

**Massachusetts Bay Community College  
50 Oakland Street  
Wellesley Hills, Massachusetts 02181**

**National Science Foundation Award Number  
DBI - 9731991**

**Financial Audit  
of  
Financial Schedules  
and  
Independent Auditors' Reports**

**For the Period June 15, 1998 to September 30, 2001**

**Leon Snead & Company, P.C.  
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**EXECUTIVE SUMMARY**



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## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Massachusetts Bay Community College (MBCC) is an educational institution that is an agency of the Commonwealth of Massachusetts. MBCC follows the cost principles specified in Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions* and the Federal administrative requirements contained in OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*.

On June 15, 1998, the National Science Foundation (NSF) issued award DBI-9731991 to fund the *Research Opportunities for Minorities Program (ROMP)*, which is a research-training program for undergraduate and post-baccalaureates that belong to groups underrepresented in basic-science research. The program provides participants up to two years of intensive research training in molecular biology through the biotechnology programs at MBCC. As of August 7, 2001, NSF awarded MBCC \$271,099 for the period June 15, 1998 to May 31, 2003. MBCC claimed costs of \$266,899 for the period June 15, 1998 to September 30, 2001.

### **AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY**

We have performed an audit of the award issued by the NSF to MBCC for the period June 15, 1998 to September 30, 2001. A summary of the audit results for this award are in Schedule A – *Schedule of Award Costs*, and Schedule C – *Summary Schedule of Award Audited and Audit Results*.

The objectives of our audit were to determine whether:

1. Costs charged to the NSF award by the MBCC are allowable, allocable, and reasonable in accordance with the applicable Federal cost principles and award terms and conditions; and
2. MBCC's systems of internal controls are adequate to properly administer, account for, and monitor its NSF award in compliance with NSF and Federal requirements.

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States of America, and the *National Science Foundation Audit Guide* (September 1996), as applicable. These standards and the *National Science Foundation Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed to the National Science Foundation as presented in the *Schedule of Award Costs* (Schedule A), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Schedule A. An audit also includes assessing the accounting principles used and significant estimates made by MBCC, as well as evaluating the overall financial schedule's presentation. We believe our audit provides a reasonable basis for our opinion.

## **SUMMARY OF AUDIT RESULTS**

An audit was performed on the financial reports submitted by MBCC to NSF on the NSF award audited. These costs and the results of our audit are shown in Schedule A and are summarized as follows:

| <b><u>NSF Award Number</u></b> | <b><u>Award Budget</u></b> | <b><u>Claimed Costs</u></b> | <b><u>Questioned Costs</u></b> |
|--------------------------------|----------------------------|-----------------------------|--------------------------------|
| DBI-9731991                    | \$271,099                  | \$266,899                   | \$ 116,393                     |

With the exception of costs claimed totaling \$116,393, costs charged by MBCC to the NSF award were generally reasonable, allowable, and allocable in accordance with the applicable Federal costs principles and NSF award terms and conditions. The findings identified in our audit related to every category of claimed costs, which include salaries and wages, participant support costs, materials and supplies, and the indirect costs. We found two material internal control weaknesses and one compliance deficiency that could have an impact on MBCC's ability to administer, account for, and monitor claimed costs in compliance with NSF and Federal requirements.

The first material internal control weakness we found was that MBCC did not always record award expenditures in its accounting system and maintain supporting documentation for the costs charged to the NSF award. Specifically, we found that MBCC requested cash advances and claimed costs of \$266,899, but only recorded in its general ledger and provided support for \$187,501. Therefore, we questioned the remaining costs of \$79,398, which represents 29 percent of the total claimed costs. This

condition occurred because MBCC did not follow its written internal control policies and procedures, which required that all Federal grants be properly and accurately accounted for and all expenditures be adequately documented. We believe that one of the reasons that MBCC did not follow its written policies and procedures was due to a turnover of senior college administrators and personnel responsible for grant management during the award period. This resulted in a lack of proper oversight to ensure that all grant expenditures were properly accounted for and documented. Because MBCC did not always record award expenditures and maintain source documentation, NSF has no assurance that the claimed costs were actually incurred and were related to the NSF award.

The second material internal control weakness we identified was that MBCC did not adequately support its claimed salaries and wages with after-the-fact labor activity reports. During the academic year, MBCC used a labor activity reporting system. However, the awardee did not use this system during the summer months when the Principal Investigator (PI) and summer-employed faculty counselors worked on the NSF award. MBCC only provided documents that supported the dollar amounts paid to the employees, but these documents did not verify the level of effort the employees expended on the NSF award. MBCC did not follow its written internal control policies and procedures that required all expenditures to be adequately documented. Because MBCC did not maintain activity reports to support salaries and wages paid to the PI and faculty counselors, NSF has no assurance that the claimed costs were reasonable, allocable, and allowable. As a result, we questioned \$33,634 of MBCC's claimed salaries and wages, which represents 12 percent of the total claimed costs.

The remaining \$3,361 of the \$116,393 we questioned relates to claimed materials and supplies. We questioned these costs because MBCC spent award funds budgeted for laboratory materials for an annual contract to service laboratory equipment that benefited the NSF award and the awardee's other research projects. We believe that these types of costs should have been included in MBCC's indirect cost pool because these costs benefited all projects and students that used the laboratory equipment. This condition occurred because MBCC did not have written internal control policies and procedures requiring the allocation of indirect-type costs to an indirect cost pool. As a result, MBCC did not use the funds budgeted for laboratory materials in the manner anticipated by NSF when the award was made. Instead, the awardee used funds budgeted for direct activities to support its indirect activities. We identified this finding as a compliance deficiency.

