational structure, assignment of authority and responsibility. Additionally, human resources policies and practices demonstrate a commitment to hire, train and retain qualified staff.
- b.) Objective Setting: Each identified risk has a clearly stated control objective to assist management in measuring the effectiveness of policies and procedures.
- c.) Event Identification: The administration has identified internal and external events that may have a negative impact on the college achieving its goals.
- d.) Risk Assessment. This component identifies, analyzes and manages the potential risks that could present management from achieving its objectives. Change is one factor that can be used to identify risks. Another is inherent risk usually associated with assets that can be

- readily converted to personal use.
- e.) Risk Response: The administration has evaluated the options available to respond to risks and where risks cannot be eliminated, the college has reduced the risks by implementing controls.
  - f.) Control Activities. These are the policies and procedures needed to address the risks identified that could prevent management from achieving its objectives. Control activities generally relate to proper authorization of transactions, security of assets and records, and segregation of incompatible duties.
  - g.) Information and Communication. Information provided to staff should be appropriate in content, timely, current, accurate and accessible. Communication takes such forms as policy manuals, accounting and financial reporting manuals, policy memoranda and regularly scheduled staff meetings.
  - h.) Monitoring. It is the responsibility of management to continually monitor activities to ensure that they function properly and take the necessary corrective action to resolve potential problems or weaknesses in a timely manner. This component also involves evaluating the effectiveness of controls, i.e., (1) controls are properly designed so they will accomplish their intended purpose and (2) controls actually function as designed.

## CONTROL ENVIRONMENT

The management of Middlesex Community College (MCC) recognizes its responsibility to set the tone within its operations that discipline, structure, integrity and ethical values must be promoted at all levels for the purpose of attaining its mission and organizational goals.

On January 3, 1990, Chapter 647 of the Massachusetts General Laws was passed into law. Chapter 647, an act relative to Improving Internal Controls Within State Agencies, which became effective on April 3, 1990, establishes internal control standards that define the minimum level of quality acceptable for internal controls system.

Middlesex Community College has adopted the standards outlined in Chapter 647 as a basis for defining its control environment. Those standards are outlined as follows:

- 1) MCC Policy to clearly document control systems and have readily available for examination.
- 2) Transactions and significant events are to be promptly recorded, clearly documented and properly classified.
- 3) Transactions and significant events are authorized and executed only by persons acting within the scope of their authority.
- 4) Key tasks are assigned systematically to a number of individuals to ensure effective checks and balances. These key duties include:
  - a.) Authorizing, approving and recording transactions,
  - b.) issuing and receiving assets,
  - c.) making payment and
  - d.) reviewing or auditing transactions.
5. Qualified and continuous supervision will be provided to ensure internal control objectives are achieved. Supervisor roles include:
  - a.) Clearly communicate the duties, responsibilities and accountabilities assigned to each staff,
  - b.) systematically reviewing each members work to the extent necessary and
  - c.) approving work at critical points to ensure the work flows as intended.
6. It is the college's policy to limit access to resources and records to authorized individuals as determined by the president dependent upon the vulnerability of the resource and the perceived risk. The president or designee shall be responsible for assigning a qualified person to maintain accountability and to periodically compare the resources to the recorded accountability of the resources to reduce the risk of loss or unauthorized use.
7. The president has designated the director of financial services to ensure that the college maintains written documentation of its internal accounting and administrative control systems which shall be updated at least annually. The internal control officer shall ensure that:
  - a.) The documentation of all internal controls systems is readily available for examination by the comptroller, the secretary of administration and finance and the state auditor,

- b.) the results of audits and recommendations to improve departmental internal controls are promptly evaluated by college management,
- c.) timely and appropriate corrective actions are effected by management in response to an audit and
- d.) all actions determined by college management as necessary to correct or resolve matters will be addressed by the college in their budgetary request, and
- e.) the plan shall be available to all whose responsibilities require adherence to the plan.

The president of the college in ensuring that the internal control plan is implemented throughout the college, has charged the senior administrators with the responsibility for compliance within their divisions. Those senior administrators are:

- Executive Vice President
- Vice President for Enrollment Management
- Chief Technology Officer
- Provost

- 8. It is also the policy of the college to report "all unaccounted for variances, losses, shortages or thefts of funds or property to the state auditors office" as required by Chapter 647 of the Acts of 1989. The director of financial services shall be responsible for recommending to senior management the necessary modifications, if any, to the internal control policies resulting from any review by the state auditors office regarding '647 losses' or the college's own review of the circumstances related to the loss.

## MONITORING

The management of Middlesex Community College assesses the quality of its systems performance over time. Ongoing monitoring occurs in the ordinary course of operations and includes regular management and supervisory activities and other actions personnel take in performing their duties that assess the quality of internal control system performance. Monitoring is achieved, in large part, by management through the following activities:

- a.) Management review of reports.
- b.) Reliance on controls built into informational systems infrastructure.
- c.) Use of fundamental design concepts in processes.
- d.) Independent reconciliations.
- e.) Review by independent auditors.
- f.) Appropriate organizational structure.
- g.) Timely correction of identified system deficiencies.
- h.) Governing Board review of audit findings.

## INFORMATION AND COMMUNICATION

The administration of Middlesex Community College recognizes the need to obtain reliable information to assist in determining and monitoring risks and communicate information to those charged with the responsibility of taking corrective action. It is the college policy to promote the following:

- a.) To acquire accurate information for reporting information on college activities or programs to the Legislature, oversight agencies and grantors,
- b.) to communicate duties and responsibilities to staff,
- c.) to encourage staff and middle management to alert senior management of potential problems and
- d.) to provide a means by which administrative and program staff can communicate.

The college has available and supports a number of information systems which collect data related to college activities. Individuals are trained and instructed as to how the data is recorded in these systems and their responsibilities to record information in a timely and accurate manner.

Information at the college is shared with other members of the community in a variety of different ways. Communication is facilitated by the extensive use of integrated systems and policies and procedures which require that data is uniformly provided.

Amongst the communication processes the college supports are:

- a.) Access to college home page.
- b.) Newscaster college-wide announcements.
- c.) Administrative systems access.
- d.) Decentralized budget and expenditure reporting.
- e.) Voice mail.
- f.) Regular open meetings of governing board.
- g.) Department staff meetings.
- h.) Training and train-the-trainers programs.
- i.) Revenue reporting.
- j.) Budget and expenditure comparison reports.
- k.) Independent audit.
- l.) Policies and procedures to ensure monitoring of key reconciliation.
- m.) Operational calendars.



Statement of Support for Internal Accounting Controls  
Middlesex Community College

Recognizing that a vital component of Middlesex Community College's mission is to safeguard its assets and ensure the proper use of resources, the President, Executive Vice President and Director of Financial Services of Middlesex Community College accept responsibility for the implementation and utilization of this Internal Control Plan.

I affirm Middlesex Community College's total and ongoing commitment to implementing and maintaining appropriate safeguards over the financial assets placed in our care.

