

# AGENCY COUNSEL WEB CAST

## Department Head Signature Authorization and Electronic Signatures

*February 6, 2007*

*This document contains hyperlinks to Forms and citations which can be accessed by clicking on link, or right click and “open hyperlink”*

# Role of Office of the Comptroller

## Implementation of State Accounting System

- Pursuant to M.G.L. c. 7A, § 7, M.G.L. c. 7A, § 8, M.G.L. c. 7A, § 9 and M.G.L. c. 29, § 31 the Comptroller is required to implement a state accounting and payroll system and issue instructions for the accounting practices to be used by all unless specifically exempted by general or special law.

# MMARS Overview

- **Massachusetts Management Accounting and Reporting System (MMARS)**
  - State of the art, web based, finance system
  - Designed to support Commonwealth financial functions



# MMARS Business Functions

Accts Payable (Payments)	Accts Receivable (Revenue)	Budget
Fixed Assets	Procurement (Purchasing)	Payroll / LCM
Cost Accounting	Vendor/Customer	Chart of Accounts

# MMARS is The Official Record of Fiscal Activities

- What appears in the MMARS system will be considered the “*official record*” or “*record copy*” of fiscal activities
- *supersedes* paper or other formats of the same information.

# MMARS is The Official Record of Fiscal Activities

- Although MMARS is an effective management tool, departments can not rely solely on the MMARS system to manage fiscal responsibility and decisions.
- MMARS will not always prevent mistakes or incorrect entries.
- Some documents will pass all the system tests (edits) and be processed to final status even though the expenditure, underlying procedures, procurement process, or contract documentation is legally deficient.

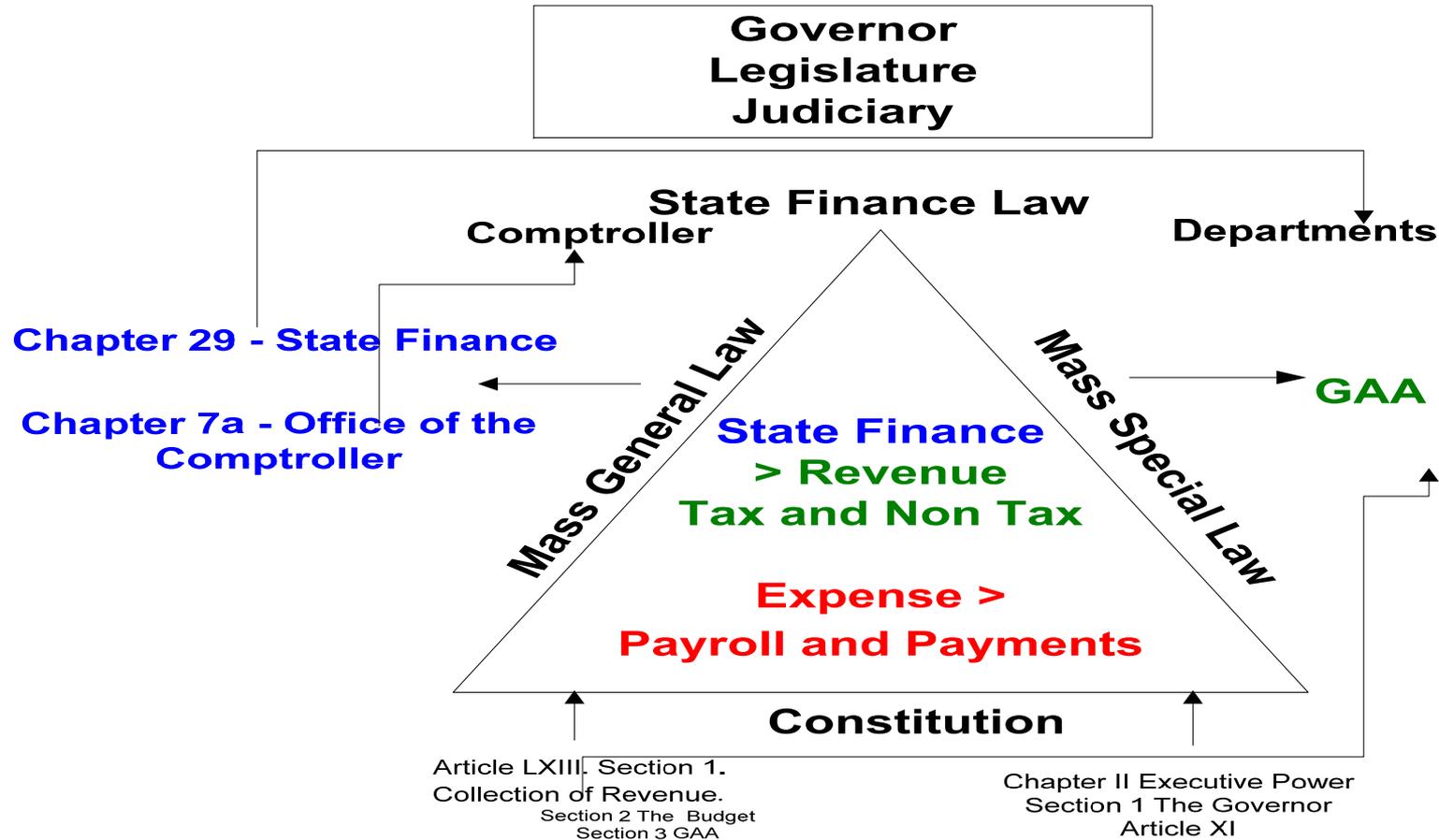
# MMARS is The Official Record of Fiscal Activities

- Departments must remember that MMARS is an *accounting system*, used to accurately record and report on fiscal activities.
- Therefore, since entries will be “*official record*” it is imperative that everything entered into MMARS is verified as accurate and complete.

