

OFFICE OF THE STATE AUDITOR

DIANA DIZOGLIO

Official Audit Report – Issued December 20, 2024

Southfield Redevelopment Authority

For the period January 1, 2018 through December 31, 2022



OFFICE OF THE STATE AUDITOR

DIANA DIZOGLIO

December 20, 2024

Tom Henderson, Chair of the Board of Directors
Southfield Redevelopment Authority
223 Shea Memorial Drive
South Weymouth, MA 02190

Dear Mr. Henderson:

I am pleased to provide the results of the enclosed performance audit of the Southfield Redevelopment Authority. As is typically the case, this report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, January 1, 2018 through December 31, 2022. As you know, my audit team discussed the contents of this report with agency managers. This report reflects those comments.

I appreciate you and all your efforts at the Southfield Redevelopment Authority. The cooperation and assistance provided to my staff during the audit went a long way toward a smooth process. Thank you for encouraging and making available your team. I am available to discuss this audit if you or your team has any questions.

Best regards,



Diana DiZoglio
Auditor of the Commonwealth

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
OVERVIEW OF AUDITED ENTITY	4
AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY	10
DETAILED AUDIT FINDINGS WITH AUDITEE’S RESPONSE.....	16
1. The Southfield Redevelopment Authority does not have an internal control plan and does not have an updated policies and procedures manual.	16
2. The Southfield Redevelopment Authority’s board of directors did not always provide timely signatory reviews of bank reconciliations.....	17
3. The Southfield Redevelopment Authority’s vendor invoices did not always have preapproval signatures prior to the preparation of an accounts payable warrant.	18
4. The Southfield Redevelopment Authority does not have a documented information technology policies and procedures manual and did not provide cybersecurity awareness training to its employees.	19
5. The Southfield Redevelopment Authority does not have a documented employee Settlements and Judgments Policy.	21
OTHER MATTERS	22

LIST OF ABBREVIATIONS

BOD	board of directors
CTR	Office of the Comptroller of the Commonwealth
EDC	Economic Development Conveyance
IDRRB	Infrastructure Development Revenue Refunding Bond
OSA	Office of the State Auditor
SRA	Southfield Redevelopment Authority

EXECUTIVE SUMMARY

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 the Southfield Redevelopment Authority (SRA) for the period January 1, 2018 through December 31, 2022.

In this performance audit, we determined whether SRA took appropriate corrective actions based on prior audit findings and recommendations by OSA in the following areas:

- improving its board of directors' (BOD's) oversight of SRA management through the creation of an internal control plan as required by the Office of the Comptroller of the Commonwealth's (CTR's) *Internal Control Guide*;
- publishing and filing its annual financial audit with OSA as required by Section 31 of Chapter 291 of the Acts of 2014; and
- creating short- and long-term financial plans to ensure its financial solvency in accordance with the Governmental Accounting Standards Board Statement No. 56 (Codification of Financial and Accounting Reporting) and Section 5B of Chapter 40 of the General Laws.

We also determined whether SRA had an employee Settlements and Judgments Policy based on guidelines provided in CTR's Settlements and Judgments Policy 1779893.

Below is a summary of our findings, the effects of those findings, and our recommendations, with links to each page listed.

Finding 1 Page 16	SRA does not have an internal control plan and does not have an updated policies and procedures manual.
Effect	Without a documented internal control plan or an updated policies and procedures manual, SRA may be unable to sufficiently safeguard the organization or efficiently achieve its objectives.
Recommendation Page 16	SRA should develop and maintain a documented internal control plan that includes policies and procedures for SRA operations.
Finding 2 Page 17	SRA's BOD did not always provide timely signatory reviews of bank reconciliations.
Effect	Without timely reviews of the bank statement reconciliation process, SRA may suffer financial loss in the event of an error in the reconciliation process. With the departure of SRA's executive director in April 2019, the BOD has taken on some managerial roles and duties that would normally be required of an executive director. If the BOD is overly involved in roles that should be typically performed by management, in this case the timely review of the reconciliations, then the BOD may not be able to provide enough oversight on more important policy matters, and the risk of a conflict of interest may arise.