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Dr. Carole A. Cowan  
President

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James F. Linnehan, Jr.  
Executive Vice President

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Richard C.. Dery  
Director of Financial Services

## ACCREDITATION STANDARDS

### Mission and Purposes

The institution has a mission and a set of purposes appropriate to higher education, consistent with its charter or other operating authority, and implemented in a manner that complies with the Standards of the Commission on Institutions of Higher Education.

### Planning and Evaluation

The institution undertakes planning and evaluation appropriate to its needs to accomplish and improve the achievement of its mission and purposes.

### Organization and Governance

The institution has a system of governance that facilitates the successful accomplishment of its mission and purposes. Through its organizational design and governance structure, the institution creates and sustains an environment that encourages teaching, learning, scholarship, and where appropriate research, and it assures provision of support adequate for the appropriate functioning of each organizational component.

### Programs and Instruction

The institution's programs are consistent with and serve to fulfill its mission and purposes. Each educational program demonstrates consistency through its goals, structure and content; policies and procedures for admission and retention; instructional methods and procedures; and the nature, quality and extent of student learning and achievement. The institution provides sufficient resources to sustain and improve programs and instruction.

### Faculty

Faculty qualifications, numbers and performance are sufficient to accomplish the institution's mission and purposes. Faculty competently offer the institution's academic programs and fulfill those tasks appropriately assigned them.

### Student Services

The institution provides an environment which fosters the intellectual and personal development of its students consistent with its mission and purposes and mode of educational delivery. It is sensitive to the non-academic needs of its students and recognizes that their educational experience consists of an academic component and interrelated developmental opportunities provided through a co-curricular program of student services. These services are guided by a philosophy, disseminated and

reviewed on a basis, which is conducive to the development of a shared learning community and which prepares students to become responsible members of society.

### Library and Information Resources

The institution makes available the library and information resources necessary for the fulfillment of its mission and purposes. These resources support the academic and research program and the intellectual and cultural development of students, faculty and staff. Library and information resources may include the holdings and necessary services and equipment of libraries, media centers, computer centers, language laboratories, museums and any other repositories of information or technological systems required for the support of institutional offerings. Clear and disseminated policies govern access, usage and maintenance of the library, information resources, and services. The information ensures that students use these resources as an integral part of their education.

### Physical Resources

The institution has sufficient and appropriate physical resources, including laboratories, network infrastructure, materials, equipment and buildings and grounds, whether owned or rented; these are designed, maintained and managed at both on- and off-campus sites to serve institutional needs as defined by its mission and purposes. Classrooms and laboratories, real or virtual, and other facilities are appropriately equipped and adequate in capacity. Proper management, maintenance and operation of all physical facilities and virtual environments, are accomplished by adequate and competent staffing.

### Financial Resources

The institution is financially stable. Ostensible financial stability is not achieved at the expense of educational quality. The institution's financial resources are sufficient to sustain the achievement of its educational objectives and to further institutional improvement now and in the foreseeable future. The institution reallocates resources as necessary to achieve its purposes and objectives. All or substantially all the institution's revenue is devoted to the support of its educational purposes and programs. The institution has the ability to respond to financial emergencies and unforeseen circumstances.

### Public Disclosure

In presenting itself to students and other members of the interested public, the institution provides information that is complete, accurate, and clear.

## Integrity

The institution subscribes to, exemplifies, and advocates high ethical standards in the management of its affairs and in all of its dealings with students, faculty, staff, external agencies and organizations, and the general public.

## RISK ASSESSMENT AND INHERENT RISK

The administration of Middlesex Community College (MCC) recognizes and understands that the primary objective of the risk management process is to support its mission by protecting the college against unexpected or unnecessary loss of resources. The college's internal control system includes elements that together facilitate effective and efficient operations and compliance risks. These elements include policies and procedures, regular reporting and business planning and budgeting that are integrated into its operations to assist in identifying and managing risks.

In addition to the control activities integrated into the college operations to assist in minimizing risks, the college administration also considers the following assessments:

- Accreditation and Self Study Reports
- Financial Indicators (Ratios)
- Board of Higher Education Tables
- Student Outcomes
- Independent Audits:
  - KPMG Financial Audit
  - Office of Student Financial Assistance Audit
  - State Auditors Office
- Budget to Actual Reports:
  - Revenue
  - Expenditures
- HEIRS
- Integrated Postsecondary Education Data System
- Affirmation Action Statistics
- Security Incident Reports
- CORI/SORI Checks
- Student Enrollment and Outcomes
- Community Relations
- Application to Participate in Student Aid Programs
- Sustainability
- Workers Compensation Reports
- Control of ARRA Funding

## INTERNAL CONTROL ACTIVITIES AND CONTROL CYCLES

The administration of Middlesex Community College (MCC) recognizes the importance of internal controls that must be integrated within its business processes. College management, in its design and evaluation of controls over accounting and financial reporting, has grouped certain activities into control cycles providing a logical framework that recognizes the relationships that exist among control related policies and procedures related to sources and uses of funds and other activities which relate to business processes that, in the judgment of management, are critical to achieving the mission of the college.

In each control cycle management has incorporated both preventive and detective controls and to ensure effectiveness, management has:

- a.) Assigned tasks and procedures for completing of tasks,
- b.) established procedures for review of completed work,
- c.) review and approval of work at critical points to ensure quality and accuracy,
- d.) provided guidance and training as necessary and
- e.) established processes documenting supervision and review of work.

The college's control related policies and procedures are designed to compensate for potential risks in each identified control cycle and, accordingly, includes the basic principles of internal control plans. Those principles are as follows:

- a.) Segregation of incompatible duties,
- b.) designation of specific employees authorized to approve transactions,
- c.) restricted access to resources and
- d.) documentation of internal controls.

The following control cycles have been identified as significant to the college in achieving its goals and objectives:

### BILLING AND RECEIVABLES

**Risk:** Failure to manage the Student billing and receivables could result in funds not being collected and accurately posted in a timely manner and collected funds may be exposed to theft.

**Internal Control Objectives:** To ensure that all amounts that the college anticipates receiving from tuition, fees and other sources are billed and recorded in accordance with State Comptroller and Trustee guidelines.

***Policy:***

1. Recognition of amounts due to the college: All charges for amounts due to the shall be recorded in a timely manner by the Bursar or designated employee upon

notification by the college department initiating the charge.

2. Billings for amounts due: Billings for tuition and fees will be the responsibility of the Bursar or designated employee and billings for other amounts due will be the responsibility of the department initiating the charge.

***Procedure:***

Day and Evening School:

1. Tuition rates are approved by the Board of Higher Education and fee rates are established by MCC's Board of Trustees.
2. The Bursar and Registrar's offices enters Tuition and Fees into fee assessment tables in the computer system depending upon the type of charge.
3. Tuition and fees are calculated and fed to student accounts as a result of daily registration activity that occurs in the Enrollment Services Division. The Bursar's Office reviews accuracy of data feed by the Enrollment Services Division activity via edit reports.
4. Student bills are mailed with a defined due date during the registration period for each semester.
5. Past due bills are mailed during the semester for outstanding accounts that do not have pending financial aid or an established payment plan.
6. At the end of the academic year, past due accounts are sent to collection. If after one year they are deemed uncollectible, they are returned to the college at which time they are sent to the state intercept.
7. For GAAP accounting purposes, the college writes off accounts at the end of the third year.