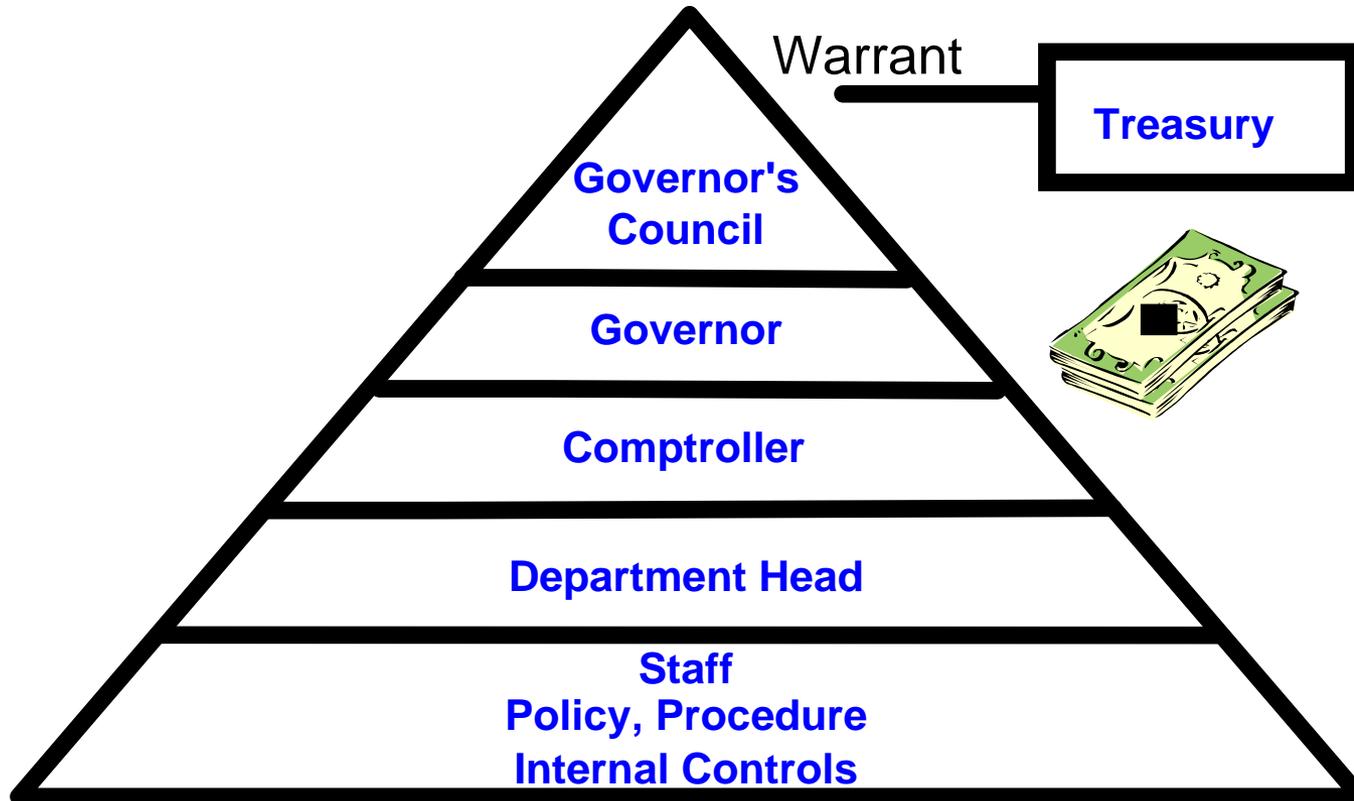
# MMARS is The Official Record of Fiscal Activities

- Compliance responsibility remains at all times with the department that processes documents to final status.
- All MMARS entries tied to UAID (Universal Access ID – User ID)
- MMARS tracks transaction approval
- MMARS connects fiscal transaction (through DOC ID) underlying paperwork and approval authority.

# Structure of State Finance Law



# A Series of Reliances



# Fiscal Activity Based Upon A Series Of Reliances

- The Governor's Council approves the warrant submitted by the Governor (M.G.L. c. 29, § 18)
- The certified warrant is submitted to the Governor upon the "certification" by the Comptroller through MMARS. (M.G.L. c. 29, § 18)

# Fiscal Activity Based Upon A Series Of Reliances

- The Comptroller certifies expenditures on a warrant relying upon the “certification” of the Department Head or designee evidenced by an electronic signature approval of a transaction in MMARS. (M.G.L. c. 7A, s. 3, M.G.L. c. 29, § 61; M.G.L. c. 29, § 20)

# Fiscal Activity Based Upon A Series Of Reliances

- The Comptroller can not personally review every MMARS transaction, and therefore *relies* on Department Head certification through MMARS
- Submission of MMARS transaction to “*final*” status interpreted to be Department Head approval that transaction and underlying documentation are legal, appropriate and properly submitted in accordance with applicable law, policies and procedures.

# Fiscal Activity Based Upon A Series Of Reliances

- In order to support the use of electronic signatures, each Department Head agrees that it will conduct all fiscal business in accordance with state finance law, including but not limited to M.G.L. c. 7A and M.G.L. c. 29, and laws, regulations, policies and procedures of the Office of the Comptroller.
- See [Department Head MMARS Security Certification Form](#)

# Fiscal Activity Based Upon A Series Of Reliances

- The Department Head certifies expenditures and other obligations in MMARS by *relying* on the *Chief Fiscal Officer* and other authorized Department Head signatories to manage the day-to day business of the Department and approve expenditures on behalf of the Department Head

# Fiscal Activity Based Upon A Series Of Reliances

- The Chief Fiscal Officer and other Department Head authorized signatories who approve purchases and expenditures, *rely* on *staff* to make purchases and confirm receipt, delivery and acceptance of commodities and services (including payroll) in accordance with prescribed laws, regulations, policies and procedures.

