



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued June 24, 2021

Bureau of the State House

For the period July 1, 2017 through December 31, 2019





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June 24, 2021

Ms. Tammy E. Kraus, Superintendent
Bureau of the State House
State House, Room 1
Boston, MA 02133

Dear Ms. Kraus:

I am pleased to provide this performance audit of the Bureau of the State House. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2017 through December 31, 2019. My audit staff discussed the contents of this report with management of the agency, whose comments are reflected in this report.

I would also like to express my appreciation to the Bureau of the State House for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written over a light blue circular background.

Suzanne M. Bump
Auditor of the Commonwealth

cc: Michael J. Heffernan, Secretary of the Executive Office for Administration and Finance
Joan B. Lovely, Chair of the Joint Committee on Rules
William C. Galvin, Chair of the Joint Committee on Rules

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LIST OF ABBREVIATIONS

BSH	Bureau of the State House
EMS	Events Management System
ICP	internal control plan
MMARS	Massachusetts Management Accounting and Reporting System
OSA	Office of the State Auditor
SEF	State House Special Events Fund

EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of the Bureau of the State House (BSH) for the period July 1, 2017 through December 31, 2019. In this performance audit, we reviewed the activities of the State House Special Events Fund (SEF) to determine whether BSH charged and collected fees for the rental of space in the State House, and incurred expenses, in accordance with the General Laws.

Below is a summary of our finding and recommendation, with links to each page listed.

Finding 1 Page 8	BSH could not always provide evidence that SEF expenses had been approved by the Joint Committee on Rules.
Recommendation Page 8	BSH should seek approval from the Joint Committee on Rules for all SEF expenditures over \$1,000, save the approvals electronically, print them, and file them in its hardcopy vendor files.

OVERVIEW OF AUDITED ENTITY

The Bureau of the State House (BSH) was established within the Executive Office for Administration and Finance in accordance with Section 1 of Chapter 8 of the Massachusetts General Laws. On July 24, 2012, the Governor issued Executive Order 543, which resulted in the restructuring and integration of most of the Bureau of State Office Buildings' facility-management operations (all except its State House responsibilities) into the Division of Capital Asset Management and Maintenance. BSH was created to perform facility management for the State House.

According to the *Bureau of the State House Policy Manual*, BSH's mission is as follows:

To work with the Executive Office, the MA Legislature, state agencies and the MA Historical Commission in preserving, maintaining and restoring the MA state capitol. We strive to efficiently provide a safe, accessible, clean and secure seat of government, place of business, museum of art and history as well as a site for public congregation.

According to BSH's internal control plan (ICP),

The Bureau is organized around several functional areas: Administration; Project Management; Building Operations; [Americans with Disabilities Act] Compliance; the Art Commission; and Events Planning.

The State House Special Events Fund (SEF) was established in 1995 by Section 35P of Chapter 10 of the General Laws. Also in 1995, Section 9A, which governs use of the State House by nongovernmental entities, was added to Chapter 8 of the General Laws. (Special events at the State House are held by nongovernmental entities and are assessed fees; governmental entities are not charged to hold events there.)

The SEF's financial activity during the audit period is shown in the table below. Other BSH spending accounts are shown in the Appendix.

SEF Financial Activity

	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020*
Beginning Balance	\$ 263,769	\$ 224,716	\$ 193,993
Revenue	69,640	42,020	13,609
Subtotal	<u>\$ 333,409</u>	<u>\$ 266,736</u>	<u>\$ 207,602</u>
Reductions in Balance			
Expenses	104,193	72,743	29,463
Transfers Out[†]	4,500	0	0
Subtotal	<u>\$ 108,693</u>	<u>\$ 72,743</u>	<u>\$ 29,463</u>
Ending Balance	<u>\$ 224,716</u>	<u>\$ 193,993</u>	<u>\$ 178,139</u>

* The amounts in this table for fiscal year 2020 only encompass the period July 1, 2019 through December 31, 2019.

† This line item represents transfers to the Division of Capital Asset Management and Maintenance for services provided to BSH.

Scheduling, Billing, and Fee Collection for State House Events

Section 9A of Chapter 8, and Section 35P of Chapter 10, of the General Laws both state,

The superintendent of the state house shall establish and charge a fee or service charge to nongovernmental individuals, entities and groups using the state house for meetings, receptions or exhibits, which may be [waived or reduced] at the discretion of the superintendent.