RECEIPTS AND REVENUES

**Risk: Inadequate procedures related to revenue collections and poorly structured accounting systems create the potential for theft and fraud.**

Internal Control Objectives: To ensure that income is properly recognized in the period that services are provided.

***Policy:***

1. Collection and Deposit of Funds  
All Funds collected shall be promptly deposited in the designated bank accounts and credited to appropriate college records.
2. Periodic Reconciliation of Revenue Collected  
Periodically (not less than once a month) all amounts received by the college will be reconciled with statements issued by the depositories.
3. Overages/Shortages and Non-cash Credits  
All overages and shortages shall be reviewed on a periodic basis by the Bursar or designated employee. Any material differences shall be reported to the college's

Director of Financial Services. Any non-cash credits shall be recorded only upon authorization of the department head or designee responsible for initiating the charge.

***Procedure:***

**Day Classes/Evening Classes**

1. The student data and courses are entered into the computer system at the Registrar's Office, where they are informed of the tuition and fees.
2. The student can pay by mail or in person at the Bursar's Office or by credit card on MCC's website. During evening hours the registration center takes payment and gives the student a receipt. Payments are given to the Bursar's Office the following morning and posted against the student's account.
3. The student's account is checked for any prior balance which must be paid before the new enrollment is accepted. Checks returned for insufficient funds are redeposited once by the bank and, if still dishonored, charged back to the student's account. The student is notified of the problem and must make restitution. A \$20.00 service charge is added to the student's account.
4. Mail received by the Bursar's Office is opened each day by the clerk and divided between cashiers.
5. The cashier enters the payment to the student's account and issues receipt.
6. All checks are stamped with a restrictive endorsement immediately upon receipt.
7. Receipt journals are printed by the computer at the end of the day and verified with the bank deposit which has been balanced to the cash drawer by someone other than the cashier.
8. An armored car service delivers the receipts to the bank.
9. Receipts journals and deposit receipts are filed chronologically and verified by staff in Bedford.
10. Amounts designated to be remitted to the state are transferred to the state's bank account on a periodic basis and will be "swept" by the State Treasurer to complete the remittance process.

**Library and Dental Clinic Fees:**

1. Fees and fines collected at the library and dental clinic shall be kept in a secure place within those departments.
2. Collections must be remitted to the Bursar's Office on a periodic basis or in any instance that the cash on hand exceeds \$100.00.

**Third Party Billing:**



1. Registration workers include in their daily activity all items to be billed to third parties. Students are directed to bring documentation of third party payment to the Bursar's Office.
2. The bookkeeper will bill the company producing an invoice which is charged to the receivable for that company.
3. Payments to these accounts are given to the bookkeeper by the mail opener and the payment is recorded against the student's account.
4. As a follow-up on all student accounts, after the start of the semester if the student account has a balance due for any reason (including financial aid payments not received), an invoice is produced and mailed to the student as a reminder of his or her liability.
5. Students receive past due notices on a monthly basis during the academic year. Collection and write-off policies are the same as tuition and fees.
6. Business and Industry billings are done by that department, as the manager monitors all accounts. Checks are sent by the clients to the Business and Industry Office where they are matched to the billing and both items are sent to the Bursar's Office. The Bursar's Office enters the revenue on a cash basis into the account system.

#### Student Refunds:

1. The Registration Center and the Processing Center enter credits to the student's account based on Withdrawal Forms or Add/Drop Adjustment Forms.
2. On a weekly basis, the Bursar's Office initiated a credit balance report for both financial aid and non-financial recipients. A refund detail code is entered on applicable student's account.
3. Once refunds are entered, the Bursar Office staff reviews edit reports that contains the refunds that have been processed and reviews accuracy/applicability of data entry. Refunds are fed to finance system that initiates check processing.
4. The refund list report is forwarded to the Business Service department which is used to compare to system generated refund checks. Financial aid refund checks are sent to the Bursar's Office for mailing and other refund checks are mailed by Accounts Payable.
5. The Director of Accounting and Financial Reporting will be responsible for monitoring the monthly reconciliation and inform the Director of Financial Services of all material variances. The Director of Accounting and Financial Reporting shall initial the reconciliation to indicate it has been reviewed.

## ACH Credit Block and Filter

**Risk: Unauthorized or fraudulent ACH transactions could result in loss of resources.**

**Internal Control Objective:** To eliminate Fraud attempts by individuals attempting to use the ACH automatic posting process to gain unauthorized access to college checking accounts.

***Policy:***

1. Ensure college bank accounts are safe guarded against unauthorized ACH entries into college accounts thru the use of blocks and filters as part of an automated fraud detection process to protect college assets.

***Procedure:***

1. Instruct bank to block ACH transactions from all unauthorized sources.
2. As needed, file information with bank allowing filters for specific trading partners, or file information with bank disallowing existing filters for specific trading partners.
3. Review ACH activity in detail as part of bank reconciliation.

## Receivable Allowance for Doubtful Accounts & Write-offs

**Risk: Inadequate procedures related to doubtful accounts and write-offs could result in funds not being collected and exposure to theft.**

**Internal Control Objectives:** To ensure that receivable balances for tuition and fees and other sources adequately reflect the amounts due considering certain accounts may in the future become uncollectible.

***Policy:***

1. Recognition of events that change a students status subsequent to the establishment of the charges.
2. Recognition of changes in the collectibility of charges resulting from information obtained during the due diligence period of the collection effort.
3. Write off of remaining charges for which collection has not occurred within a 36 month period of the establishment of the charges which ensures that only 2 years of charges and the related allowance are presented on the financial statements.

***Procedure:***

1. The college will use due diligence in its collection efforts which will include but may not be limited to:
  - a) Drop for non-payment during the registration period,
  - b) phone calls to students reminding them of amounts due during the registration period,
  - c) evaluations of students academic and payment history,
  - d) monthly billing of students and demand for payment notices,
  - e) referral of student accounts to collection agency, and
  - f) transfer of accounts to the Department of Revenue intercept program.
2. The college shall evaluate its allowance for doubtful accounts at the end of each year based upon historical collection rates which shall include individual account write offs through a 36 month period subsequent to the establishment of the charge. The allowance account estimate will include the following:
  - a) Calculation of an experience rate of collection of charges in a base year,
  - b) the calculation of student accounts adjustment during the two years subsequent to the base year,
  - c) the actual write off in the 36 month, and
  - d) the adjustments and write off are summed and then divided by the revenue reported on the revenue report for the base year which becomes the historical experience rate for the most recent tuition and fees reported in the financial statements.
3. The Bursar (Director of Student Accounts) will write off all student tuition and fees balances remaining in the student accounts in the 24<sup>th</sup> month subsequent to the close of the base year for those account balances originating in the base year. The Massachusetts Department of Revenue will continue to maintain all accounts written off unless otherwise directed by the college. The allowance account shall be updated at the end of each year for student account adjustments and write offs at end of every year.
4. The allowance for doubtful accounts for the Facilities Development Fee shall be based upon historical receivable balances for that account using the same base year as tuition and fees. The student account adjustments during the two years subsequent to the base year are combined with the direct write offs which is divided by the receivable balance on June 30 of the base year. The result is the experience that is applied to the receivable balance for the year being audited.
5. The Bursar, prior to the end of the fiscal year, will update the uncollectible receivable estimates for each year for which balances are outstanding. The Director of Financial Services will review and approve proposed adjustments to the allowance account prior to posting.