We believe that if MBCC fails to address these material internal control weaknesses and compliance deficiency, similar problems may occur on other existing and future NSF awards. MBCC has one active NSF award related to the ROMP project totaling approximately \$130,000.

To address the internal control weaknesses, we recommend that NSF's Division Directors of the Division of Acquisition and Cost Support (DACS) and the Division of Grants and Agreements (DGA) require for current and future awards that MBCC adhere to its written internal control policies and procedures related to Federal grant management to

ensure that all costs claimed to the NSF award are properly and accurately accounted for in its accounting system and are supported with adequate documentation. To address the compliance deficiency, we recommend that DACS and DGA require MBCC for current and future awards to develop written internal control policies and procedures to ensure the costs that benefit common or joint objectives and that cannot be readily and specifically identified solely with the NSF award be considered in MBCC's indirect cost pool and not be charged directly to the NSF award.

**EXIT CONFERENCE**

An exit conference was held on December 14, 2001 at MBCC's office located in Wellesley Hills, Massachusetts. Preliminary findings and recommendations as well as other observations were discussed with those attending.

Representing MBCC were:

| <u>Name</u> | <u>Title</u> |
|-------------|--------------|
| [REDACTED]  | [REDACTED]   |

Representing Leon Snead & Company, P.C. was:

| <u>Name</u> | <u>Title</u> |
|-------------|--------------|
| [REDACTED]  | [REDACTED]   |

**AUDIT FINDINGS AND RECOMMENDATIONS**



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### INDEPENDENT AUDITORS' REPORT ON FINANCIAL SCHEDULES

We have audited the costs claimed by the Massachusetts Bay Community College (MBCC) to the National Science Foundation (NSF) on the Federal Cash Transactions Reports (FCTR) - Federal Share of Net Disbursements for the NSF award listed below. The FCTRs, as presented in the *Schedule of Award Costs* (Schedule A), are the responsibility of the MBCC's management. Our responsibility is to express an opinion on Schedule A based on our audit.

| <u>Award Number</u> | <u>Award Period</u> | <u>Audit Period</u> |
|---------------------|---------------------|---------------------|
| DBI-9731991         | 06/15/98 – 05/31/03 | 06/15/98 – 09/30/01 |

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States of America, and the *National Science Foundation Audit Guide* (September 1996), as applicable. Those standards and the *National Science Foundation Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed to NSF as presented in the *Schedule of Award Costs* (Schedule A) are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the *Schedule of Award Costs* (Schedule A). An audit also includes assessing the accounting principles used and significant estimates made by MBCC's management, as well as evaluating the overall financial schedule's presentation. We believe our audit provides a reasonable basis for our opinion.

The *Schedule of Questioned Costs* (Schedule B) contains costs of \$116,393 that are questioned as to their allowability under the award agreement. Questioned costs are (1) costs for which there is documentation that the recorded costs were expended in violation of the law, regulations or specific conditions of the award, (2) costs that require additional support by the awardee, or (3) costs that require interpretation of allowability by the National Science Foundation - Division of Acquisition and Cost Support (DACs).

NSF will make the final determination regarding whether such costs are allowable. The ultimate outcome of this determination cannot presently be determined. Accordingly, no adjustment has been made to costs claimed for any potential disallowance by NSF.

In our opinion, the *Schedule of Award Costs* (Schedule A) referred to above presents fairly, in all material respects, the costs claimed on the Federal Cash Transactions Reports – Federal Share of Net Disbursements for the period June 15, 1998 to September 30, 2001, in conformity with the *National Science Foundation Audit Guide* (September 1996), *NSF Grant Policy Manual*, terms and conditions of the NSF award requirements, and on the basis of accounting described in the *Notes to the Financial Schedules*. This schedule is not intended to be a complete presentation of financial position in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* and the *National Science Foundation Audit Guide*, we have also issued a report dated December 14, 2001, on our tests of MBCC's compliance with certain provisions of laws and regulations, and the NSF award agreement, and our consideration of MBCC's internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of MBCC's management, NSF, the cognizant Federal Agency for audit, the Office of Management and Budget, and the Congress of the United States of America, and is not intended to be and should not be used by anyone other than these specified parties.

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December 14, 2001



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH LAWS AND REGULATIONS AND INTERNAL CONTROL  
OVER FINANCIAL REPORTING**

We have audited the costs claimed as presented in the *Schedule of Award Costs* (Schedule A), which summarizes the financial reports submitted by Massachusetts Bay Community College (MBCC) to the National Science Foundation (NSF) for the award listed below, and have issued our report thereon dated December 14, 2001.

| <u>Award Number</u> | <u>Award Period</u> | <u>Audit Period</u> |
|---------------------|---------------------|---------------------|
| DBI-9731991         | 06/15/98 – 05/31/03 | 06/15/98 – 09/30/01 |

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States of America, and the *National Science Foundation Audit Guide* (September 1996), as applicable. These standards and the *National Science Foundation Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedule is free of material misstatement.

**COMPLIANCE WITH LAWS AND REGULATIONS**

Compliance with applicable Federal laws, regulations, and the NSF award terms and conditions is the responsibility of MBCC's management. As part of obtaining reasonable assurance about whether the financial schedule is free of material misstatement, we performed tests of MBCC's compliance with certain provisions of laws, regulations, and the NSF award terms and conditions, noncompliance with which could have a direct and material effect on the financial schedule. However, providing an opinion on overall compliance with such provisions was not an objective of our audit of the financial schedule, and accordingly, we do not express such an opinion.

