

Office of the State Treasurer

Findings on Compliance with Rules and Regulations

Finding Number 14: Internal Control Plan to Be Completed:

The Office of the State Treasurer (the "Office") has not completed an internal control plan in accordance with Massachusetts General Law Chapter 647 State Agencies – Internal Control Act of 1989 (the "Act"). The Act outlines internal control standards which "define the minimum level of quality acceptable for internal control systems in operation throughout the various state agencies and departments", and it constitutes "the criteria against which such internal control systems will be evaluated".

The Act requires that the Office document its internal control systems to include "(1) internal control procedures, (2) internal control accountability systems, and (3) identification of the operating cycles. Documentation of the department's internal control systems should appear in management directives, administrative policy, and accounting policies, procedures, and manuals." The Act details the important elements of an effective system of internal controls as a guide for the Office to consider when completing its plan. The Act also stipulates that the Office "has written documentation of its internal accounting and administrative control systems on file" and, at least annually, implementing any changes deemed necessary to maintain the integrity and effectiveness of the system.

Beginning in fiscal 1994, the Office had a plan in process and had drafted the portion which relates to the Cash Management aspect of Treasury operations. In fiscal year 1998, the Office had submitted a draft of the plan to the Office of the Comptroller for review but had not yet addressed the comments and recommendations made by the Office of the Comptroller. In addition, at the end of the fiscal year 1998, the draft plan only includes a summary of the Office's internal control plan but does not contain detail information as required by the Act. (*Fiscal year 1994; 1997 Report Finding 11*)

Recommendation:

The Office needs to make the completion of the internal control plan a priority and to ensure that the plan contains all of the elements detailed in Chapter 647. Once complete, the plan should be reviewed by the Office of the Comptroller and by an independent third party to ensure that the plan is logical, applicable, and complete.

Department corrective action plan:

This Office has received commentary from the Office of the Comptroller and has incorporated certain suggestions into a new draft of the internal control plan which has been resubmitted to the Office of the Comptroller for review.

Responsible individual: Robert Foley, Deputy Treasurer

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