## Purchasing

**Risk: Failure to follow sound purchasing practices could lead to noncompliance and expending funds in a manner that may not be in the best interest/cost to the College.**

**Internal Controls Objectives:** To ensure that the acquisition of goods and services are best suited to the college's requirements at competitive prices and funds are available within the college's approved budget for this purpose.

### ***Policy:***

1. To obtain sufficient information about the goods and services to be purchased in order to identify qualified vendors.
2. To make reasonable efforts to solicit competitive quotations from vendors as appropriate within the market for particular goods and services.
3. To provide for terms and conditions which are consistent with good business practice.
4. To make use of MHEC, State ITD, and other existing contracts and resources when it is in the best interest of the college.
5. To encumber funds within the Cost Center budget at the time of the order.

### ***Procedure:***

1. Electronic Purchase Orders/Requisitions which are to be charged to local funds are prepared by the department initiating the purchase and sent to the Purchasing Department. Requests which do not have sufficient funds available are routed electronically to the Budget Office for disposition.
2. The Purchasing Department prepared Purchase Orders based on requests for purchased if State appropriated funds are to be charged. Forms and printed orders are filed in the open PO file shared by Purchasing and Accounts Payable.
3. The Purchasing Department determines if purchases should be sent out to bid prior to acquisition.
4. For convenience, some orders are placed by phone and no hard copy of the purchase order is sent to the vendor. The vendor usually gives a reference number in these cases. Copies of the order are distributed within the college, to the department initiating the order, to the receiving department if required, and to the open PO file shared by Purchasing and A/P. Purchase orders may be processed using the college credit card depending on the nature of the purchase.
5. Purchase orders are amended if there is a material difference with the original item.

## Accounts Payable and Expenditures

### Expenditures

**Risk: Inadequate controls over College expenditures can lead to Misappropriation of funds, disallowable reimbursements from funding agencies and over expending of resources.**

**Internal Control Objectives:** To ensure that all invoices are recorded in a timely manner, are adequately documented and consistent with the budget and approved by the Cost Center Manager prior to being processed.

#### ***Policy:***

1. Expenditures will be processed only after:
  - a. Verification that goods are received and services have been provided as applicable.
  - b. Verification that funds are available in the college's operating budget and/or accounts.
  - c. Appropriate approvals.
2. Prepayments are only allowed in certain specific categories of expenditures only after approval by the Director of Accounting and Financial Reporting or the Director of Financial Services, CFO, Budget Director.

### Accounts Payable

**Risk: The inability to properly record College obligations could result in the potential to overpay, duplicate and misstate financial obligations.**

**Internal Control Objectives:** To properly record and maintain all obligations of the college in a timely manner.

#### ***Policy:***

1. The college shall adhere to all laws and regulations of the commonwealth and the college with regard to the maintenance of accounts payable.
2. The college will periodically prepare, maintain and update a record of all accounts payable.
3. There will be regular reviews over all outstanding accounts payable to ensure that they are accurate and valid and unpaid bills will be followed up.
4. Payments shall be in a timely manner.

#### ***Procedure:***

1. All mail is opened, date stamped and distributed to the bookkeeper to whom the particular transaction and/or vendor has been assigned.
2. Purchase orders are received from the Purchasing Department signed and dated.

- A copy of the PO that has been reviewed and then signed and dated by Purchasing is placed in the Open Vendor file that is shared by Purchasing and A/P. The Purchasing Department has entered the encumbrance on the budget control system before sending the order to accounts payable.
3. The receiving department receipts merchandise on their copy of the purchase order and enters it into the system in instances that goods have been delivered to the receiving department.
  4. The invoices are entered into the system upon receipt. The system checks to make sure receiving has been entered and quantity and amount billed are correct and are scheduled for payment. Invoices are paid thirty (30) days from invoice date.
  5. Reports are run from purchasing showing which invoices have been fed over to accounts payable and which ones have not.
  6. For items with problems, accounts payable clerks research and make corrections.
  7. Checks are generated at the end of the week and the part-time accountant checks the documentation to assure accuracy. The supervisor then distributes the checks to the accounts payable clerks who mail them to the vendor with any necessary information.
  8. Items paid by the state system differ in that each item is entered separately on the corresponding MMARS input form, i.e., GAX, PRC, etc. The bookkeeper enters the data into the state MMARS system and the supervisor submits the payment to be processed.
  9. The State Treasurer's Office mails the checks directly to the vendors. If there is a question on the payment, the Accounts Payable Department can submit a "Request For Canceled Check" form which the Treasurer's Office will process and send back a copy of the canceled check.
  10. Vendor numbers are assigned by the state and the Purchasing Department for new vendors upon submission of their Federal Identification number, phone and fax number and the business remit to address.
  11. The college maintains its check stock as blank paper which is printed on a 'secure laser' printer. This printer can only be accessed to print checks by a secure password protected check printing software.
  12. All demand checks must be approved by the Executive Vice President

#### Check Disbursement/Positive Pay

**Risk: Inadequate controls over check disbursements could result in unauthorized, fraudulent presentation or altered checks being processed and loss of resources.**

**Internal Control Objectives: To prevent fraudulent and altered checks to be processed by the bank and be charged against College checking accounts.**

***Policy:***

1. Ensure that checks presented against a college checking account correctly match the check issue file prepared by and transmitted to the bank.

***Procedure:***

1. The college issues checks for accounts payable and payroll as authorized and approved by the College Administration.
2. The college transmits a file of checks to bank each day checks are issued. The file included the check number, account number, issue date and dollar amount which is used by the bank when checks are presented for payment electronically against the list of transmitted checks.
3. If a check is presented that does not have a match in the file, the bank sends a fax or image to the college, which is then reviewed by the Business Office which in turn instructs the bank to pay or return the check.
4. Secure check stock and authorizing stamp in separate locations.

### Accounting and Reporting

**Risk: Failure to report accurate financial information could result in inaccurate budgetary planning as well as exposure to regulatory noncompliance and qualified financial audits.**

**Internal Control Objective: To ensure the accuracy of the accounting entries made to the college's financial accounting and reporting systems.**

***Policy:*** That transactions are authorized, valid, complete and accurate.

***Procedure:***

1. Standard recurring system generated journal entries will be the source of record to update the general ledger for frequent transactions.
2. Non-standard infrequently recurring journal entries which would include unusual transactions or adjustments, correction of errors and reclassifications shall be recorded on a preformatted form and shall be authorized by the Director of Accounting and Financial Reporting.
3. Non-standard journal entries which were not authorized by the Director of Accounting and Financial Reporting shall be reported to the Director of Financial Services or the CFO.