The results of our tests of compliance disclosed three instances of noncompliance that are required to be reported herein under *Government Auditing Standards* and the *National Science Foundation Audit Guide*. One of these instances is discussed below. The remaining two instances are also internal control weaknesses that are discussed in Finding Numbers 2 and 3 in the Internal Control Over Financial Reporting section of this report. We considered these instances of noncompliance in forming our opinion of whether the *Schedule of Award Costs* (Schedule A) presented fairly in all material respects, the costs claimed by MBCC on the Federal Cash Transactions Reports – Federal Share of Net Disbursements for the period June 15, 1998 through September 30, 2001 in conformity with the NSF award terms and conditions, and determined that this report does not affect our report dated December 14, 2001 on the financial schedule.

### **Finding No. 1 — Budgeted Direct Costs Used For Indirect Activities**

MBCC spent award funds budgeted for laboratory materials (such as plasmids, sequencing vectors, cell culture media, enzymes, antibodies, etc.) to support its indirect activities that benefited the NSF award and the awardee's other research projects. Specifically, we found that MBCC claimed \$3,361 for an annual contract to service laboratory equipment. MBCC budgeted laboratory materials for use by ten ROMP students, but we found that the annual contract to service laboratory equipment benefited approximately 250 biology students who used the laboratory each year. We believe that this type of maintenance cost should have been included in MBCC's indirect cost pool because this cost benefited all students that used the laboratory equipment. OMB Circular A-21, Subpart B. 4. defines indirect costs as costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. This condition occurred because MBCC did not have written internal control policies and procedures requiring the allocation of indirect-type costs to an indirect cost pool. As a result, MBCC did not use the funds budgeted for laboratory materials in the manner anticipated by NSF when the award was made. Instead, the awardee used funds budgeted for direct activities to support its indirect activities. Therefore, we questioned \$3,361 of costs claimed by MBCC for materials and supplies. (See Schedule B, Note B-3b.)

### **Recommendation No. 1**

We recommend that NSF's Division Directors of the Division of Acquisition and Cost Support (DACs) and the Division of Grants and Agreements (DGA) require MBCC, for current and future awards to develop written internal control policies and procedures to ensure that costs that benefit common or joint objectives and that cannot be readily and specifically identified solely with NSF award be considered in MBCC's indirect cost pool and not be charged directly to the NSF award.

### **MBCC Comments**

MBCC officials disagreed with the finding and recommendation. They provided a copy of an invoice for a preventive maintenance agreement showing the principal

investigator's initial and the annotation "NSF". The officials stated that the principal investigator directed MBCC "...to pay [the] invoice with NSF funds since its use was for grant related activities only."

### **Auditors' Response**

*We found MBCC's comments to be non-responsive to the finding and recommendation. As noted in our finding, we found that the annual contract to service laboratory equipment benefited approximately 250 biology students who used the laboratory each year and the equipment was not restricted for the use of NSF grant activities only. The invoice demonstrated only the dollar amount of the agreement to service laboratory equipment, which was charged to the NSF award. However, the invoice provided no support for the assertion that the equipment was used only for NSF award related activities. We continue to believe that the cost of the preventive maintenance agreement should have been included in the indirect cost pool. Therefore, the finding and recommendation remain as stated.*

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

The management of MBCC is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial schedules in accordance with accounting principles prescribed by the NSF. Because of inherent limitations in any internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the *Schedule of Award Costs* (Schedule A) for the period June 15, 1998 to September 30, 2001, we obtained an understanding of MBCC's internal control over financial reporting. With respect to the internal control over financial reporting, we obtained an understanding of the design of relevant policies and procedures and whether the procedures have been placed in operation. Furthermore, we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedule and not to provide an opinion on the internal control. Accordingly, we do not express such an opinion.

Our consideration of internal control over financial reporting would not necessarily disclose all matters related to internal control over financial reporting that might be reportable conditions under standards established by the American Institute of Certified Public Accountants, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design

or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity’s ability to record, process, summarize and report financial data in a manner that is consistent with the assertions of management in the financial schedule. A material weakness is a reportable condition in which the design or operation of one or more of internal control elements does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial schedule being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

We noted two matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses as defined above. We consider the conditions that MBCC’s award expenditures were not always recorded and supported, and salaries and wages were not supported with activity reports to be material internal control weaknesses.

**Finding No. 2 — Award Expenditures Not Always Recorded and Supported**

MBCC did not always record award expenditures in its accounting system and maintain supporting documentation for the costs charged to the NSF award. During the period September 1998 through May 2001, MBCC obtained \$266,899 using the NSF’s FastLane cash request system, and claimed costs in the same amount in its FCTR for the quarter ending September 30, 2001. However, we found that MBCC only recorded in its accounting system and provided supporting documentation for \$187,501 of the claimed costs, and could not support or show relevance to the award for the remaining \$79,398. Of the \$79,398, we found that MBCC prepared a journal entry to transfer \$14,250 from the NSF award to one of the college’s general funds, but never adjusted its claim on NSF award during the audit period. For the remaining \$65,148 of claimed costs, MBCC did not record the costs in its accounting system and could not provide documentation to show that the costs were expended for the award. MBCC budgeted, drew down, recorded, and claimed award funds for each year as follows:

| <u>Year</u> | <u>MBCC Budget</u> | <u>Draw Downs/ Cost Claimed</u> | <u>Claimed Costs</u>                 |  |                                   |
|-------------|--------------------|---------------------------------|--------------------------------------|--|-----------------------------------|
|             |                    |                                 | <u>Recorded and Provided Support</u> | <u>Recorded Journal Entry Transfer</u> | <u>Unrecorded and Unsupported</u> |
| 1998        | \$ 68,933          | \$ 39,371                       | \$ 45,113                            | \$ 14,250                              | \$ 9,570                          |
| 1999        | 68,933             | 73,150                          | 56,581                               |  | 12,352                            |
| 2000        | 68,933             | 25,345                          | 65,820                               |  | 3,113                             |
| 2001        | <u>60,100</u>      | <u>129,033</u>                  | <u>19,987</u>                        |  | <u>40,113</u>                     |
| Total       | <u>\$266,899</u>   | <u>\$266,899</u>                | <u>\$187,501</u>                     | <u>\$ 14,250</u>                       | <u>\$65,148</u>                   |