Recommendation Page 18	SRA should perform timely reviews of bank reconciliations, and the BOD should ensure that SRA is staffed with a sufficient number of employees who can fully manage SRA's daily operations.
Finding 3 Page 18	SRA's vendor invoices did not always have preapproval signatures prior to the preparation of an accounts payable warrant.
Effect	We did not find evidence of misappropriation or mismanagement of funds; however, if SRA does not properly segregate managerial duties to ensure that vendor invoices receive preapproval signatures, then there is an increased opportunity for errors or other problems to go unnoticed and for unauthorized transactions to occur.
Recommendations Page 19	<ol style="list-style-type: none"> 1. SRA should ensure that all accounts payable vendor invoices have preapproval signatures by a separate employee before being submitted to the BOD for final approval and payment. 2. SRA should create policies and procedures that detail specific requirements and responsibilities for all employees in the payment of vendor invoices process.
Finding 4 Page 19	SRA does not have a documented information technology policies and procedures manual and did not provide cybersecurity awareness training to its employees.
Effect	If SRA does not educate all employees on their responsibility to protect its information assets by creating an information technology policies and procedures manual or providing cybersecurity awareness training to all its employees, then SRA may be exposed to a higher-than-acceptable risk of cyberattacks, resulting in potential financial and/or reputational losses.
Recommendations Page 20	<ol style="list-style-type: none"> 1. SRA should develop, disseminate, and periodically review and update a documented information technology policies and procedures manual. The manual should address the purpose, scope, roles, responsibilities, management commitment, and coordination among employees. The manual should also contain an access control policy, a cybersecurity awareness and training policy, an audit and accountability policy, an identification and authentication policy, and an employee security policy. 2. SRA should ensure that it provides annual cybersecurity awareness training to all employees who have access to its computer network system.
Finding 5 Page 21	SRA does not have a documented employee Settlements and Judgments Policy.
Effect	Without a documented policy approved by the BOD, any settlements or judgments may not adhere to appropriate tax reporting, withholdings, or funding requirements, resulting in an undue financial burden on the Commonwealth and its taxpayers.
Recommendation Page 21	SRA should adopt CTR's Settlements and Judgments Policy 1779893 in its policies and procedures manual or create a new policy to keep current with executive branch policies and case law.

Post-Audit Action

SRA's BOD formally adopted CTR's Settlements and Judgments Policy 1779893 on August 21, 2024, and SRA reported to us that it is in the process of creating a documented internal control plan, policies and procedures manual, and an information technology policies and procedures manual, which will include

specific requirements for employee cybersecurity awareness training. Also, during our audit engagement, SRA employees successfully completed an online cybersecurity awareness training session.

OVERVIEW OF AUDITED ENTITY

The Southfield Redevelopment Authority (SRA) was originally established as the South Shore Tri-Town Development Corporation on August 14, 1998 by the Massachusetts Legislature under Chapter 301 of the Acts of 1998, as amended by Section 37 of Chapter 303 of the Acts of 2008. It was established for the purposes of acquiring the land and managing the redevelopment of the former South Weymouth naval air station for nonmilitary purposes including, but not limited to, commercial, housing, industrial, conservation, or manufacturing uses. It is located on approximately 1,400 acres in the towns of Abington, Rockland, and Weymouth.

Section 1 of Chapter 291 of the Acts of 2014 states the following:

This act shall reconstitute the South Shore Tri-Town Development Corporation, or SSTDC, as the Southfield Redevelopment Authority, reinforce municipal control over land use and development decisions affecting Abington, Rockland and Weymouth that constitute [naval air station] South Weymouth and strengthen the alignment of interests between the Authority, the towns and the Master Developer.