# Fiscal Activity Based Upon A Series Of Reliances

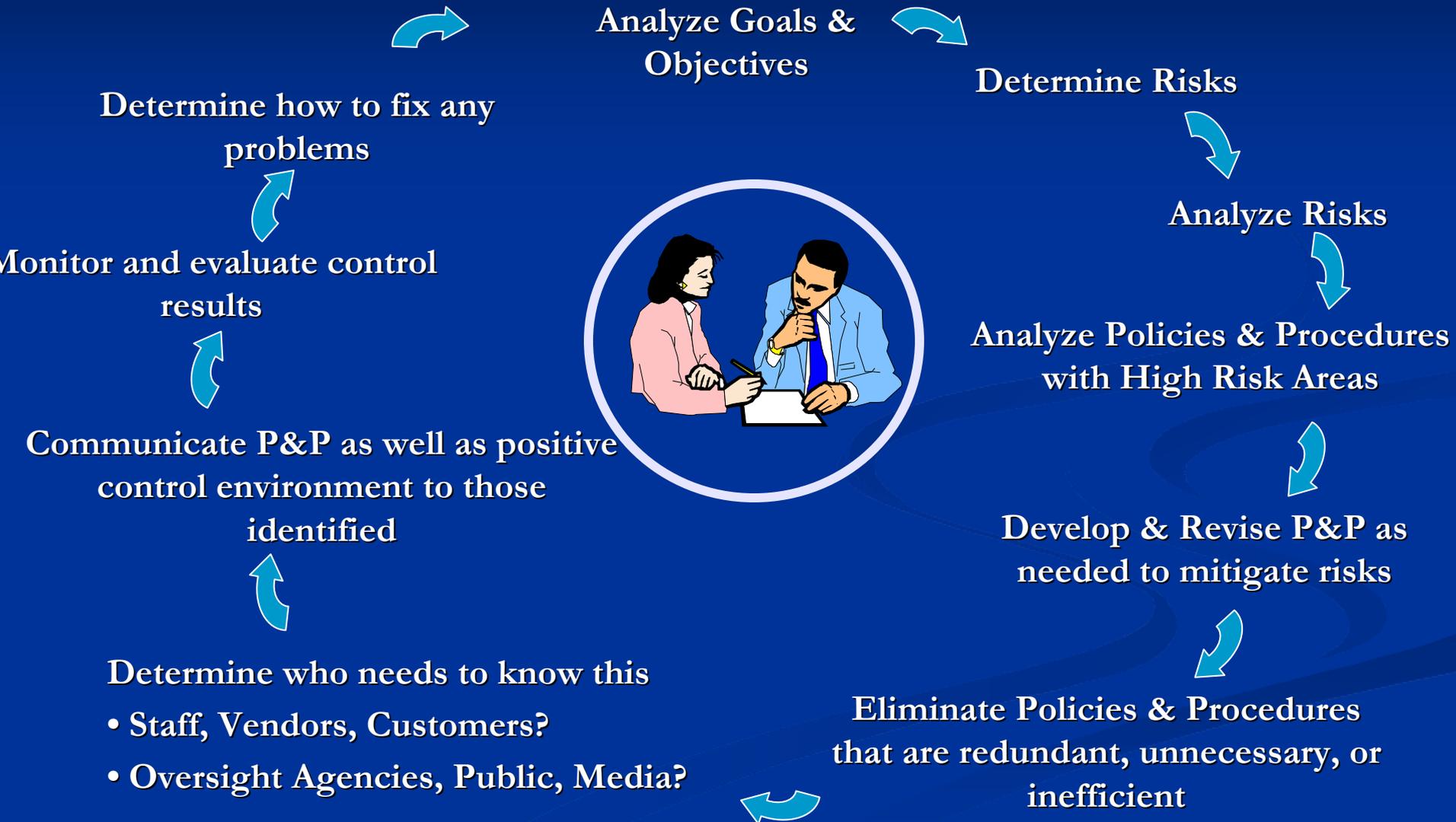
- Pursuant to M.G.L. c. 7A, s. 3, M.G.L. c. 29, § 61, M.G.L. c. 29, § 19 and M.G.L. c. 29, § 31 prior to certifying any expenditure for payment on a warrant, the Comptroller, *in lieu of pre-auditing payments* accepts Department Head affidavits that articles have been furnished, services rendered (including payroll) or obligations incurred, **as certified, through an electronic signature in MMARS.**

# Department Head Signature Authorization (DHSA)

Filing is part of *Internal Controls*

- Since a Department Head cannot personally review and certify all business transactions, the Department Head is responsible for setting up the Department's business operations with a series of checks and balances (known as **internal controls**) to balance fiscal risks with administrative and business efficiencies.

# Components of Internal Controls



# Department Head Signature Authorization (DHSA)

## Filing is part of Internal Controls

- Delegation of Department Head signature authorization (DHSA) is an efficient administrative tool that allows a Department Head to designate key staff who can incur obligations, make expenditures and conduct the day-to-day department activities *on behalf of* the Department Head.

# MMARS System Security

- Single UAID provides access to all systems
- Three Levels of Security Role by Function:
  - **Administrator Role** – Highest Level
    - Administrators can “*submit*” MMARS transactions to “*final*” status thereby creating obligations, making payments, recording revenue, etc.
    - The act of “submit” acts as Department Head electronic signature.
  - User Role – Lower Level (Enter Data) can not submit
  - Scan Roles – View Only
- Authorized Signatory must have Role with “Authorized Signatory” flag

# Security Roles Established by MMARS Business Functions

<b>Accts Payable (Payments)</b>	<b>Accts Receivable (Revenue)</b>	Budget
Fixed Assets	<b>Procurement (Encumbrances)</b>	<b>Payroll / LCM</b>
Cost Accounting	Vendor/Customer	Chart of Accounts

# MMARS UAID REQUIRED EVEN IF NOT USED

Any authorized signatory must obtain a UAID with *Authorized Signatory flag (DHSA)* in business function area of approval in order to be recorded as an official authorized signatory, even if the user will never touch *MMARS* or other system.

# MMARS UAID REQUIRED EVEN IF NOT USED

For example, a Chief of Staff who will be executing contracts on behalf of the Department Head, must obtain a UAID with *Authorized Signatory flag for Procurement* to be recorded as official authorized signatory, even if they will never touch *MMARS* to enter the encumbrance for that contract.

# Department Head Signature Authorization (DHSA)

## Additional Details part of Internal Controls

- MMARS Security roles are established by CTR
- Department **Security Officers** implement Security roles for staff approved personally by Department Head
- Additional restrictions within roles, thresholds of authority or additional protocols are not recorded in MMARS, but are memorialized in Internal Control Plan.