## Budgeting

**Risk:** Overspending both at departmental and institutional levels are possible if the budget is not monitored on a regular basis.

**Internal Control Objectives:** To ensure that revenue and expenditures are carefully budgeted and periodically reviewed on an ongoing basis in keeping with fundamentals of sound financial management. Funds proposed to the Trustees for approval are consistent with the need for ongoing maintenance, institutional priorities in keeping with the strategic plan and the legislative intent.

### ***Policy:***

1. All projected revenues and expenditures of the college will follow a budget process.
2. Annual budgets and, when appropriate, budgetary adjustments and modification, are presented to the college Board of Trustees for approval.
3. Departmental and college-wide budgets shall be reviewed by the CFO and Budget Director periodically to ensure that actual revenue and expenditures are in line with projections.
4. All budgetary activities shall be in keeping with state, college and other applicable rules and regulations.
5. Budget reports are available online for each college department for their review.
6. Budget to actual expenditure reports are presented to the Board of Trustees quarterly.

### ***Procedure:***

1. The State Legislature establishes the college appropriation annually.
2. The staff recommends to the President estimates of student enrollment, student charges and other revenue items. This, plus the state appropriation, gives the overall dollar spending limits for the development of the operating budget.
3. The budget director reviews each of the cost centers actual expense data for the prior year to develop the new base budget.
4. The cost centers review their budget and propose adjustments that are submitted through the annual budget process to the Vice President for consideration.
5. The President and staff review the base budgets and proposed changes and submit a spending plan to the Board of Trustees.
6. The Trustees review and approve the budget and administrators submit the details of the State Appropriation Budget (the total has previously been determined) to the Board of Higher Education.
7. The Comptroller's Office enters the state appropriation budget into the new MMARS and the budget staff enters the trust fund budgets into the finance system.



8. The budget director may move funds between the various pools within a budget as necessary.

### Personnel/Human Resources

**Risk: Safety and security individuals, data or personal information could be compromised with significant consequences to College and employees.**

**Internal Control Objectives:** To ensure that personnel records are properly safeguarded and maintained and the confidentiality of those records are protected to the greatest extent allowed by law. To ensure that employees are made aware of and have the opportunity to receive all employee benefits to which they are entitled.

#### ***Policy:***

1. The college shall adhere to existing collective bargaining agreements and personnel policies and all Federal, State and Trustee guidelines and regulations regarding sound personnel administration.
2. Aside from Human Resources Office staff, access to employee personnel files shall be available only to those members of the college staff who have supervisory responsibility over the employee or employees who are authorized access in accordance with collective bargaining agreements and personnel policies.
3. The Human Resources Office staff shall require those outside the office staff to sign and date access to employee personnel files.

#### ***Procedure:***

##### Hiring

1. The department head seeking to fill a full-time (benefited) position must consult with the Human Resources Director and submit a position requisition form with signed executive fiscal and affirmative action approval. All of these hirings must be approved by the president.
2. The department head will submit the position description to Human Resources along with the position requisition form.
3. All benefited open positions to be filled must be posted and are generally circulated to other colleges and advertised. Part-time positions may be posted and advertised depending on factors such as the length of the assignment, the terms of the grant and funding source and the availability of an existing pool of candidates.
4. The hiring department conducts the interviews and makes the selection subject to approval by the president.

5. Human resources prepares an employment letter to the selected candidate and a Personnel Action form (PAR) for benefited positions. This initiates the HRCMS payroll function noted in the "Payroll" section.
6. Human resources also prepares Board Actions on all benefited positions for approval at each meeting of the Board of Trustees.
7. Individual departments prepare Job Assignment Forms (JAF) for part-time positions and forward them to the Payroll Department and Human Resources for processing as noted under "Payroll".
8. The employee completes a W-4 Tax Information form, benefit forms, I-9 Immigration form, union dues/agency fee forms, if necessary, and any other forms necessary for their employ.
9. Each benefited employee receives an orientation review of the college and benefit plans. The procedures discussed include:
  - . Sick & Personal Leave
  - . Health Insurance Options
  - . Life Insurance
  - . Dental Benefits
  - . Retirement Plan
  - . Medicare Tax
  - . Union Dues
  - . Tuition Reimbursement
  - . Parking
  - . Attendance
  - . Credit Union
  - . Bond Deduction
  - . Payroll Process
  - . Contractual Procedures
  - . Confidentiality Policies
10. After a position is filled, the hiring department maintains the details of the search; the number of people interviewed; the number of minority people, etc. This information is available to Human Resources for review as necessary.

#### Affirmative Action

The Dean of Multicultural Affairs, reporting to the President, oversees the Community College Affirmative Action plan established by the Board of Higher Education. Meetings, as necessary, are held with employees and students outlining the grievance procedure

#### Budgeting

Human Resources works with the budget stall on the budgeting for all employees and their related costs:

- . Salaries
- . Insurance
- . Unemployment
- . Workmen's Compensation
- . Medicare Tax

Positions are not added unless a funding source has been identified and the hiring

and/or the job assignment form process followed. Human Resources works in conjunction with the budget staff to monitor personnel expenses, update projections and complete reporting requirements.

#### Insurance Claims

All claims in Health, Workmen's Compensation, Long-Term Disability are processed through the Personnel Office.

#### Attendance

Attendance calendars are maintained for all benefited employees. These are posted from the weekly time sheets and control vacation, leave time, etc.

#### Personnel Files

A personnel file is maintained on each employee. They are held in strict confidence and anyone who must have access to these files must log in stating the reason for their review. Performance evaluations are processed by the various departments and sent to Personnel for review and filing. Records of Professional Development are maintained in the personnel file.

#### Certain Federal Grant Salaries and Wages

Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the government unit (OMB Circular A-87 Attachments B Section 8 (h) (1)).

### Payroll

**Risk: Inadequate controls over payroll could result in employees not being correctly compensated and unauthorized payments of a fraudulent nature.**

**Internal Control Objective:** To prepare the payroll accurately and completely so as to ensure every employee receives the proper gross pay, on time, with the proper deductions. All payroll should be supported by appropriate evidence for authorized work actually performed and properly reflected in the accounting records.

#### ***Policy:***

1. Salaries and other employee benefits costs are approved in total by the governing board as part of the budget process.
2. All paperwork and the approval process in the hiring of all employees must be complete and on file before the employee can start work and be compensated.