To rent space at the State House,¹ a requester has to contact the State House events coordinator by email, by phone call, or in person for available dates. A tentative hold is then placed on the specified date. Next, the requester must submit an event application signed by a sponsor (constitutional officer, secretariat head, senator, representative, or agency head) for the process to continue. The fees for space rental at the State House are reduced for nonprofit organizations according to a discount fee schedule. To have its fee waived entirely, a requester must submit a written request to the superintendent describing the requester's background and proof of the requester's nonprofit status.

For each event application, the State House events coordinator enters application details in the Events Management System, the software BSH uses to schedule events and bill for the use of space in the State House. The system generates a confirmation and invoice, which the State House events coordinator emails to the requester and BSH's director of finance. Fee payments are deposited in a Commonwealth

1. Spaces in the State House that are available for nongovernmental use are the Grand Staircase, the Great Hall, the Nurses Hall, and the Gardner Auditorium. The Memorial Hall and the Doric Hall are also available when approved by the superintendent.

bank account and credited to the SEF in the Massachusetts Management Accounting and Reporting System.

SEF Expenses

Section 35P of Chapter 10, and Section 9A of Chapter 8, of the General Laws both state,

The superintendent may retain funds to be expended after consultation with the committee on rules of the 2 branches [of the Massachusetts General Court], acting concurrently, for [the] restoration, equipment repair and replacement and educational and cultural programs and tours at the state house.

Section 35P of Chapter 10 of the General Laws also states that funds may be expended for the maintenance of the Military History Museum in the State House.

According to BSH's ICP, purchases over \$1,000 must be approved by the Joint Committee on Rules.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of certain activities of the Bureau of the State House (BSH) for the period July 1, 2017 through December 31, 2019.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is a list of our audit objectives, indicating the questions we intended our audit to answer, the conclusion we reached regarding each objective, and where each objective is discussed in this report.

Objective	Conclusion
1. Did BSH charge and collect fees for the rental of space in the State House in accordance with Section 9A of Chapter 8, and Section 35P of Chapter 10, of the General Laws and with its internal control plan (ICP)?	See <u>Other Matters</u>
2. Were expenses that were paid by the State House Special Events Fund (SEF) compliant with Section 9A of Chapter 8, and Section 35P of Chapter 10, of the General Laws and with BSH's ICP?	No; see <u>Finding 1</u>

To achieve our audit objectives, we gained an understanding of the internal control environment related to the objectives by reviewing applicable BSH policies and procedures, interviewing BSH's staff and management, and observing procedures. We evaluated the design and implementation of controls over the charging and collection of fees and over expenses paid by the SEF, and we tested the operating effectiveness of controls over SEF expenses. In addition, we performed the following procedures to obtain sufficient, appropriate evidence to address our audit objectives.

Charging and Collection of Fees

To determine whether BSH charged and collected fees for rental of space in the State House in accordance with Section 9A of Chapter 8, and Section 35P of Chapter 10, of the General Laws and with its ICP, we selected a nonstatistical judgmental sample of 45 of 900 events scheduled during the audit

period. For events in the sample for which fees were paid, we examined the remittance checks related to the transactions to ensure that the payments were for the correct amounts, according to the BSH fee schedule, and were credited to the SEF in the Massachusetts Management Accounting and Reporting System (MMARS). For events for which no fee was charged, we determined whether there was a valid reason for the non-payment, such as a waiver, rescheduling, or cancelation. Additionally, we verified the nonprofit status of the organizations in the sample by referring to the websites of the Massachusetts Attorney General and/or the Internal Revenue Service.

SEF Expenses

To determine whether the expenses paid by the SEF were in accordance with the General Laws and BSH's policies, we compared SEF expenses to an "Approved Retained Funds" schedule provided by BSH.

We also selected from MMARS a nonstatistical judgmental sample of 20 SEF expenses (totaling \$162,044) from a population of 56 (totaling \$206,399). We compared the information in MMARS to vendor invoices for agreement of vendor name, amount, description of goods/services, and expense classification. We also compared the invoices to purchase information (from purchase orders, price lists, or contracts) to ensure that they agreed. We reviewed the expenses to ensure that they were appropriate for the SEF according to BSH's ICP, Section 35P of Chapter 10 of the General Laws, and Section 9A of Chapter 8 of the General Laws.