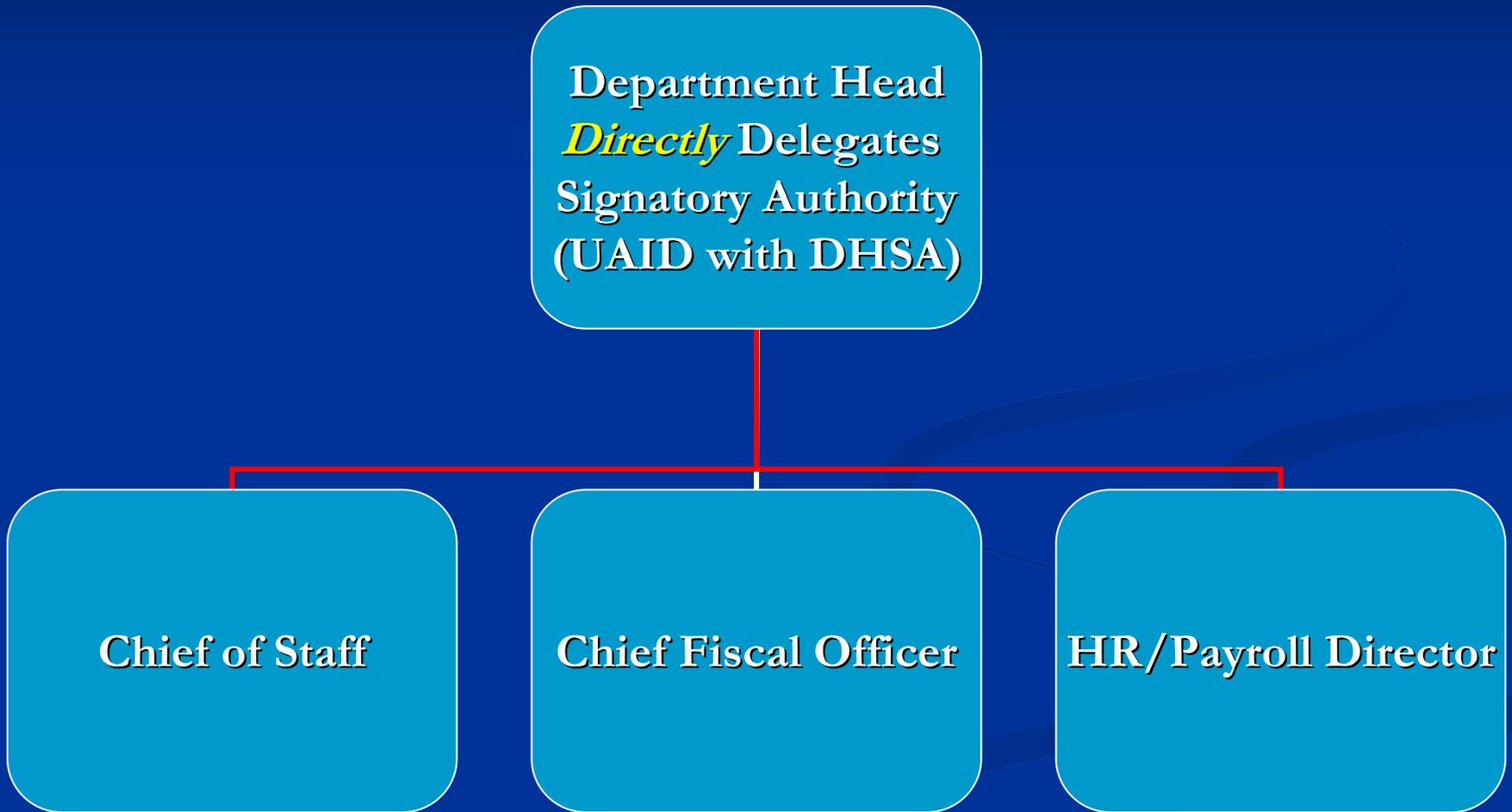
# DIRECT DELEGATION SIGNATURE AUTHORIZATION

Department Head  
*Directly* Delegates  
Signatory Authority  
(UAID with DHSA)