OMB Circular A-110, Subpart C, Section 21 (b) (2) states that awardees' financial management systems shall provide accounting records that identify adequately the source and application of funds for Federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest. In addition, OMB Circular A-110, Subpart C, Section .21 (b) (7) states that awardees' financial management systems shall provide for accounting records that are supported by source documentation. MBCC did not follow its written internal control policies and procedures, which required that all Federal grants be properly and accurately accounted for and all expenditures be adequately documented. We believe that one of the reasons that MBCC did not follow its written policies and procedures was due to a turnover of senior college administrators and personnel responsible for grant management during the award period. This resulted in a lack of proper oversight to ensure that all grant expenditures are properly accounted for and documented. Because MBCC did not always record award expenditures and maintain source documentation, NSF has no assurance that the claimed costs were actually incurred and were related to the NSF award. Therefore, we questioned \$79,398 of the costs claimed for salaries and wages, participant support costs, materials and supplies, and indirect costs. (See Schedule B, Notes B-1 through B-4).

## **Recommendation No. 2**

We recommend that NSF's Division Directors of DACS and DGA require that MBCC, for future and current awards, adhere to its written internal control policies and procedures related to grant management to ensure that all costs claimed to the NSF award are properly and accurately accounted for in its accounting system and supported with adequate documentation.

## **MBCC Comments**

MBCC officials requested additional details regarding the unsupported and unrecorded findings so that they can either agree with the findings or provide sufficient documentation to support the expenditures. The officials stated that MBCC's books and records are audited annually and the systems are tested annually to ensure adequacy of internal controls. The officials further stated that those audits showed no findings regarding unrecorded transactions, especially payroll transactions.

## **Auditors' Response**

*We found MBCC's comments to be non-responsive to the finding and recommendation. MBCC's response requested "...additional details regarding the unsupported and unrecorded findings..." However, in the absence of claimed costs being recorded in the accounting system and the existence of supporting documentation for claimed costs, which is the basis for this finding, we have no additional details available to provide to MBCC. The officials provided no additional reports or other documentation to support*

*their assertions that the books and records contain all of the costs charged to the NSF award. Therefore, the finding and recommendation remain as stated.*

### **Finding No. 3 — Salaries and Wages Not Supported With Activity Reports**

MBCC claimed salaries and wages of \$33,634 for the principal investigator (PI) and faculty counselors that were not supported by after-the-fact activity reports. OMB Circular A-21, Section J. 8. b. and c. in part requires that (1) the distribution of salaries and wages will be based on payrolls documented in accordance with the generally accepted practices of the awardee, (2) the payroll distribution system will reasonably reflect the activity for which the employee is compensated, and (3) the method used by the awardee must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs. During the academic year, MBCC used a labor activity reporting system. However, MBCC did not use this system during the summer months when the PI and summer-employed faculty counselors worked on the NSF award. To support the claimed salaries and wages of the PI and faculty counselors, MBCC provided journal entries, cancelled checks' copies, purchase orders, and personnel action request forms. These documents only supported the dollar amounts paid to the employees rather than the employees' after-the-fact effort expended on the award. MBCC did not follow its written internal control policies and procedures, which required that all expenditures be adequately documented. Because MBCC did not maintain activity reports in accordance with OMB Circular A-21, Section J. 8 requirements to support salaries and wages paid to the PI and faculty counselors, NSF has no assurance that the claimed costs were reasonable, allocable, and allowable. Therefore, we questioned \$33,634 of the claimed PI and faculty counselors' salaries and wages. (See Schedule B, Note B-1b.)

### **Recommendation No. 3**

We recommend that NSF's Division Directors of DACS and DGA require that MBCC, for current and future awards, support salaries and wages charged to the NSF award with activity reports in accordance with OMB Circular A-21, Section J. 8 requirements.

### **MBCC Comments**

MBCC officials disagreed with the finding and recommendation. They asserted that all necessary reporting was provided to NSF as required under the "terms of the audit." They also stated that they are currently trying to obtain reports filed with NSF during the period under audit because copies may not exist on campus due to the departure of the principal investigator.

### **Auditors' Response**

*We found management's comments to be non-responsive. As noted in our finding, MBCC did not use its labor activity reporting system to track the PI's and faculty counselors' effort during the summer months when they worked on the NSF award. MBCC officials*

*did not provide any additional supporting documents to demonstrate that the claimed salaries and wages were reasonable, allocable, and allowable to the NSF award. Therefore, the finding and recommendation remain as stated.*

We considered these internal control weaknesses in forming our opinion of whether the *Schedule of Award Costs* (Schedule A) presents fairly, in all material respects, the costs claimed by MBCC on the Federal Cash Transactions Reports - Federal Share of Net Disbursements for the period June 15, 1998 to September 30, 2001, in conformity with the NSF award terms and conditions, and determined that this report does not affect our report dated December 14, 2001 on the financial schedules.

This report is intended solely for the information and use of the MBCC's management, NSF, the cognizant Federal agency for audit, the Office of Management and Budget, and the Congress of the United States, and is not intended to be and should not be used by anyone other than these specified parties.