3. All payrolls processed shall be in compliance with all Internal Revenue and Massachusetts Department of Revenue laws.
4. All changes in employment (additions and terminations), salary and wage rates, and payroll deductions are properly authorized, approved and documented.
5. Notices of additions, separations and changes in salaries, wages and deductions are promptly reported to the payroll-processing function.
6. Changes to the master payroll file are approved and documented.
7. Access to the master payroll file is limited to employees who are authorized to make changes.
8. Responsibilities for supervision and timekeeping functions are segregated from personnel, payroll processing, disbursement and general ledger functions.
9. Records and controls exist for timekeeping and attendance.
10. Hours worked, overtime hours, and other special benefits are reviewed and approved by the employee's supervisor.
11. Appropriate payroll records are maintained for accumulated employee benefits (sick leave, vacation, pension, etc.).
12. Procedures exist for authorizing, approving and recording vacations, holidays and sick leave.
13. Payroll is calculated using authorized pay rates, payroll deductions, and time records.
14. Account coding procedures exist to ensure proper classification of employee compensation and benefit costs in general ledger accounts.
15. Responsibilities for the payroll processing function are segregated from personnel and general ledger functions.
16. Controls exist to ensure that employee benefit and compensation costs do not exceed appropriated or budgeted amounts.
17. Accrued liabilities for unpaid employee compensation and benefit costs are properly recorded and disclosed.
18. The supply of unused checks is controlled.
19. A separate, imprest payroll account is maintained.
20. The Finance Office reconciles the payroll account every month. This ensures that the reconciliation is independent from all other payroll processing activities.

***Procedure:***

Payroll – State System – “HRCMS” – All employees are paid on the HRCMS system. It is a biweekly payroll system.

Benefited Employees

1. When an employee is hired on the state payroll, a position is created by Human Resources and the employee information is also entered.
2. Human Resources completes a Personnel Action (PAR) and submits this to Payroll. This form provides information on the employee and the position they are filling.

3. Human Resources obtain a W-4 Form, and other pertinent forms from the employee and forwards them to Payroll, where this information is entered and stored.
4. Preliminary payrolls are run several times by the state and reports are checked for accuracy by the Payroll Office.
5. Checks and pay advices are printed at the State Treasurer's Office. A courier service picks them up biweekly and delivers them to the Payroll Office where they are signed for and distributed.

#### Non-Benefited Employees

1. Hiring supervisors complete a Job Assignment Form (JAF) for each employee. This includes name, address, social security number, position description, rate of pay and account number to be charged.
2. The JAF is submitted along with the appropriate tax forms to the Payroll Office. Payroll checks the form for accuracy and budget availability, created positions if needed and forwards the packet to Human Resources for entering into the Banner system for identity management purposes. Human Resources also enter the employee into HRCMS.
3. Timesheets are received, calculated and entered into HRCMS. This information is also kept on an in-house spreadsheet for verification purposes.

#### Part-Time Faculty

1. Faculty lists are received from Human Resources detailing personal data and course data for all employees. This information has already been entered into the Banner system and HRCMS.
2. During the Fall and Spring semesters, payments are made biweekly divided equally throughout the semester. Full payment is made for Summer courses at the end of each period.
3. Payroll enters the scheduled amount to be paid in HRCMS

#### 901 Reporting

**Risk: Failure to report timely and accurate financial information could result in misstatements of Trust Funds financial activity and exposure to regulatory noncompliance.**

**Internal Control Objective:** To ensure that the college's trust fund is reported in new MMARS, on the cash basis, in an accurate and timely manner.

#### ***Policy:***

1. To convert accrual basis accounting information to the cash basis for the purpose of MMARS reporting.
2. To enter non-appropriated trust fund activity into MMARS on a timely basis.
3. To maintain a system to document the reconciliation of MMARS 901 Reports to the college's financial accounting records.

***Procedure:***

1. Maintaining and updating a computerized report writer which is run monthly against the college's financial accounting system which converts accrual basis accounting to the cash basis.
2. Posting on a monthly basis the detailed cash basis accounting information on MMARS. This information is reported by revenue and expense category and by object code.
3. A separate reconciliation report is run which derives its account structure from the chart of accounts which gives prior month YTD, current month activity, and current month YTD. This information is entered into a spreadsheet which is the foundation for the reconciliation with the h6A207 s Report.
4. Calendar month end report is compared to system month end and variances related to timing differences are reconciled.
5. MMARS cash balances are compared to system YTD cash and differences are then reconciled.
6. Adjustments to MMARS are made in a subsequent month to reflect and correct variances.

Cash Management

**Risk: Cash is the most liquid of assets and is susceptible to loss or theft if not property controlled.**

Internal Control Objectives: To maximize yield and liquidity of college funds without the risk of loss of principal and earnings and to reconcile those funds in a timely manner.

***Policy:***

1. To maintain a reasonable and reconciled balance within the college checking account in order to honor presentments.
2. To invest only in Government securities such as treasury bills or discount noted backed by assets of Government agencies such as the Federal Home Loan Bank or the Farm Credit Banks or in certificates of deposit at other banks which are insured by the FDIC or as authorized by the Trustees.

***Procedures:***

1. Review disbursement requirements for:
  - a. Major payments – payroll, debt service, etc.
  - b. Weekly payables

- in order to estimate cash needs.
2. Review daily account analysis which is provided by the bank for excess cash. (Investment Officer calls as maturities occur.)
  3. Obtain information from Investment Officer, as needed, relative to market conditions and purchase securities as appropriate.
  4. Maintain investment journal which is used to help track investments to and from our account. The journal is also used to create composite rates for interest allocations.
  5. Cash accounts will be reconciled monthly and differences reported to management.
  6. All outstanding checks will be reviewed annually and checks outstanding for over one year will be transferred to the State Treasurer's Unpaid Check Fund.

### Information Technology Resource Management

**Risk: Inadequate controls over Information Technology equipment could result in equipment not being properly received, accounted for, and safeguarded.**

**Internal Control Objective:** To provide reasonable assurance that Information Technology (IT) Resources be properly recorded and accounted for on a perpetual basis.

***Policy:***

1. To account for IT Resources throughout the resources life cycle.
2. To maintain an auditable system of record in accordance with the requirements of the Office of the Comptroller.
3. To monitor and record the movement of IT Resources within the institution and to report, in accordance with the provisions of Chapter 647, any items that are deemed to be missing or stolen.
4. To maintain a control register for notebook computers and require signed user responsibility agreements from those assigned notebook computers.

***Procedures:***

1. All IT related purchased will be initiated by the Chief Technology Officer (CTO) and approved by the Chief Financial Officer (CFO).
2. All IT related equipment will be delivered by the Facilities Department and received by the help desk Manager and is assigned bar code tags for inventory purposes.
3. All IT related equipment will be entered into the system of record and asset management system using predefined required fields.

4. Information related to the deployment removal through surplus, loss or repair will be reflected in the system of record when these events occur.
5. Assignment of equipment may occur as follows:
  - . Delivery and installation of equipment in a specific office
  - . Delivery and installation of equipment in a specific classroom
  - . Delivery and installation of equipment in a conference or meeting room
  - . Pickup of equipment by a faculty or staff member from the Technology Center offices

In the case of equipment provided to faculty and staff, the Technology Center help desk staff will complete a Request for Technical Services document. The Technical Services Request form is available on the Middlesex portal; Forms and Knowledgebase. This document includes the description, serial number and provision for the signature of the staff or faculty member receiving the IT equipment. The help desk manager files these documents in the Technology Center.
6. Movement of IT equipment is the responsibility of help desk staff. In the event that equipment is moved without the assistance of the help desk staff, the Help Desk should be notified immediately.
7. Periodic reconciliations will be done by the help desk staff to ensure the integrity of the IT inventory system.
8. Theft or loss of IT equipment will be reported to the Department of the State Auditor in accordance with the provisions of Chapter 647 and the IT procedures for reviewing incidents of stolen or missing equipment.
9. IT equipment identified as surplus in accordance with the college life cycle management schedule will be reported, as such, to the Massachusetts Operational Services Division (OSD) for claim by other state agencies. Unclaimed equipment will be disposed of by the college's facilities department.