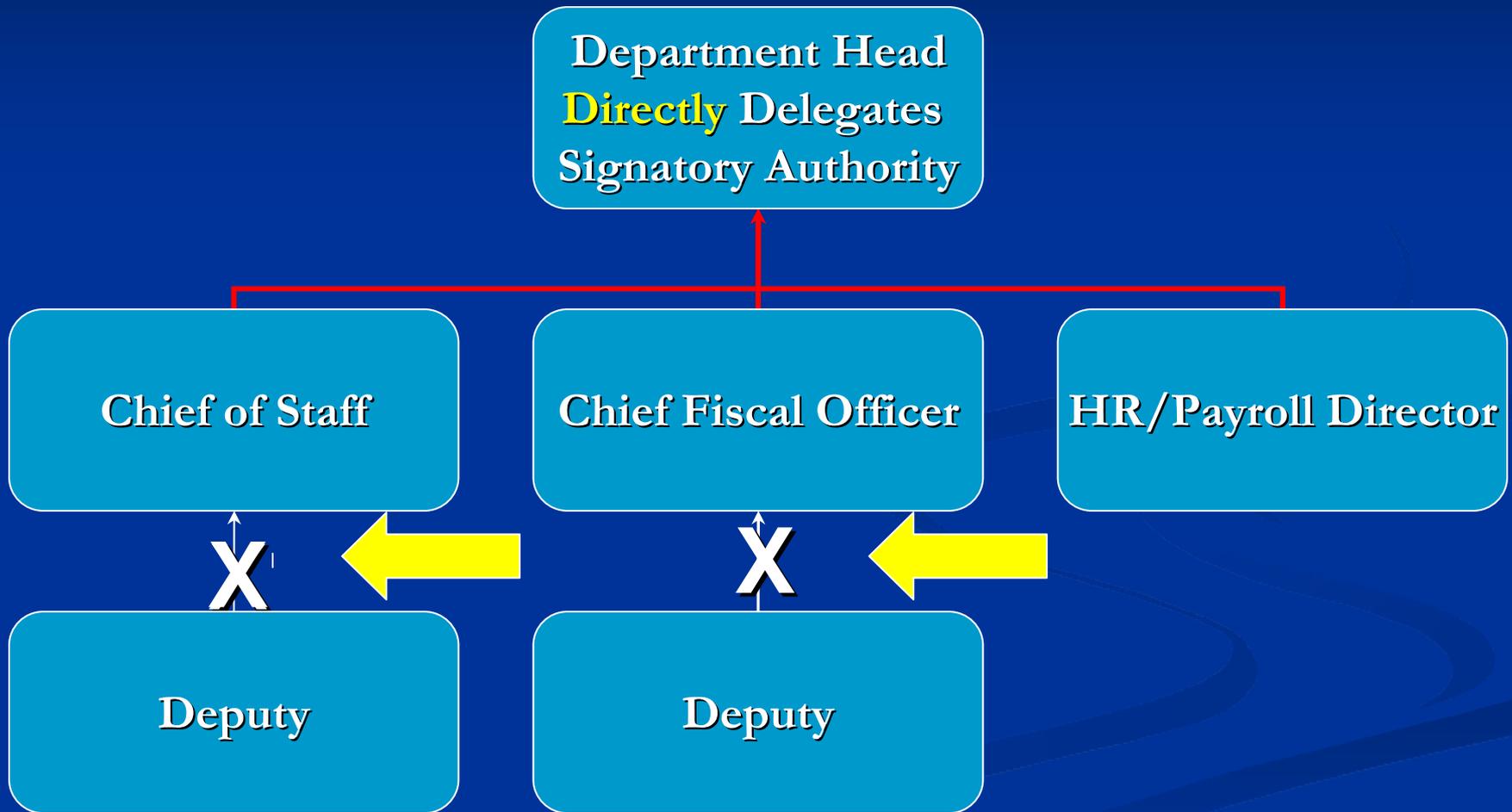
Chief of Staff

Chief Fiscal Officer

HR/Payroll Director



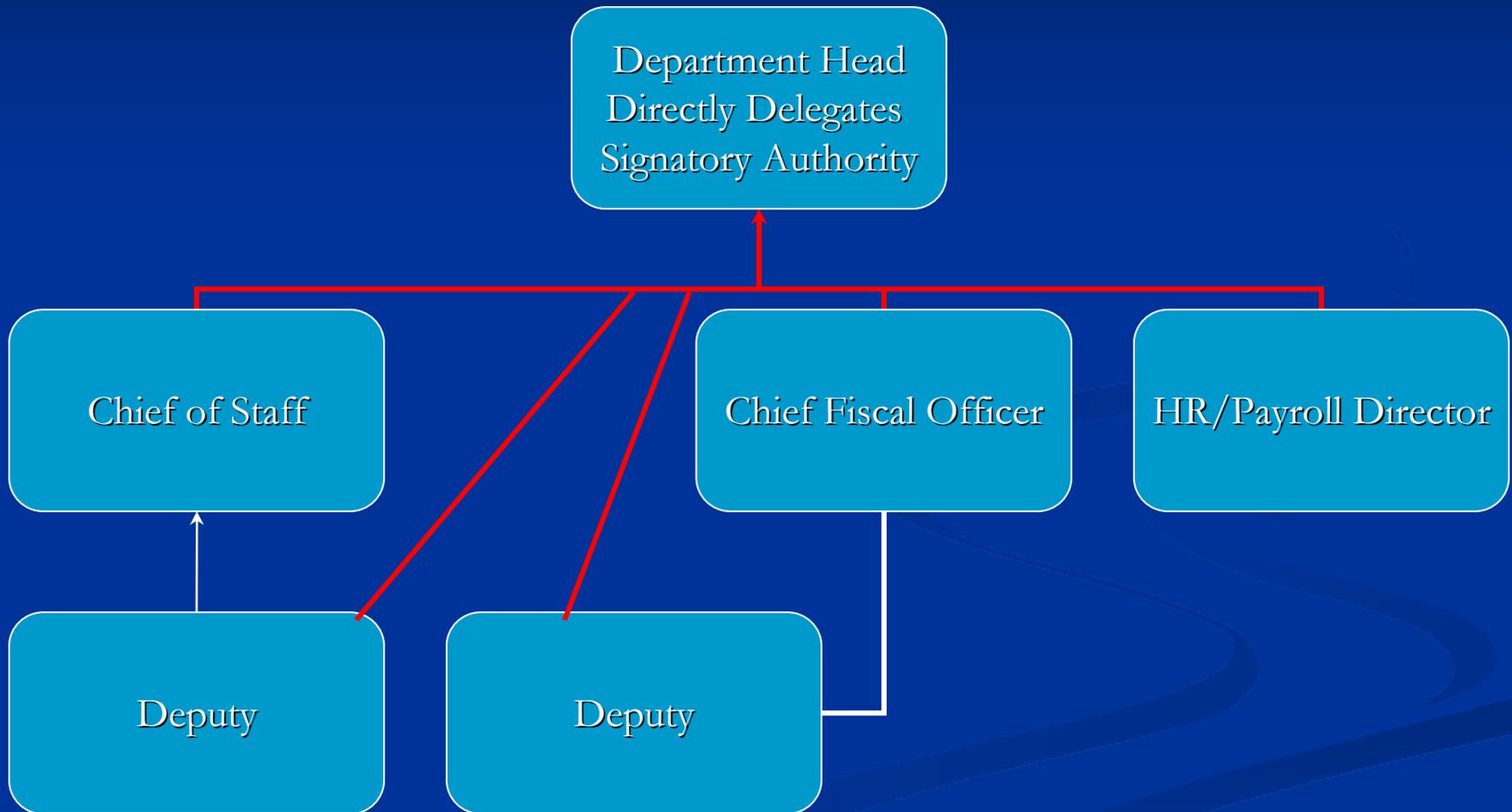
# NO SUB-DELEGATION OF (DHSA)