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December 14, 2001

**FINANCIAL SCHEDULES AND SUPPLEMENTAL INFORMATION**

Schedule A

Massachusetts Bay Community College  
National Science Foundation Award Number DBI-9731991  
Schedule of Award Costs  
From June 15, 1998 to September 30, 2001  
Interim

| <u>Cost Category</u>              | <u>Approved Budget</u> | (A)<br><u>Claimed Costs</u> | <u>Reclassifications</u> | <u>Claimed Costs After Reclassifications</u> | <b>Questioned Costs</b> |                           |
|-----------------------------------|------------------------|-----------------------------|--------------------------|--|-------------------------|---------------------------|
|                                   |                        |                             |                          |  | <u>Amount</u>           | <u>Schedule Reference</u> |
| <b>Direct Costs:</b>              |                        |                             |                          |  |                         |                           |
| <i>Salaries and Wages:</i>        |                        |                             |                          |  |                         |                           |
| Principal Investigator            | ████████               | ████████                    | ████████                 | ████████                                     | \$23,389                | B-1                       |
| Faculty Counselors                | ████████               | ████████                    | ████████                 | ████████                                     | <u>42,750</u>           | B-1                       |
| Subtotal                          | ████████               | ████████                    | ████████                 | ████████                                     | <u>\$66,139</u>         |                           |
| <i>Participant Support Costs:</i> |                        |                             |                          |  |                         |                           |
| Student Stipends                  | ████████               | ████████                    | ████████                 | ████████                                     | \$20,813                | B-2                       |
| Student Wages                     | ████████               | ████████                    | ████████                 | ████████                                     | <u>17,400</u>           | B-2                       |
| Subtotal                          | ████████               | ████████                    | ████████                 | ████████                                     | <u>\$38,213</u>         |                           |
| <i>Materials and Supplies:</i>    |                        |                             |                          |  |                         |                           |
| Laboratory Materials              | ████████               | ████████                    | ████████                 | ████████                                     | \$10,231                | B-3                       |
| <i>Travel</i>                     | ████████               | ████████                    | ████████                 | ████████                                     | <u>0</u>                |                           |
| <b>Total Direct Costs</b>         | \$261,899              | \$257,699                   | \$ 0                     | \$257,699                                    | \$114,583               |                           |
| <b>Indirect Costs</b>             | <u>9,200</u>           | <u>9,200</u>                | <u>0</u>                 | <u>9,200</u>                                 | <u>1,810</u>            | B-4                       |
| <b>Total Costs</b>                | <u>\$271,099</u>       | <u>\$266,899</u>            | <u>\$ 0</u>              | <u>\$266,899</u>                             | <u>\$116,393</u>        |                           |

(A) The total representing costs claimed agreed with the expenditures reported on the Federal Cash Transactions Report - Federal Share of Net Disbursements as of the quarter ended September 30, 2001. Costs claimed reported above exceeded the costs recorded in MBCC's books of accounts by \$65,148. (See Finding and Recommendation No. 2 in the *Independent Auditor's Report on Compliance with Laws and regulations and Internal Control Over Financial Reporting.*) See Schedule B and the accompanying notes to this financial schedule.

**Massachusetts Bay Community College  
National Science Foundation Award Number DBI-9731991  
Schedule of Questioned Costs  
From June 15, 1998 to September 30, 2001**

**1. Salaries and Wages — \$66,139**

We questioned claimed salaries and wages totaling \$66,139 paid to the principal investigator (PI) and faculty counselors because MBCC had (a) not recorded or provided source documentation for \$32,505 and (b) inadequate documentation to support \$33,634, detailed as follows:

- (a) Unrecorded and No Source Documentation. MBCC did not record \$32,505 of salaries and wages for the PI and faculty counselors in its accounting system and could not provide documentation to show that the costs were expended for the NSF award. OMB Circular A-110, Subpart C, Section 21 (b) (2) states that awardees' financial management systems shall provide accounting records that identify adequately the source and application of funds for Federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest. In addition, OMB Circular A-110, Subpart C, Section .21 (b) (7) states that awardees' financial management systems shall provide for accounting records that are supported by source documentation. MBCC did not follow its written internal control policies and procedures, which required that all Federal grants be properly and accurately accounted for and all expenditures be adequately documented. We believe that one of the reasons that the written policies and procedures were not followed was due to a turnover of senior college administrators and personnel responsible for grant management during the award period. Because MBCC did not always record award expenditures and maintain source documentation, NSF has no assurance that the claimed costs were actually incurred and were related to the NSF award. Therefore, we questioned \$32,505 of the costs claimed by MBCC for PI's and faculty counselors' salaries and wages. (See Finding and Recommendation No. 2 in the *Independent Auditors' Report on Compliance With Laws and Regulations and Internal Control Over Financial Reporting.*)
- (b) Inadequate Supporting Documentation. MBCC claimed salaries and wages of \$33,634 for the PI and faculty counselors that were not supported by after-the-fact activity reports. OMB Circular A-21, Section J. 8. b. and c. in part requires that (1) the distribution of salaries and wages will be based on payrolls documented in accordance with the generally accepted practices of the awardee, (2) the payroll distribution system will reasonably reflect the activity for which

the employee is compensated, and (3) the method used by the awardee must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs. During the academic year, MBCC used a labor activity reporting system. However, MBCC did not use this system during the summer months when the PI and summer-employed faculty counselors worked on the NSF award. To support the claimed salaries and wages of the PI and faculty counselors, MBCC provided journal entries, cancelled checks' copies, purchase orders, and personnel actions request forms. These documents only supported the dollar amounts paid to the employees rather than the employees' after-the-fact effort expended on the NSF award. MBCC did not follow its written internal control policies and procedures, which required that all expenditures be adequately documented. Because MBCC did not maintain activity reports in accordance with OMB Circular A-21, Section J. 8 requirements to support salaries and wages paid to the PI and faculty counselors, NSF has no assurance that the claimed costs were reasonable, allocable, and allowable. Therefore, we questioned \$33,634 of the costs claimed by MBCC for PI's and faculty counselors' salaries and wages. (See Finding and Recommendation No. 3 in the *Independent Auditors' Report on Compliance With Laws and Regulations and Internal Control Over Financial Reporting*.)