SRA has one office building, which is located on-site at 223 Shea Memorial Drive in South Weymouth. During the audit period, SRA employed two individuals—a land use administrator and a finance director. The finance director also fills the role of treasurer. SRA employed an executive director from February 2018 through April 2019. The Executive Director position has remained vacant since April 2019.

Section 8 of Article 1 of the “Southfield Redevelopment Authority Board of Directors’ By-Laws” states,

The Executive Director of the Authority shall have general supervision over the administration of its business and affairs . . . shall have oversight of all funds of the Authority and shall inspect monthly and annual reporting and reconciliations.

The typical roles of the executive director have been assumed by the land use administrator, finance director, and board of directors (BOD).

BOD and Advisory Board Oversight

A nine-member BOD oversees SRA. The board members are representative of the South Shore Chamber of Commerce (one member), the Norfolk County Labor Council (one member), and residents of Rockland (two members), Weymouth (two members), Abington (one member), and two members who are residents of SRA residential buildings. As of June 30, 2022, all positions for the BOD were filled. The BOD

oversees the management of the redevelopment of the land and ensures that the development and use of the land is conducted in compliance with zoning, land use bylaws, and SRA's enabling legislation. The BOD oversees and has final approval in all of SRA's major activities and acts to ensure that SRA's day-to-day management of operations is in alignment with its long-term goals. The BOD monitors SRA's activities through board meetings, board committees, and routine communications with SRA employees. All BOD members must be residents of the Commonwealth, and no SRA board member or employee may be a locally elected public official of the towns of Abington, Rockland, or Weymouth. The BOD has officer positions for members to serve as chair, vice-chair, and clerk.

The SRA advisory board reviews the general fund and enterprise fund budgets, then presents its comments and concerns to the BOD. There are 11 positions on the advisory board, consisting of board members representing Weymouth (two positions), Rockland (two positions), Abington (one position), Hingham (one position), the Metropolitan Area Planning Council (one position), and the Old Colony Planning Council (one position). The Governor also appoints three positions, with those appointments reserved for people skilled in real estate development (one position), administration and finance (one position), and housing and economic development (one position). As of June 30, 2022, there were four vacant advisory board positions: the three positions appointed by the Governor and the Hingham position. The advisory board holds regular meetings twice a year with SRA's BOD.

Project Overview

As of June 30, 2022, a total of 1,304 acres of land was transferred from the Navy Economic Development Conveyance (EDC) and National Park Service Public Benefit Conveyance to SRA, with approximately 81 acres of undeveloped land, as detailed in the table below.

Transfer Date	EDC Property	Public Benefit Conveyance Property
May 2003	324 acres	225 acres
December 2011	558 acres	—
September 2013	26 acres	—
October 2015	7 acres	—
November 2016	—	60 acres
December 2016	—	7 acres
March 2018	9 acres	—
August 2018	—	65 acres

Transfer Date	EDC Property	Public Benefit Conveyance Property
September 2021	23 acres	–
Total transferred	947 acres	357 acres
Remaining	58 acres	23 acres

According to SRA’s fiscal year 2022 Annual Report, SRA facilitated the building of 1,254 residential dwellings and 43,000 square feet of commercial space. As of April 2023, SRA had 1,274 completed residential dwellings. These dwellings consist of 774 multifamily apartments, 122 townhomes, 200 condominiums, and 178 single family homes on the land. There is also an additional 33,000 square feet of permitted commercial/retail space, of which 2,924 square feet is currently occupied through lease with a local bank.

All of the completed residential and commercial projects, which also includes a 25-acre indoor and outdoor sports complex, are located in Weymouth. As of March 3, 2023, the assessed value of the land was \$403.2 million. The remaining developable land comprises 335 acres, located in Weymouth, Abington, and Rockland, as follows:

Town Name	Developable Land in Acres
Weymouth	196
Abington	75
Rockland	64
Total Land Acreage	<u>335</u>

In September 2019, SRA issued a Request for Proposal for Real Estate Development Services for Union Point.¹ In January 2020, SRA selected Brookfield Properties, under the name BPD Union Point LLC, as the new master developer² to replace LStar Southfield LLC, and executed an amended and restated exclusive negotiation agreement in June 2021. This agreement includes provisions for BPD Union Point LLC to fund the non-debt type appropriations of SRA’s budget through monthly fees paid to SRA.