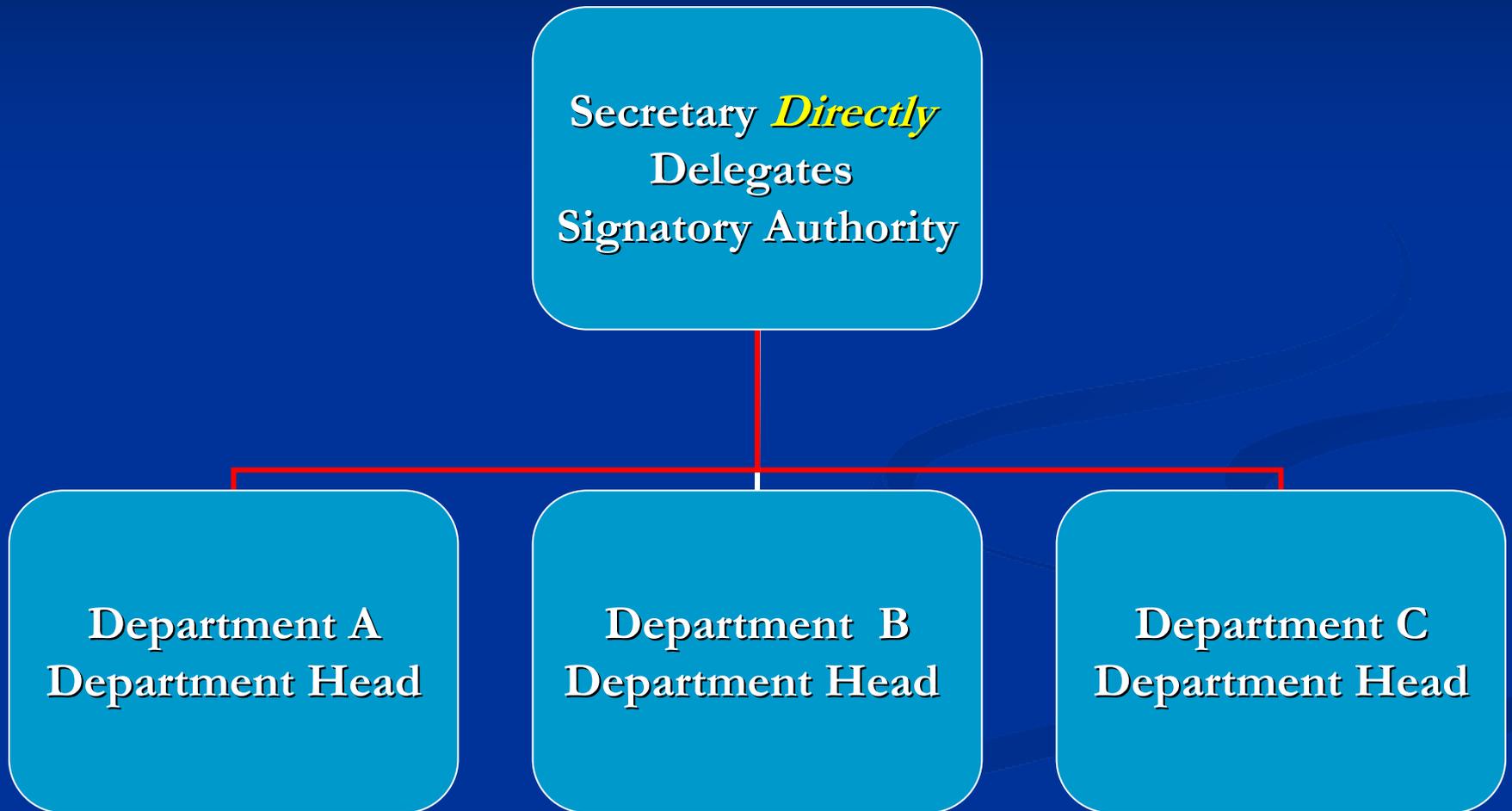
# NO SUB-DELEGATION

- There can be no sub-delegation by designees. An individual granted signature authorization may not in turn sub-delegate Department Head Signatory Authority to other individuals.
- Signature Authorization must be made by Department Head even if staff do not report directly to Department Head.

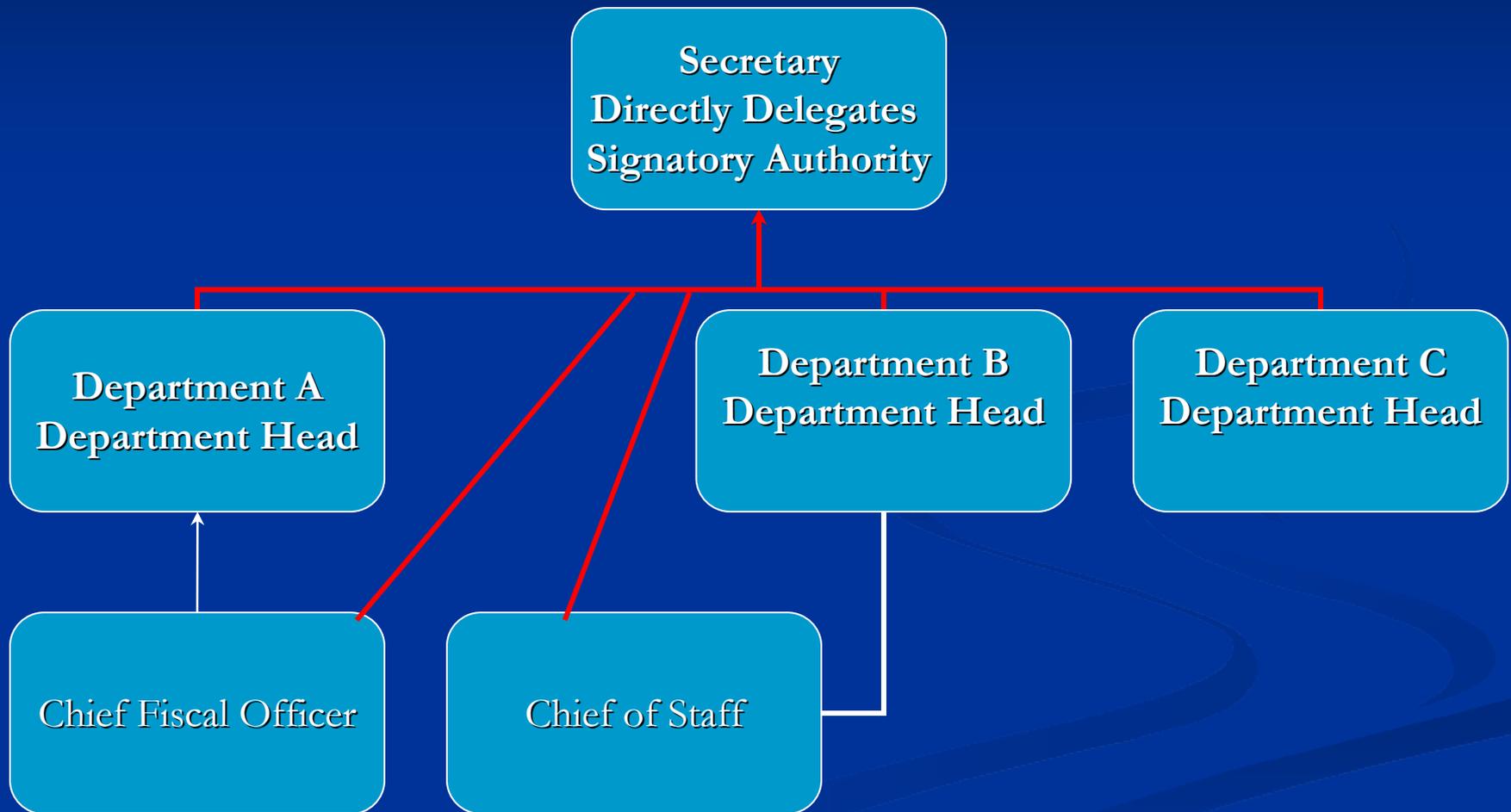
# All Individuals who will be exercising DHSA must be approved *directly* by the Department Head