## **2. Participant Support Costs — \$38,213**

We questioned \$20,813 and \$17,400 for costs claimed for student stipends and student wages, respectively, because MBCC did not record these costs in its accounting system and could not provide documentation to show that the costs were expended for the NSF award. OMB Circular A-110, Subpart C, Section 21 (b) (2) states that awardees' financial management systems shall provide accounting records that identify adequately the source and application of funds for Federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest. In addition, OMB Circular A-110, Subpart C, Section .21 (b) (7) states that awardees' financial management systems shall provide for accounting records that are supported by source documentation. MBCC did not follow its written internal control policies and procedures, which required that all Federal grants be properly and accurately accounted for and all expenditures be adequately documented. We believe that one of the reasons that the written policies and procedures were not followed was due to a turnover of senior college administrators and personnel responsible for grant management during the award period. Because MBCC did not always record award expenditures and maintain source documentation, NSF has no assurance that the claimed costs were actually incurred and were related to the NSF award. Therefore, we questioned \$38,213 of the costs claimed by MBCC for participant support costs. (See Finding and Recommendation No. 2 in the *Independent Auditors' Report on Compliance With Laws and Regulations and Internal Control Over Financial Reporting*.)

### 3. Materials and Supplies — \$10,231

We questioned claimed materials and supplies totaling \$10,231 because MBCC (a) did not record or provide source documentation for \$6,870, and (b) used award funds of \$3,361 for an annual contract to service laboratory equipment that benefited all research projects, detailed as follows:

- (a) Unrecorded and No Source Documentation. MBCC did not record \$6,870 of laboratory materials in its accounting system and could not provide documentation to show that the costs were expended for the NSF award. OMB Circular A-110, Subpart C, Section 21 (b) (2) states that awardees' financial management systems shall provide accounting records that identify adequately the source and application of funds for Federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest. In addition, OMB Circular A-110, Subpart C, Section .21 (b) (7) states that awardees' financial management systems shall provide for accounting records that are supported by source documentation. MBCC did not follow its written internal control policies and procedures, which required that all Federal grants be properly and accurately accounted for and all expenditures be adequately documented. We believe that one of the reasons that the written policies and procedures were not followed was due to a turnover of senior college administrators and personnel responsible for grant management during the award period. Because MBCC did not always record award expenditures and maintain source documentation, NSF has no assurance that the claimed costs were actually incurred and were related to the NSF award. Therefore, we questioned \$6,870 of the costs claimed by MBCC for materials and supplies. (See Finding and Recommendation No. 2 in the *Independent Auditors' Report on Compliance With Laws and Regulations and Internal Control Over Financial Reporting.*)
- (b) Direct Costs Used For Indirect Activities. MBCC claimed laboratory materials totaling \$3,361 for an annual contract to service laboratory equipment, which benefited MBCC's NSF award and other research projects and all of its biology students who used the laboratory. Specifically, we found that MBCC claimed \$3,361 for an annual contract to service laboratory equipment. MBCC budgeted laboratory materials for use by ten ROMP students, but we found that the annual contract to service laboratory equipment benefited approximately 250 biology students who used the laboratory each year. We believe that this type of maintenance cost should have been included in MBCC's indirect cost pool because this cost benefited all students that used the laboratory equipment. OMB Circular A-21, Subpart B. 4. defines indirect costs as costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. This condition occurred because MBCC did not have written internal control policies and procedures requiring

the allocation of indirect-type costs to an indirect cost pool. As a result, MBCC did not use the funds budgeted for laboratory materials in the manner anticipated by NSF when the award was made. Instead, the awardee used funds budgeted for direct activities to support its indirect activities. Therefore, we questioned \$3,361 of costs claimed by MBCC for materials and supplies. (See Finding and Recommendation No. 1 in the *Independent Auditors' Report on Compliance With Laws and Regulations and Internal Control Over Financial Reporting*.)

**4. Indirect Costs — \$1,810**

We questioned \$1,810 of claimed indirect costs because MBCC charged indirect costs to the award on (a) questioned participant support costs and (b) participant support costs not eligible for determining allowable indirect costs. (In addition, MBCC did not record in its accounting system these claimed indirect costs that we questioned. See Finding and Recommendation No. 2 in the *Independent Auditors' Report on Compliance With Laws and Regulations and Internal Control Over Financial Reporting*.) The approved NSF award budget for indirect costs allowed MBCC to charge indirect costs at a rate of 10 percent only to participant support costs for the years 1998, 1999, and 2000, and a fixed dollar amount of \$500 for a May through June 2001 Montserrat project. When an awardee charges unallowable indirect costs to an award, NSF funds are not utilized as intended when the award was made. We calculated the questioned indirect costs as follows:

|  |                  |     |
|--|------------------|-----|
| Participant Support Costs Claimed  | \$ 126,600       |     |
| Less: Participant Support Cost Questioned  | (38,213)         |     |
|  | <u>88,387</u>    |     |
|  | Subtotal \$      |     |
| Less: Participant Support Costs Claimed in<br>Year 2001 But Not Eligible for Indirect Costs                  | (19,487)         |     |
| Audit Determined Participant Support Costs Eligible<br>for Indirect Costs for the Years 1998, 1999, and 2000 | <u>\$ 68,900</u> |     |
| <br>   |                  |     |
| Claimed Indirect Costs   | \$ 9,200         | (A) |
| Audit Determined Indirect Costs<br>(10% of \$68,900) + \$500   | 7,390            | (B) |
| Questioned Indirect Costs (A) - (B)  | <u>\$ 1,810</u>  |     |