SRA’s Final Redevelopment Plan provides the current status and anticipated investment needs for transportation, water, wastewater, and other infrastructure. Furthermore, the plan contains

1. Union Point is the designated name for the development of the site of the former South Weymouth Naval Air Station.
2. The master developer serves to develop the land as they see fit. They are also the conduit through which any of the land is sold to sub developers.

redevelopment financial analyses and a 2023 Land Use Plan. SRA, in consultation with SRA's new master developer, developed the Final Redevelopment Plan in March 2023. This plan is intended to guide SRA's master planning and zoning process moving forward. Section III of the redevelopment plan states the following are listed as key goals, objectives, and elements of the redevelopment project:

1. Generate fiscal benefits. *The Redevelopment Project is an opportunity to stimulate growth and generate new revenues for the Towns and the Commonwealth. . . .*
2. Create jobs and encourage commercial and retail businesses. *The Redevelopment Project will help create jobs and the tax base necessary to enhance the economic health of the Towns and the SRA. . . .*
3. Residential. *Housing has been recognized as an essential component of a healthy economy in the Commonwealth. . . .*
4. Ensure smart growth and sustainable development. *The Redevelopment Project should incorporate smart growth principles with a mix of housing and commercial development, and transportation choices. . . .*
5. Open space. *The Open Space provides a framework for the Developable Area by first protecting important habitat and species, while also providing access to the public via a network of nature trails for walking and bicycling. . . .*
6. Reduce traffic by offering transportation choices on site. *The Redevelopment Project should incorporate a number of options for on-site transportation, including a network of pedestrian and bike paths and shuttle service to the adjacent commuter rail station and possibly other transportation options on the South Shore.*

Liabilities and Revenue

SRA has three long-term financial liabilities that are significant to our audit objectives: a 2020A series Infrastructure Development Revenue Refunding Bond (IDRRB), an EDC Note payable to the US Department of the Navy, and the East-West Parkway Bond due to the Commonwealth of Massachusetts.

The 2020A IDRRB in the aggregate principal amount of \$13,295,000 was issued in December 2020 for infrastructure improvements and to refund the outstanding 2010A Infrastructure Development Revenue Bond.³ As of June 30, 2022, the remaining balance for the 2020A IDRRB was \$12,510,000 and has a maturity date of August 2040. SRA has secured this bond primarily through pledged revenues and

3. The 2010A Infrastructure Development Revenue Bond was dated August 2010 in the amount of \$12,250,000 for reimbursement of various infrastructure repairs and improvements.

secondarily through percentages of a local tax levied on developable property within SRA's host communities in Weymouth, Rockland, and Abington.

The EDC Note was issued by the US Department of the Navy to SRA in December 2011 in the amount of \$10,000,000 for the purchase of approximately 680 acres of real property from the US Navy. In April 2020, the US Navy agreed to restructure the EDC Note and agreed to annual installment payments through December 2027. As of June 30, 2022, the remaining principal balance on the EDC Note was \$6,498,603.

The East West Parkway Bond is an executed memorandum of agreement made in January 2008, in the amount of \$30 million. Under this agreement, the Commonwealth of Massachusetts finances part of the East West Parkway Project. SRA is not liable for the repayment of the bonds; however, SRA is obligated to make deficiency payments to the Commonwealth in the event that any new state tax revenues generated by the redevelopment fails to meet annual debt service payments. The deficiency amount due to the Commonwealth increased from \$5,801,258 by \$1,104,426 in fiscal year 2022, and as of June 30, 2022, the balance due to the Commonwealth was \$6,905,684. SRA replaced its former master developer, who was responsible for paying any deficiency amounts. These deficiency amounts are expected to be addressed by the new master developer, BPD Union Point LLC, once SRA executes a new disposition and development agreement. The Commonwealth currently has a deferral period imposed on these payments.