### Outgoing Wires

**Risk: Unauthorized transfers from college funds could create a potential for theft, fraud and loss of resources.**

Internal Control Objective: To ensure that outgoing wire transfers are properly approved by the Cost Center Managers and there are adequate safeguards to ensure that funds are delivered to the appropriate destination.

***Policy:***

1. To obtain appropriate documentation from Cost Centers to support the necessity of using a wire.
2. To ensure that the wire is approved by the Director of Accounting and Financial Reporting or their designee.



***Procedure:***

1. Appropriate documentation is reviewed by the Director of Accounting and Financial Reporting or their designee.
2. The Cost Center account is checked for funds availability.
3. The online banking system is accessed to enter the wire information.
4. Once wire is complete, the wire must be approved and released by the Assistant Director of Accounting and Financial Reporting.
5. The cash disbursement is entered into the accounting system.

**American Recovery and Reinvestment Act  
Accounting/Reporting/Controls/Monitoring**

**Risk:** Inadequate controls and management over ARRA funding can lead to expenditures for the unallowable activities which may not be detected, improper reporting and disallowance of expenditures.

**Internal Control Objectives:** To ensure safeguards are in place to manage, monitor, report, and continuously track federal stimulus monies so that the funding objectives are met and enforces appropriate penalties for misuse of funds.

***Policy:*** The College will accept American Recovery and Reinvestment Act (ARRA) Federal funds and will be responsible for monitoring the use of those funds, even when grants are passed through to one or more private sector, non-profit providers or other governmental agencies (sub-recipients). The College will designate employees to be responsible for certain oversight of funds to ensure they are spent in accordance with the federal grant requirements and state guidelines. Designated employees will follow all current College Finance procedures and new procedures unique to ARRA funds.

***Procedure:***

1. **Receipt of Award Letter:** Federal Award letters received for ARRA funds shall be scanned and faxed to State Comptroller's Office for collection and processing.
2. **Goals:** Prepare goals and objectives for funds to be expended. This should be accomplished via a spending plan submitted to State governing agency. The spending plan will outline expenditure MMARS Object Class and detail description of expenditure. On a monthly basis, the Budget Director shall review spending plan to ensure expenditures are measured to priorities.
3. **Setup of MMARS Account:** Contact State Comptroller's Federal Grants Unit to begin setup. Each new ARRA award will receive its own appropriation number, program, major program, revenue source.

4. **Approval Process:** All approvals for "ARRA" MMARS transactions will follow the same protocols as other MMARS transactions.
5. **Staff Training:** Issue Internal Controls and all applicable policies, guidelines, job aides and other rules to designated employees regarding ARRA funds. Designated employees shall be identified and their duties explained. Duties will include scanning and filing of documents and maintenance of electronic files.
6. **Records Management:** All records in any medium (paper or electronic) must be clearly coded with ARRA and documents IDs to ensure that records can be easily accessed and reviewed for audit purposes. Records should be in a centralized location. Emails and other correspondence should also be retained and filed with ARRA documents.
7. **Purchasing Goods:** Goods purchased with ARRA funds must be American made unless the American goods are 25% more than other countries or the goods only source are from other countries. Cost for services performed shall be at the rate set per the "Prevailing Wage Schedule". The College will use State Contracts for the purchase of goods and services when required. All Bid/Offers, Response/Applications, Contract/Awards records shall be posted to the Commonwealth's central procurement internet-based system known as "Comm-Pass".
  - a) The Purchasing Department prepares encumbrance documents based on requests for purchases if "ARRA" appropriated funds are to be charged.
  - b) The Purchasing Department determines if purchases should be sent out to bid prior to acquisition.
  - c) For convenience, some orders are placed by phone and no hard copy of the encumbrance document is sent to the vendor. The vendor usually gives a reference number in these cases. Copies of the order are distributed within the College, to the department initiating the order, to the Receiving Department, if required, and to designated employee maintaining ARRA fund Documents.
  - d) Encumbrance documents are amended if there is a material difference with the original item ordered.
  - e) Purchases of equipment will be delivered by the Facilities Department and is assigned bar code tags for inventory purposes.
  - f) All equipment will be entered into the system of record and asset management system using predefined required fields which identifies the funding source.
8. **IT Related Purchases:**
  - a) All IT related purchases will be initiated by the Chief Technology Officer (CTO) and approved by the Chief Financial Officer (CFO).
  - b) All IT related equipment will be delivered by the Facilities Department and received by the Help Desk Manager and is assigned bar code tags for inventory purposes.
  - c) All IT related equipment will be entered into the system of record and asset management system using predefined required fields which identifies the funding source.
9. **Accounts Payable:**
  - a) All mail is opened, date stamped and distributed to the bookkeeper to

- whom the particular transaction and/or vendor has been assigned.
  - b) For items with problems, Accounts Payable clerks research and make corrections.
  - c) The bookkeeper enters the data into the state MMARS system using coding system required by the State Comptroller for tracking/reporting purposes and the supervisor submits the payment to be processed. Invoices are paid thirty (30) days from invoice date.
  - d) The State Treasurer's Office mails the checks directly to the vendors. If there is a question on the payment, the Accounts Payable Department should submit a "Request for Canceled Check" from which the Treasurer's Office will process and send back a copy of the canceled check.
  - e) Vendor numbers are assigned in MMARS by the state Comptroller's Office for new vendors upon submission of their W-9 form with Federal ID number, DUNS number, phone and fax number and the business remit to address.
10. **Payroll:**
- a) Follow all current College Policies and Procedures regarding the hiring and processing of payments to employees. All payments shall be processed through HRCMS and coded as directed by the State Comptroller.
  - b) Electronic copies of time sheets for designated college employees will be filed in the Business Office. Time sheets should only reflect hours worked on "ARRA" activities.
11. **Financial Aid Payments:**
- a) Follow all current College Policies and Procedures regarding the process of awarding and payment of financial aid to students. All payments shall be processed through MMARS and coded as directed by the State Comptroller.
  - b) Financial Aid Office will send copies of documents to designated college employees to be scanned and filed. Documentation should only reflect payment to students using "ARRA" funds.
12. **Subrecipient Monitoring:**
- a) Follow policy and guidelines contained in A-133 compliance supplement. All payments shall be processed through MMARS and coded as directed by the State Comptroller.
  - b) Subrecipients are required to have a DUNS number before contracting with the College.
13. **Reporting:**
- a) Annual Reporting Requirements
    - i) For each year of the program, the College will provide the assistance necessary for the state to submit a report to the U.S. Secretary of Education, at such time and in such a manner as the Governor, the Executive Office of Education, the Department of Higher Education and the Office of the State Comptroller may require, to comply with requirements from the U.S. Secretary, of Education, that describes:

- . the uses of funds within the college;
- . how the college distributed the funds it received;
- . the number of jobs that were saved or created with the funds;
- . the tuition and fee increases for in-state students imposed by the College and a description of any actions taken by the state to limit the increases;
- . the extent to which the college maintained, increased, or decreased enrollment of in-state students, including those students eligible for Pell Grants or other need-based financial aid; and
- . a description of each modernization, renovation or repair project funded including the amounts awarded and project costs. (ARRA Division A, Section 14008)

ii) Quarterly Reporting Requirements

The College will provide the assistance necessary for the state to submit reports within 10 days after the end of each calendar quarter that contains the information required under Section 1512© of the ARRA, in accordance with any guidance issued by The Office of Management and Budget or the Department. (ARRA Division A, Section 1512©)

CHECKS AND OTHER NEGOTIABLE ITEMS AWAITING TO BE DISBURSED

**Risk:** Failure to properly secure checks and other negotiable items prior to disbursement to recipients should be kept in safes located in the Student Accounts Offices in Lowell and Bedford or in the Payroll Office. May increase the risk of loss or theft.

**Internal Control Objectives:** To prevent the theft of checks and other negotiable items from areas that are not secured.

**Policy:** All checks which have been imprinted with all information necessary for negotiation shall be retained in the College safe until delivered to the appropriate recipient or the individual responsible for distribution. This includes other negotiable items.

**Procedure:**

1. Checks for Payroll and Accounts Payable shall be sorted by category of distribution, i.e., mailing, delivery and distribution points, etc.
2. Checks and other negotiable items will be held in the possession of responsible individuals during periods of normal distribution.
3. Checks and other negotiable items will be stored in college safes during those periods that are not within the normal time of distribution.
4. Checks and other negotiable items shall not be stored in desks or file cabinets under any circumstances.

**Internal controls OBJECTIVE**

To define the college community's responsibility for reporting financial fraud, and to establish procedures for addressing wrongful acts.

**POLICY**

Applies to: Faculty, staff, students, visitors

**I. Financial Fraud**

A. The college will take appropriate disciplinary and legal action against employees who commit financial fraud. This may include termination and/or criminal prosecution.

B. Financial fraud is defined by the college, "as a deliberate act or deliberate failure to act that is contrary to law, rule, or policy with the intent to obtain unauthorized financial benefit from the college for oneself, one's family, or one's business associates. Financial fraud includes, but is not limited to, misappropriation of college funds or property, authorizing or receiving compensation or reimbursement for goods not received or services not performed or hours not worked, or unauthorized alteration of financial records."

C. Examples of financial fraud include but are not limited to:

1. Embezzlement or other financial irregularities;
2. Misappropriation, misapplication, destruction, removal, or concealment of property;
3. Forgery, falsification, or alteration of documents (e.g., checks, bank drafts, deposit tickets, promissory notes, time sheets, time and effort reporting, travel expense reports, contractor agreements, purchase orders, electronic files, etc.);
4. Improprieties/misrepresentation in the handling or reporting of money or financial transactions, including procurement card;
5. Theft, destruction, or misappropriation of funds, securities, supplies, inventory, or any other asset (including furniture, fixtures or equipment, trade secrets and intellectual property);
6. Authorizing or receiving payment for goods not received or services not performed;

7. Authorizing or receiving payment for hours/time not worked;
8. Misuse of college facilities, such as vehicles, telephones, mail systems, or computer-related equipment;
9. Intentional violation of college purchasing requirements;
10. Bribery, kickbacks, or rebates;
11. Assigning an employee to perform non-employment-related tasks by person in a supervisory or management position; and
12. Actions related to concealing or perpetuating abovementioned activities.

## **II. Internal Controls**

Internal controls are policies, practices, and procedures that are designed to provide reasonable assurance those objectives are achieved in the following categories:

1. Effectiveness and efficiency of operations (including safeguarding of assets and records).
2. Reliability of financial reporting.
3. Compliance with laws and regulations.

### **PROCEDURE**

Applies to: Faculty, staff, students, visitors

#### **I. Employee Responsibility**

A. All employees of Middlesex Community College, regardless of rank or position, have a stewardship responsibility with regard to college funds and other assets.

B. College employees are responsible for safeguarding college resources and ensuring that those resources are used only for authorized purposes, in accordance with college rules, policies, and applicable federal and state laws.  
(See Internal Control & Procedures Manual attached)

C. It is a violation of college policy for any employee, regardless of rank or position, to receive or use college resources for non-college purposes or personal gain.

D. Any employee who has reason to believe, or has knowledge that financial fraud has occurred, is obligated to report the incident(s) and all relevant information to an appropriate college authority. The employee or other complainant may remain anonymous.

1. When financial fraud is suspected, observed, or otherwise made known to an employee, the employee must report the activity to her/his supervisor.

2. If the employee has reason to believe her/his supervisor may be involved in the financial fraud, the employee is obligated to report the fraudulent activity to the next higher level of management or to other college officials such as the Executive Vice President, Director of Human Resources, and/or Director of Finance.

3. The reporting employee shall refrain from further involvement in the matter unless directed otherwise by Director of Human Resources.

### **III. Management Responsibility**

A. All management personnel are responsible for detecting fraudulent activities in their areas of responsibility.

1. Each manager should be familiar with the types of improprieties which might occur in her/his area of responsibility and be alert for any indication that improper or dishonest activity is or was in existence in her/his area.

2. When dishonest or improper activity is detected or suspected, management should determine whether an error or misunderstanding occurred or whether financial fraud exists.

3. If a member of management has reason to believe that financial fraud has occurred, she/he must contact her/his immediate supervisor. The member management may remain anonymous.

B. When a supervisor is informed by management personnel that financial fraud has potentially occurred, the supervisor must contact the Executive Vice President, who will consult with the Director of Human Resources and Legal Counsel or an oversight agency.

C. Management will cooperate with any oversight agency or law enforcement agencies in the detection, reporting, and investigation of the fraud, including prosecution of offenders.

D. Management must refrain from any involvement in the investigation unless directed otherwise by Legal Counsel or an oversight agency.

E. If the investigation determines that criminal activity has occurred, this information will be reported to the local prosecuting attorney. The investigated employee(s) shall then be put on administrative leave until the investigation is complete.

### **Commonwealth Hotline Numbers**

Inspector General, (800) 322-1323

To report suspected fraud, waste or abuse in government.

Attorney General-Fair Labor Helpline, (617) 727-3465

To report violations of minimum wage and overtime laws and requirement for timely payment of wages.

Division of Unemployment Assistance, (800) 354-9927

To report unreported wages or persons collecting benefits while working.

Office of the State Auditor, (617) 727-6200

For state agencies to report variances, shortages or thefts of funds or property.