

# Massachusetts Highway Department

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## Findings on Compliance with Rules and Regulation

### **Finding Number 1: Department Internal Control Plan Needs to be Developed**

Chapter 647 of the Acts of 1989 (Act) requires the Massachusetts Highway Department (Department) to develop an internal control plan. The Department has not developed a department wide internal control plan. The Department does have standard operating procedures, manuals, and policy directives to inform staff of certain control activities, methods of communication and internal monitoring procedures, which are elements of good internal controls. An internal control plan should identify all operating cycles of the entire Department and discuss the components of internal control known as control environment, risk assessment, control activities, information and communication and monitoring for each cycle. The Administrative Services Division, which includes the Fiscal Management Section, has developed a divisional internal control plan. However, that plan does not cover the rest of the Department's operating cycles. None of these documents provide evidence that a risk assessment has been made for each area. The Internal Control Act also requires the Department to designate an internal control officer who should be equivalent in title or rank to an assistant or deputy to the department head. The Department had an internal control officer for a part of fiscal year 1999, however that individual was not equivalent in title or rank to an assistant or deputy to the Commissioner. Once that position was vacated, the Department did not have an internal control officer.

### **Recommendation**

The Department should designate an internal control officer with the appropriate title or rank. That individual would direct each area to develop a plan that addresses the components of internal control. The internal control officer would compile this information and then develop an overview to tie all areas together into a department wide plan. In accordance with the Act, the internal control officer would evaluate the effectiveness of the Department's internal control systems annually and establish and implement changes to ensure their continued integrity. In addition, the internal control officer would be responsible for ensuring that documentation of all internal control systems were in compliance with Office of the Comptroller guidelines.

### **Department Corrective Action Plan**

Each section of the Department has Standard Operating Procedures in place, which contain established policies, directives, and operating procedures. Additionally, many manuals exist from the Office of the Comptroller as well as internally that document internal control procedures for various sections. The Fiscal Management Section routinely sends out Internal Control memos to sections and Divisions to enforce proper Accounting and Administrative Controls. Also, the Fiscal section monitors various MMARS reports on a weekly basis and prepares Warehouse reports to ensure that public funds are collected, deposited, managed and reported efficiently so that the Commonwealth's assets are safeguarded and accurately accounted and reported. The Department's Administrative Services section has produced a manual to document a divisional internal control plan. The Department will use this manual as a guide to cover the rest of the Department's operating cycles. In addition, the Department will be maintaining a master index of SOP's as described in finding number one. The Department was without an Internal Control Officer for only one month of FY'1999. A new Internal Control Officer, the Deputy Commissioner, Jay Cirame was appointed for fiscal year 2000. Under the Direction of the Deputy Commissioner, an evaluation will be made of the Department's Internal Control Plan and implement changes where necessary. Department contact person

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