Whenever sampling was used, we applied a nonstatistical approach, and as a result, we will not project our results to the entire population.

Data Reliability

In 2018, OSA performed a data reliability assessment of MMARS that focused on testing selected system controls (i.e., access, security awareness, audit and accountability, configuration management, identification and authentication, and personnel security) for the period April 1, 2017 through March 31, 2018. As part of our current audit, we selected a sample of 20 SEF expenses from MMARS and traced them to vendor invoices to determine whether information on the invoices matched data in MMARS. We also reviewed user access to MMARS to ensure that transactions processed were executed by the authorized user.

- We reconciled information we obtained from the Massachusetts Management Accounting and Reporting System (MMARS) with a revenue tracking spreadsheet (a record showing deposits and the MMARS accounts to which they were credited) provided by BSH's director of finance.

To test the reliability of the client event list generated by BSH's Events Management System (EMS) during the audit period (which included organization names, sponsors, event times and dates, numbers of attendees, and amounts billed), we interviewed BSH officials who were knowledgeable about the data.

We also performed the following tests:

- We attempted to reconcile MMARS information with the event list.
- We traced 20 booked events from the event list and determined whether the information on the event list (organization names, sponsors, event times and dates, numbers of attendees, and amounts billed) matched hardcopy event files.
- We selected 20 hardcopy event files from BSH file cabinets and traced the information (organization names, sponsors, event times and dates, numbers of attendees, and amounts billed) to the event list.

We determined that the data obtained from EMS and MMARS were sufficiently reliable for the purposes of our audit work.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. The Bureau of the State House could not always provide evidence that State House Special Events Fund expenses had been approved by the Joint Committee on Rules.

The Bureau of the State House (BSH) could not always provide evidence that State House Special Events Fund (SEF) expenses over \$1,000 had been approved by the Joint Committee on Rules. We selected and reviewed a sample of 20 expenses (totaling \$162,044) out of a population of 56 expenses (totaling \$206,399) paid by the SEF during the audit period. Nineteen of these transactions, totaling \$161,317, were greater than \$1,000. BSH could not provide approvals for 10 (totaling \$63,948) of the transactions. The lack of approvals indicates that the Joint Committee on Rules may not have been aware of these expenditures, and other spending priorities may not have been met as a result.

Authoritative Guidance

Section 9A of Chapter 8, and Section 35P of Chapter 10, of the Massachusetts General Laws both state, "The superintendent may retain funds to be expended after consultation with the committee on rules of the two branches [of the General Court], acting concurrently."

BSH incorporated this procedure into its internal control plan: "Purchases of supplies, maintenance, and services over \$1,000 require approval by the Joint Committee on Rules of the House and Senate."

Reasons for Issue

BSH told us that approvals by the Joint Committee on Rules were generally made by email and that hard copies of these emails were not maintained. When we requested the approvals, BSH could not find all of them in its email system. BSH indicated that the emails might have been lost because of computer hardware replacements and email consolidation by the Executive Office of Technology Services and Security. BSH also stated that in some cases it might have made an oversight by not requesting approval.

Recommendation

BSH should seek approval from the Joint Committee on Rules for all SEF expenditures over \$1,000, save the approvals electronically, print them, and file them in its hardcopy vendor files.

Auditee's Response

The Bureau of the State House has implemented a change to our retention process for purchases to include maintaining both electronic and hard copies of legislative approvals and filing them in the hardcopy vendor files.

Note the approvals are submitted to the House/Senate Business Managers not directly to the Joint Committee on Rules. The approvals are received by BSH from the House/Senate Business Managers not directly from the Joint Committee on Rules.

OTHER MATTERS

Internal controls over special event revenue could be improved.

Internal controls over special event revenue, which is obtained from fees, could be improved if the Bureau of the State House (BSH) reconciled special event bills generated by its Events Management System (EMS) to special event revenue recorded in the Massachusetts Management Accounting and Reporting System (MMARS). In addition, controls could be enhanced if the payments were collected by someone other than the State House events coordinator who maintains the events schedule, enters the fees in EMS, and prepares the invoices; in other words, the duties of fee collection and fee billing should be segregated to avoid potential losses or processing errors.