As noted in SRA's 2022 financial statements, SRA's debt service⁴ is paid through funding by the master developer's monthly fees and pledged revenue of local, participating town property taxes which then remit the revenue to SRA. The remaining portion of SRA's debt service cost is funded through a district tax. The combination of pledged revenue and district tax allowed SRA to function under a total operating budget of \$2,542,673 for fiscal year 2022. At the end of each fiscal year, SRA's finance director / treasurer submits SRA's financial information to the Massachusetts Department of Revenue for certification of SRA's undesignated fund balance as free cash. The free cash may be used for capital improvements or reimbursement of any of SRA's prior year general fund subsidies, when needed. SRA will be dissolved and cease to exist no later than December 31, 2065, or upon its repayment of its outstanding debt.

4. Debt service refers to the money required to pay the principal and interest on an outstanding debt.

As stated in SRA's June 30, 2022 annual financial statement, SRA's financial status is as follows:

Account Type	Amount
Assets	\$44,382,046
Liabilities	\$28,536,452
Total deferred outflows of resources	\$246,476
Total deferred inflows of resources	\$3,299,113
Net position at beginning of fiscal year 2022	\$14,927,269
Net position at end of fiscal year 2022	\$12,792,957

Independent Auditor's Report

An independent auditor's report is compiled annually on SRA's financial statements. The independent auditor's report is prepared by a team of certified public accountants at Lynch Marini and Associates Incorporated. The report is available to the public for review on SRA's website. An independent auditor's report is mandated annually by Section 31 of Chapter 291 of the Acts of 2014, which states, "The authority shall cause an audit of its books and accounts relating to the [naval air station] South Weymouth redevelopment area to be made at least once in each fiscal year by certified public accountants."

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 Southfield Redevelopment Authority (SRA) for the period January 1, 2018 through December 31, 2022.

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 each question we intended our audit to answer; the conclusion we reached regarding each objective; and, if applicable, where each objective is discussed in the audit findings.

Objective	Conclusion
1. Did SRA take the appropriate corrective actions on audit findings and recommendations from OSA's prior audit report in the following areas: a. improving the board of directors' (BOD's) oversight of SRA management through the creation of an internal control plan as required by the Office of the Comptroller of the Commonwealth's (CTR's) <i>Internal Control Guide</i> ; b. publishing and filing its annual financial audit with OSA as required by Section 31 of Chapter 291 of the Acts of 2014; and c. creating short- and long-term financial plans to ensure its financial solvency in accordance with the Governmental Accounting Standards Board Statement No. 56 (Codification of Financial and Accounting Reporting) and Section 5B of Chapter 40 of the Massachusetts General Laws?	Not always; see Findings <u>1</u>, <u>2</u>, <u>3</u>, and <u>4</u>
2. Did SRA have an employee Settlements and Judgments Policy based on guidelines provided in CTR's Settlements and Judgments Policy 1779893, including the following: a. a process to determine the language, review, approval, and reporting of any employee settlement agreements and b. a process to determine whether a non-disclosure, non-disparagement, non-publication, or confidentiality request clause is appropriate in any employee settlement agreement?	No; see Finding <u>5</u>

To accomplish our objectives, we gained an understanding of SRA's internal control environment that we determined to be relevant to our objectives by interviewing SRA management and by reviewing applicable

SRA policies and procedures. We evaluated the design and implementation of internal controls related to our objectives. We also tested the operating effectiveness of controls related to the following controls:

- We selected a random sample of 20 bank statement reconciliations for all of SRA's bank accounts for the audit period. We then obtained the hardcopy bank statement reconciliations and reviewed each sample to determine whether and when each reconciliation had a signatory review⁵ by a board member. We then calculated the elapsed time from the bank statement date and the date of the signatory review.
- We randomly selected a sample of 24 months during the audit period and reviewed all accounts payable warrants (23 accounts payable warrants in total) related to those months to determine whether each warrant in our sample had a signatory review by a board member.
- We selected a random sample of 150 hardcopy invoices that were paid during the audit period. We reviewed each invoice to determine whether there was a preliminary approval signature from a separate employee before the invoice was included into an accounts payable warrant.
- We reviewed the respective BOD's meeting minutes for each annual budget period to determine whether each proposed annual budget was approved.