**Massachusetts Bay Community College  
Summary Schedules of Award Audited and Audit Results  
From June 15, 1998 to September 30, 2001**

**Summary of Award Audited**

| <b>Award Number</b> | <b>Award Period</b> | <b>Audit Period</b> |
|---------------------|---------------------|---------------------|
| DBI-9731991         | 06/15/98 – 05/31/03 | 06/15/98 – 09/30/01 |

| <b>Award Number</b> | <b>Type of Award</b> | <b>Award Description</b>   |
|---------------------|----------------------|--|
| DBI-9719191         | Grant                | The purpose of the award is to fund the <i>Research Opportunities for Minorities Program (ROMP)</i> , which is a research-training program for undergraduate and post-baccalaureates that belong to groups underrepresented in basic-science research. The program provides participants up to two years of intensive research training in molecular biology through the biotechnology programs at MBCC. |

**Summary of Questioned Costs by Award**

| <b>NSF Award Number</b> | <b>Award Budget</b> | <b>Claimed Costs</b> | <b>Questioned Costs</b> | <b>Unsupported Costs</b> |
|-------------------------|---------------------|----------------------|-------------------------|--------------------------|
| DBI-9719191             | \$271,099           | \$266,899            | \$116,393               | \$111,222                |

**Summary of Questioned Cost by Explanation**

| <b>Condition</b>  | <b>Questioned Cost Amount</b> | <b>Unsupported Cost Amount</b> | <b>Non-Compliance</b> | <b>Internal Control Weaknesses</b> |
|---|-------------------------------|--------------------------------|-----------------------|------------------------------------|
| (a) MBCC did not record \$32,505 of salaries and wages for the Principal Investigator (PI) and faculty counselors in its accounting system and did not provide documentation to show that the costs were expended for the NSF award. MBCC claimed salaries and wages of \$33,634 for the PI and faculty counselors that | \$66,139                      | \$66,139                       | Yes                   | Yes                                |

| Condition  | Questioned Cost Amount | Unsupported Cost Amount | Non-Compliance | Internal Control Weaknesses |
|--|------------------------|-------------------------|----------------|-----------------------------|
| were not supported by after-the-fact activity reports.   |                        |                         |                |                             |
| (b) MBCC claimed \$20,813 and \$17,400 for student stipends and student wages, respectively, but did not record these costs in its accounting system and did not provide documentation to show that the costs were expended for the NSF award.   | \$38,213               | \$38,213                | Yes            | Yes                         |
| (c) MBCC did not record \$6,870 of laboratory materials in its accounting system and did not provide documentation to show that the costs were expended for the NSF award.   | \$6,870                | \$ 6,870                | Yes            | Yes                         |
| (d) MBCC claimed laboratory materials totaling \$3,361 for an annual contract to service laboratory equipment, which benefited all of MBCC's research projects.  | \$3,361                | \$ 0                    | Yes            | No                          |
| (e) We questioned \$1,810 of claimed indirect costs because MBCC charged indirect costs to the award on (1) questioned participant support costs and (2) participant support costs not eligible for determining allowable indirect costs. In addition, MBCC did not record in its accounting system the claimed indirect costs that we questioned. | \$1,810                | \$ 0                    | No             | No                          |
| <b>Total Questioned/Unsupported</b>  | <b>\$116,393</b>       | <b>\$111,222</b>        |                |                             |

**Summary of Non-Compliance Issues and Internal Control Weaknesses**

| <b>Condition</b>  | <b>Non-compliance</b> | <b>Internal Control</b> | <b>Is Internal Control Weakness Material or Reportable?</b> |
|---|-----------------------|-------------------------|---|
| (a) MBCC spent award funds budgeted for laboratory materials for an annual contract to service laboratory equipment that benefited the awardee's other research projects. | Yes                   | No                      | N/A   |
| (b) MBCC did not always record award expenditures and maintain supporting documentation for the costs charged to the NSF award.   | Yes                   | Yes                     | Material  |
| (c) MBCC claimed salaries and wages for the principal investigator and faculty counselors that were not supported by after-the-fact activity reports.                     | Yes                   | Yes                     | Material  |

**Massachusetts Bay Community College**  
**Notes to the Financial Schedules**  
**From June 15, 1998 to September 30, 2001**

**Note 1: Summary of Significant Accounting Policies**

Accounting Basis

The accompanying financial schedule has been prepared in conformity with National Science Foundation (NSF) instructions. The *Schedule of Award Costs* (Schedule A) has been prepared from the reports submitted to the NSF and information obtained from the accounting records maintained for the award by MBCC. The basis of accounting used in preparation of these reports differs from generally accepted accounting principles. The following information summarizes these differences:

A. Equity

Under terms of the award, all funds not expended according to the award agreement and budget at the end of the award period are to be returned to NSF. Therefore, the awardee does not maintain any equity in the award and any excess cash received from NSF over final expenditures is to be repaid to NSF.

B. Equipment

Equipment is charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the *Schedule of Award Costs* (Schedule A) include the cost of equipment purchased during the period rather than a provision for depreciation.

Except for awards with nonstandard terms and conditions, title to equipment under NSF awards vests in the recipient, for use in the project or program for which it was acquired, as long as it is needed. The recipient may not encumber the property without approval of the federal awarding agency, but may use the equipment for its other federally sponsored activities, when it is no longer needed for the original project.