For the audit period, special event revenue recorded in MMARS totaled \$125,200 and special event revenue from EMS totaled \$118,500, a difference of \$6,700. There were differences in each fiscal year under review (see table below), none of which BSH employees could explain.

	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020*	Total
MMARS	\$ 69,600	\$ 42,000	\$ 13,600	\$ 125,200
EMS	63,200	44,500	10,800	118,500
Difference	<u>\$ 6,400</u>	<u>\$ (2,500)</u>	<u>\$ 2,800</u>	<u>\$ 6,700</u>

* The amounts in this table for fiscal year 2020 only encompass the period July 1, 2019 through December 31, 2019.

Additionally, in fiscal year 2018, two clients were not billed (\$200 each) for using space. If revenue recorded in MMARS had been reconciled with the EMS data, it is likely that the reconciler would have noticed scheduled events for which no payments were received. Without a proper reconciliation process, BSH cannot ensure that all events are billed correctly and all corresponding revenue is accounted for properly.

The *Internal Control Guide* issued by the Office of the Comptroller of the Commonwealth discusses the need for reconciliations:

Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performance of their duties.

Regarding segregation of duties, BSH's internal control plan (ICP) states,

- *Individuals responsible for issuing billings should not be responsible for estimating, budgeting, collecting and processing receipts.*
- *The persons responsible for maintaining accounts receivable records should not be involved with receipts.*

Although its ICP recognizes the importance of segregation of duties and reconciliations, BSH did not fully implement these principles when designing job functions and the monitoring process for billing and collections. BSH should have an employee with no billing, collection, or accounting job functions reconcile the EMS billing records with revenue recorded in MMARS. BSH should also separate the billing and collection functions for special event revenue.

Auditee's Response

Regarding the internal controls and segregation of duties recommendations, BSH requests that the agency size and limited number of managers within the agency be considered and recognized.

Auditor's Reply

We recognize that BSH has a limited staff, but to avoid losses and processing errors, it should consider having event payments sent to someone other than the State House events coordinator. In addition, BSH should perform a reconciliation of EMS billings and MMARS revenue to ensure that all events are billed correctly and all corresponding revenue is accounted for properly.

APPENDIX

Financial Activity of Spending Accounts

Account Name	Appropriation and Transfers	Encumbrances	Expenses	Ending Balance
2018				
Bureau of the State House	\$ 2,547,486	\$ 0	\$ 2,478,659	\$ 68,827
Commonwealth Facility Improvements	47,284	0	43,330	3,954
Homeland Security II Grant	19,968	0	19,968	0
State House Accessibility	112,171	0	104,367	7,804
Urban Areas Initiative Grant	4,885	0	4,885	0
Fiscal Year 2018 Total	<u>\$ 2,731,794</u>	<u>\$ 0</u>	<u>\$ 2,651,209</u>	<u>\$ 80,585</u>
2019				
Office of the State House Superintendent	\$ 2,971,584	\$ 0	\$ 2,905,187	\$ 66,397
Commonwealth Facility Improvements	10,481	0	10,481	0
State House Accessibility	114,935	0	89,614	25,321
State House Security Operations	100,000	0	92,136	7,864
General Facilities	31,999	0	0	31,999
Veteran Training Account	3,300	0	510	2,790
Fiscal Year 2019 Total	<u>\$ 3,232,299</u>	<u>\$ 0</u>	<u>\$ 3,097,928</u>	<u>\$ 134,371</u>
2020*				
Office of the State House Superintendent	\$ 3,066,483	\$ 725,056	\$ 1,213,706	\$ 1,127,721
State House Accessibility	114,935	2,501	45,516	66,918
State House Security Operations	100,000	27,975	20,721	51,304
General Facilities [†]	0	0	0	0
Veteran Training Account [†]	0	0	0	0
Fiscal Year 2020 Total*	<u>\$ 3,281,418</u>	<u>\$ 755,532</u>	<u>\$ 1,279,943</u>	<u>\$ 1,245,943</u>

* The amounts in this table for fiscal year 2020 only encompass the period July 1, 2019 through December 31, 2019.

† Prior year balances were transferred in fiscal year 2020 to other state accounts.