

Department of Food and Agriculture

Findings on Compliance with Rules and Regulations

Finding Number 4: Internal Control Plan Needs to be Updated

The Department of Food and Agriculture (Department) does not have an internal control plan in accordance with Massachusetts General Law, Chapter 647, *State Agencies Internal Control Act of 1989*, (Chapter 647). Chapter 647 outlines internal control standards which... "define the minimum level of 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 Chapter also states that "Internal control systems for the various state agencies and departments of the Commonwealth shall be developed in accordance with internal control guidelines established by the Office of the Comptroller." These guidelines require the development of a documented internal control plan. Chapter 647 details the important elements of an effective system of controls as a guide for the Department to consider when completing its plan. It also stipulates that the Department designate an individual whose responsibilities include ensuring that the Department has written documentation of its accounting and administrative control systems on file and, at least annually, evaluate and implement any changes necessary to maintain the integrity and effectiveness of the system. A review of the Department's plan disclosed that it had not been updated during fiscal years 1998 or 1999. It also did not contain reference to control environment and risk assessment, two of the elements of an internal control system, as defined by the Committee of Sponsoring Organizations and included in the Office of the Comptroller guidelines. Without updating, it is difficult for the Department to maintain the integrity and effectiveness of its internal control system. Recently, a new internal control officer started rewriting the plan. It should be completed in fiscal year 2000. **Recommendation**

The Department should continue its rewrite of the internal control plan using the Office of the Comptroller *Internal Control Guide for Managers* and ensure that the plan contains all the requirements of Chapter 647. Once completed, the plan should be reviewed by the Office of the Comptroller or by an independent third party to ensure that it is logical, complete and applicable.

Department Corrective Action Plan

The corrective action plan is as follows and is expected to be fully completed by June 30th 2000.

I. Review and Analyze Current Internal Control Plan. II. Evaluate Control Environments

- a. Evaluate Internal Control environments in the Division of Administration.

Evaluate Internal Control Environments by Department Division. Work with Directors/Bureau Chiefs to evaluate their Division's Internal Controls

III. Risk Assessments

- a. Division of Administration.

Individual Department Divisions.

Identify: What could go wrong?

- Identify: What assets we need to protect?
- Identify: Changes
- Identify: Inherent Risks.

c. Evaluate Identified Risks

- Determine cost effective and productive ways to manage risks.

IV. Control Activities

- a. Establish structure, policies, and procedures that prevent risks from obstructing the department in reaching its goals and objectives.

Provide reasonable assurances that assets are safeguarded.

V. Manual Maintenance, Communication, and Monitoring:

- a. New and revised department internal controls will be organized and written into an updated Internal Control Manual

The Internal Control Manual will be annually and/or regularly reviewed and revised as needed, and be made available by the Internal Control Officer. Regular communications with agency Department Heads, Directors, and Bureau Chiefs by the Internal Control Officer will ensure monitoring of current internal controls for their effectiveness. Modifications to the Internal Control Manual will be made available to all agency Department Heads, Directors, and Bureau Chiefs for relative communications to their employees.

DFA is referencing the Comptrollers Internal Control Guide for Managers throughout this process.

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