Our control testing identified issues regarding SRA's internal controls over its bank reconciliation and invoice signatory review. See Findings [2](#) , [3](#), and [Other Matters](#) for more information.

To obtain sufficient, appropriate evidence to address our audit objectives, we performed the procedures described below.

Corrective Actions

We determined whether SRA took appropriate corrective actions on audit findings and recommendations from OSA's prior audit report in the following areas:

- improving the BOD's oversight of SRA management through the creation of an internal control plan as required by CTR's *Internal Control Guide*;
- publishing and filing its annual financial audit as required by Section 31 of Chapter 291 of the Acts of 2014;
- creating short- and long-term financial plans to ensure its financial solvency in accordance with Governmental Accounting Standards Board Statement No. 56 (Codification of Financial and Accounting Reporting) and Section 5B of Chapter 40 of the General Laws.

To do this, we took the actions described below.

5. This review is when a dedicated board member provides their signature and date of review on each monthly bank reconciliation.

Internal Control Plan

We inquired of SRA management, who were responsible for creating and maintaining an internal control plan and a policies and procedures manual, whether SRA management was directed by its BOD to create said policies.

See Finding 1 for more information regarding the results of our testing of SRA's internal control plan.

Financial Audit

To determine whether SRA published and filed its annual financial audit with OSA as required by Section 31 of Chapter 291 of the Acts of 2014, we obtained all 5 annual financial audits of SRA for the audit period and determined whether they were made available to the public by reviewing SRA's website. We inquired of SRA management whether the annual financial audits were submitted to OSA no later than 120 days after the end of the fiscal year. We then calculated the number of days that may have passed after fiscal year end to when the annual financial audits were submitted to the OSA.

We noted no significant issues in our testing of publishing and filing of SRA's annual financial audits.

Financial Solvency

To determine whether SRA created short- and long-term financial plans to ensure its financial solvency in accordance with Governmental Accounting Standards Board Statement No. 56 (Codification of Financial and Accounting Reporting) and Section 5B of Chapter 40 of the General Laws, we took the following actions:

- We obtained SRA's budget projections for fiscal years 2024 through 2029 and calculated the projected percentage changes between each fiscal year.
- We calculated the percentage of projected revenue to expenses through 2029 to determine whether SRA plans to have adequate funding to cover its potential annual operating costs and long-term debt payments.
- We reviewed SRA's stabilization fund, a dedicated fund that provides SRA the ability to maintain basic services through supplemental funding in the event of financial instability. To determine whether the stabilization fund was sufficiently funded for SRA's financial needs, we calculated any changes in the ending balance for each fiscal year during the audit period.
- We asked for and obtained from SRA management revenue generation and debt reduction plans and documented how each plan affects its current and future solvency. Using the most recent audited financial statement from the audit period, fiscal year 2022, we compared the

stated revenue amounts in the financial statement to each amount in the revenue generation plan. We then compared the revenue against SRA's total expenditures and, more specifically, against its debt service cost for its three long-term debts. Using SRA's debt reduction plans, we calculated each plan's reduction amount and whether the long-term debt balances were actively being reduced.

We noted no issues in our testing regarding SRA's creation of both short- and long-term financial plans to ensure its financial solvency.