C. Inventory

Minor materials and supplies are charged to expense during the period of purchase. As a result, no inventory is recognized for these items in the financial schedule.

The departure from generally accepted accounting principles allows NSF to properly monitor and track actual expenditures incurred by the awardee. The departure does not constitute a material weakness in internal controls.

**Note 2: Income Taxes**

MBCC is an agency of the Commonwealth of Massachusetts and is exempt from Federal taxes under the Internal Revenue Code. Grant funds expended for salaries and stipends are subject to withholding for Federal and state taxes.

**APPENDIX A – MASSACHUSETTS BAY COMMUNITY COLLEGE'S  
COMMENTS TO THE REPORT**

[REDACTED]



January 15, 2004

[REDACTED]  
Leon Snead & Company, P.C. 416  
Hungerford Drive Suite 400 Rockville,  
Maryland 20850

Re: NSF Award DBI-9731991  
[REDACTED]

The College is in receipt of your letter dated December 10, 2004. After considerable consultation with [REDACTED] and myself, we respectfully request additional details regarding the unsupported and unrecorded findings, so that we can either agree with your findings or provide you with sufficient documentation to support the expenditures. As was noted in prior correspondence with your office, the exit conference was not conducted to the satisfaction of the College. No detailed reports were provided to suggest that there were remaining outstanding items. To this end we would like to be able to bring the outstanding items to closure and the only way this can be accomplished is for the College to ensure that all existing documentation is provided to you.

Reference is made in your letter to NSF "activity reports" not made available during the audit. All necessary reporting were made to NSF as required under the terms of the audit. The College is currently in contact with NSF to obtain copies of these reports submitted manually in the earlier years and on Fast Lane in the most recent years under audit. We will provide you with these reports obtained through assistance from NSF it is unfortunate that we may not have copies of these reports on campus due to the departure of Dr. [REDACTED]. We were unsuccessful in seeking his cooperation to bring in his files during your audit.

Additionally, the College does not agree that any of the costs claimed on this grant were unrecorded in the accounting system. The College's books and records are audited on an annual basis by an independent certified public accountant. Our systems are tested on an annual basis to insure the adequacy

[www.massbay.edu](http://www.massbay.edu)

January 15, 2004

of our internal controls. No findings were noted regarding unrecorded transactions, especially payroll transactions.

Lastly, I have enclosed a copy of the invoice processed for payment in the amount of \$3,361 for an annual contract to service laboratory equipment. As I discussed with you the College was directed by the principal investigator, [REDACTED] to pay this invoice with NSF funds since its use was for grant related activities only. You will note his statement to pay with NSF funds on the face of the invoice. I have included an additional document to support that the signature on the invoice is [REDACTED], since it is not legible. I trust this may provide sufficient documentation regarding this expenditure.

Please contact me at your earliest convenience if you have any questions regarding our request for additional details. The College will make every effort to expedite the research to conclude this audit as soon as the additionally requested documentation is received from your office.

Sincerely,

[REDACTED]

[REDACTED]

Enclosures

cc: [REDACTED]



PREVENTIVE MAINTENANCE AGREEMENT RENEWAL - PART 6 LABOR

DATE PRINTED: 05/19/00  
AGREEMENT#: [REDACTED]

INVOICE TO: [REDACTED]  
Mass Bay Community College  
ATTN:  
50. Oakland Street  
Wellesley Hills MA 02181

EQUIPMENT LOCATION: [REDACTED]  
Mass Bay Community College  
50 Oakland Street  
Wellesley Hills MA 02181

DSM: [REDACTED]  
TECH: [REDACTED]

ORG- [REDACTED]  
CLOCK#: [REDACTED]

CONTRACT TERM: [REDACTED]

PARTS PO#: \*\*\*PO REQUIRED  
CUSTOMER PURCHASE ORDER#:

| DESCRIPTION/<br>INSPECTION SCHEDULE | SERIAL#    | CONTROL# | LOCATION/<br>CONTRACT TYPE | BILLING PRICE |
|-------------------------------------|------------|----------|----------------------------|---------------|
| 38" RENAISSANCE GRAV STE!           | [REDACTED] |          | BIO-TECH LAB               | \$3,360.86    |

QUARTERLY IN NOV,FEB,MAY&AUG

SITE/TECH SUB TOTAL: \$3,360.86

BILLING PRICE TOTAL: \$3,360.86

NO OF ITEMS TO BE INSPECTED: 1 BILLING VALUE: \$3,360.86

BILLING FREQUENCY: Every 12 Months ANNUAL CONTRACT VALUE: \$3,360.86

TOTAL CONTRACT VALUE: \$3,360.86

CUSTOMER ACCEPTANCE \_\_\_\_\_ / / \_\_\_\_\_ STERIS CORPORATION \_\_\_\_\_

WELLESLEY HILLS CAMPUS  
50 Oakland Street  
Wellesley Hills, MA 02481-5399

To: [REDACTED]  
From: [REDACTED]  
Date: [REDACTED]  
RE: [REDACTED]  
CC: [REDACTED]



**MEMORANDUM**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**HOW TO CONTACT  
THE OFFICE OF INSPECTOR GENERAL**

**Internet**

[www.oig.nsf.gov](http://www.oig.nsf.gov)

**Email Hotline**

[oig@nsf.gov](mailto:oig@nsf.gov)

**Telephone**

703-292-7100

**Toll-Free Anonymous Hotline**

1-800-428-2189

**Fax**

703-292-9158

**Mail**

Office of Inspector General  
National Science Foundation  
4201 Wilson Blvd., Suite 1135  
Arlington, VA 22230