# Limited Delegation of Secretariat Authorization for M.G.L. c. 29, ss. 29A and 29B



All Individuals who will be exercising Secretariat Signoff must be approved *directly* by the Secretary



## No MMARS Security Role for Secretariat Signoff Identified as part of Internal Control Plan.

- Secretariat signoff is *not* captured as part of MMARS document approvals and therefore, there is no MMARS security role which reflects secretariat signoff delegation, and no cross-department security.
- Secretariats and departments that have secretariat signoff delegation will be required to record this delegation as part of its internal control plan.

# Format Secretariat Signoff

- no standard format for secretariat signoff of a consultant or purchase of service (POS) contract under M.G.L. c. 29, § 29A and § 29B.
  1. approval must be obtained prior to the effective start date of the contract.
  2. format for obtaining the secretariat signoff must be reliable and verifiable

# Format for Secretariat Signoff

- CTR and OSD will not verify secretariat signoff as part of prior review but will verify signoff as part of quality assurance reviews.
- Submitting a contract MMARS document to “final” status will act as a certification to the Comptroller that *secretariat signoff has been obtained*.

# Security Officer

- Since **Administrator** roles have the security to incur obligations and make payments, the **Security Officer** is responsible for ensuring that any Administrator roles are *approved in writing personally* by the Department Head.
- Changes to Administrator roles must be approved promptly by the Department Head and filed as part of the department's Internal Controls and will also be communicated to the Comptroller's Security Officer.

# Department Head Signature Authorization (DHSA) WHAT DOES IT MEAN?

- Any MMARS document submitted to “**final**” status shall operate as the Department Head’s *certification* that:
  - the documents are accurate and complete and
  - that the expenditure or other obligation is supported by sufficient legislatively authorized funds and
  - is made in accordance with this Department’s legislative mandates and
  - funding authority and complies with all applicable laws, regulations, policies and procedures.

# DHSA Must Support Business Needs

- Signature Authorization should be structured to ensure that:
    - there are sufficient staff authorized to approve contracts, transactions, payroll and other critical business needs during staff vacations, maternity leave, sick leave or other leave or unavailability,
- AND
- there are sufficient controls and segregation of duties to prevent risk of fraud and preserve fiscal integrity and accountability.

# What does electronic signature of a MMARS document mean?

- Individuals who Log in to MMARS certify that they understand that their UAID (universal access identification) is being recorded for any entries made in the MMARS system, and

# What does electronic signature of a MMARS document mean?

- The individual certifies under the pains and penalties of perjury that:
  - it is their intent to attach an electronic signature approval and date to the MMARS document, **AND**
  - they are an authorized signatory of the Department Head OR

# What does electronic signature of a MMARS document mean?

- that the document they are processing and any supporting documentation have been approved by an authorized signatory of the Department head, secretariat and any other required prior approval, **AND**
- a copy of these approvals are available at the Department referencing the MMARS document number (DOC ID), **AND**

# What does electronic signature of a MMARS document mean?

- any expenditure or other obligation is supported by sufficient available legislatively authorized funds and is in accordance with the Department's enabling legislation and funding authority; **AND**
- the MMARS document and any underlying supporting documentation are accurate and complete and comply with all applicable general and special laws, regulations and policies including public record intention and disposal requirements.

# What does electronic signature of a MMARS document mean?

- The fact that the MMARS system “allows” a document to process to final status does not mean that the document is automatically legal, in compliance with legislative or funding authority, or properly authorized by a Department Head.

# What does electronic signature of a MMARS document mean?

- Therefore, staff must be trained that merely finding a systemic way to process a document to final status is insufficient, and that they will be held responsible and accountable for all activity under their UAID.

# Electronic Signatures Limited to MMARS TRANSACTIONS

- Electronic Signatures limited to internal fiscal transactions
- Electronic Signatures not yet approved for contracts (all electronic correspondence must be confirmed in writing)
- Emails insufficient for electronic signature
- See Information Technology Division guidance [Electronic Signatures & Records](#)
- CTR goal to migrate to electronic signatures for outward facing transactions once identity and authority authentication can be achieved.

# Electronic Signatures Limited to MMARS TRANSACTIONS AND COMM-PASS ONLINE BIDDING

- Comm-PASS allows online bidding which allows Bidders to electronically accept and agree to terms and certain forms as a prerequisite to submitting a bid:
  - Business Reference form
  - Northern Ireland Notice and Certification form
  - Affirmative Action form, etc.
  - Commonwealth Terms and Conditions
  - Standard Contract Form
  - W-9 form
  - Authorized Signatory Listing
- **IF AWARDED A CONTRACT, CONTRACTORS MUST SIGN HARD COPIES OF THESE FORMS WITH WET SIGNATURES**

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# Internal Controls, DHSA NEW DEPARTMENT HEADS

- The following are key elements of Internal Controls that Departments need to put in place related to Department Head Signature Authorization and the use of electronic signatures in MMARS.
  - Department Head Signature Authorization Delegation
  - Electronic Security Access
  - Update Key Contacts with Comptroller
  - Training
  - Oversight
  - Quality Assurance Reviews (pre-approval reviews, reports, queries, review of documents processed)
  - Records Management

**Internal Controls, DHSA  
NEW DEPARTMENT HEADS**

**SEE**

**Checklist for New Department Heads**

**Under**

**SECURITY FORMS**

# New Department Head

When a new Department Head is appointed several duties must be completed:

- Sign Department Head MMARS Security Certification Form
  - certification accepting electronic signature, record keeping and compliance with Comptroller laws, regulations, policies and procedures related to MMARS
  - MMARS Security access will not be granted or continued without this certification

# Appointment of New Department Head

- Establish internal controls to ensure that the CFO, Security Officer and Payroll Director promptly update the Department's Internal Control Plan to reflect DHSA and MMARS electronic security access as part of the hiring process, or whenever an individual's duties significantly change.

# Internal Controls

- ensure that MMARS Security roles and designated authorized signatories are strictly managed and updated contemporaneously with staff changes.
- ensure that whenever **new staff is hired** or current staff has a **significant change in duties** that MMARS security roles are evaluated and all Administrator roles are **reviewed and approved** **personally in writing** by the Department Head.

# KEY FISCAL RISKS

- Obligations incurred without:
  - Legislative authority or in violation of laws, policies or regulation
  - Sufficient available funding to support timely payment
  - Open process (if not earmarked or exception)
  - Contract executed prior to performance or other required back up documentation
  - Department Head Signature Authorization

# Why does it matter?

- Some staff would rather beg forgiveness rather than follow the rules.
- Breaches in fiscal integrity hurt a department's ability to effectively fulfill mandate
- Ties up valuable resources for resolution and reduces available funds
- Hurts Department's reputation
- Not a big deal for \$100, but potential devastating if large obligation, system or program.
- General Public and Press have little sympathy for "perception" of waste or abuse

# Why does it matter?

- Staff are under enormous pressure to get things done.
- When a Department Head says to “make it happen” staff must understand that this does not mean in any way possible, but the proper way.

# Why does it matter?

- Chapter 29: Section 66. Violation of state finance laws; penalties



Section 66. Any officer or employee who knowingly violates, authorizes or directs another officer or employee to violate any provision of this chapter, or any rule or regulation promulgated thereunder, or any other provision of law relating to the incurring of liability or expenditure of public funds, shall be punished by a fine of not more than one thousand dollars or by imprisonment in a jail or house of correction for not more than one year, or both.

# Establish a Working Partnership with Your Department Chief Fiscal Officer (CFO)

- Know your Department's Business
- All Department activities have a "fiscal" and a "legal" component.
- Neither the fiscal or legal review should be performed in a vacuum. Therefore, adequate attention must be given to both the legal and fiscal compliance with State Finance Law
- For example, funding levels (available funds) are as much a part of legal review as funding authority

# Internal Controls

## Ensure Staff Training

- Prior to access to MMARS, new staff and staff with changes in duties must be trained as to their responsibilities relative to the type of MMARS security roles they have been delegated and the electronic signature authorization they have been granted.

# RECOMMENDATIONS FOR SUPPORTING STATE FINANCE LAW COMPLIANCE

- Ensure all appropriate staff have Internet access to required policies, including the CTR Website.
- Periodically remind staff to review CTR policies [www.mass.gov/osc](http://www.mass.gov/osc)

# STATE FINANCE LAW COMPLIANCE

## KEY RESOURCES

- ALL Staff must review Expenditure Classification Handbook
  - Every expenditure must be recorded under an object code in the ECH
  - ECH lists key requirements and restrictions
- Review Key policies:
  - State Finance Law and General Requirements
  - Bill Payment Policy
  - Department Head Signature Authorization and Electronic Signatures for MMARS Documents

# Engage Your Fiscal and Legal Staff to jointly:

- Interpret your Department's enabling legislation, and other General and Special laws that govern your Department's mission;
- Assist with drafting annual budget line items and other legislation (General and Special laws) to effectively enable the Department to carry out its mission, (e.g., see [Legislative Drafting Tips](#))
- Provide risk assessments for potential liabilities

# Engage Your Staff to Foster Shared Sense of Responsibility

- Raise awareness of policies and rules **AND** overall Department goals
- Line staff have the biggest potential impact on Department success
- Empower line staff with cooperative involvement in whole process
- Find out barriers to success and make changes

# Engage Your Staff to jointly develop Internal Protocols to Mitigate Risks

■ **BEFORE** any obligation incurred have a process in place to confirm:

- 
- Legal authorization for obligation (contract, payroll)
  - Expenditure Classification Object Code and requirements and restrictions (MMARS codes and required supporting documentation)
  - Sufficient Funding is reserved for obligation
  - Who will approve (DHSA)?
  - Who will confirm that performance is successful and accepted or trigger for obligation is incurred?
  - Who will track that payments are timely made?
  - Who will ensure proper Records Management?

# QUESTIONS??



# More Information

- Legal Questions can be sent to [Jenny.Hedderman@state.ma.us](mailto:Jenny.Hedderman@state.ma.us) or call at 617-973-2656
- MMARS Questions to Helpdesk: 617-973-2468

# WE WELCOME YOUR COMMENTS

## Customer Service Evaluation

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[Comptroller.info@state.ma.us](mailto:Comptroller.info@state.ma.us)