Employee Settlement Agreements

We determined whether SRA had an employee Settlements and Judgments Policy based on guidelines provided in CTR's Settlements and Judgments Policy 1779893, including the following:

- a process to determine the language, review, approval, and reporting of any employee settlement agreements and
- a process to determine whether a non-disclosure, non-disparagement, non-publication, or confidentiality request clause is appropriate in any employee settlement agreement.

To accomplish this, we took the following actions.

We inquired of SRA management and SRA legal counsel regarding any use of settlements and judgments for current or past SRA employees. We also asked SRA management whether SRA has a Settlements and Judgments Policy as part of its internal control plan. We then reviewed all 19 human resource files of past and current employees and board members to determine whether there were any settlements, judgments, non-disclosure agreements, or any other documentation that would appear to be related to settlements, judgments, or non-disclosure agreements. We obtained the minutes for all 81 board meetings that took place during the audit period, and reviewed each write-up, looking for references to any employee settlement agreements.

We used SRA's Bank Register Report, Paid Warrant Report, and General Ledger Reports from the audit period to compile a population of all 58 expenses, totaling \$105,053, for legal counsel services during the audit period. We then judgmentally selected the top 20 largest expensed payments, totaling \$78,672, and reviewed each invoice payee name, amount, date, and purpose to determine whether those payments were indicative of any type of employee settlement agreement. Further, we compiled a summary of all paid legal services for each fiscal year during the audit period and calculated a trend in the expensed amount between each fiscal year, to determine whether there was any indication of employee settlement agreement payments.

See Finding 5 for more information regarding the results of our testing of SRA's employee Settlements and Judgments Policy.

Data Reliability Assessment

To determine the reliability of the data (Bank Register Report, Paid Warrant Report, and General Ledgers) obtained from SRA's information systems, we tested the following information system controls: security management, configuration management, segregation of duties, contingency planning, and access controls. Our assessment identified issues regarding certain information system general controls over SRA's computer network system. See Finding 4 for more information.

Bank Register Report

To determine the reliability of the Bank Register Report, we interviewed SRA management who were knowledgeable about the data and observed SRA's finance director query SRA's finance system and extract 1,115 transactions that were made during the audit period. The finance director then provided these 1,115 transactions to us in an Excel spreadsheet. We ensured that the total number of transactions we observed within the finance system matched the total number of transactions in the Excel spreadsheet. We inspected the transaction data for embedded data, hidden names, rows, columns, workbooks, and invisible content. We also inspected the data for duplicates, identifying whether a check number appeared more than once within the data.

To determine the accuracy of the population of the 1,115 transactions, we used a randomly selected sample of 20 transactions listed on the Bank Register Report and compared the check numbers, amounts, dates of transactions, and names of payees to the corresponding hardcopy invoices and canceled checks. To determine the completeness of this population, we judgmentally selected a sample of 20 hardcopy invoices and compared the invoice amounts, dates of transactions, and payee names to the information listed in the Bank Register Report, canceled check stubs, and general ledgers.

Paid Warrant Report

To determine the reliability of the Paid Warrant Report, we interviewed SRA management who were knowledgeable about the data and observed SRA's finance director print a previously compiled paid warrant report containing 217 transactions from a now defunct financial software program. The finance director then provided the report to us in a PDF document. We ensured that the total balances for each

account we observed on the computer screen matched the total balances for each account on the PDF document. We reviewed the data and documented the beginning and ending check numbers and identified whether a check number appeared more than once within the data or were missing from consecutive count.

To determine the accuracy of the population of 217 transactions, we used a randomly selected sample of 10 transactions listed on the Paid Warrant Report and compared the check numbers, amounts, dates of transactions, and names of payees to the corresponding hardcopy invoices and canceled checks. To determine the completeness of this population, we judgmentally selected a sample of 10 hardcopy invoices and compared the invoice amounts, dates of transactions, and names of payees to the information listed in the Paid Warrant Report, canceled check stubs, and general ledgers.

General Ledgers

To determine the reliability of the General Ledger Reports, we interviewed SRA management who were knowledgeable about the reports and the data within. We ensured that the total balances for each account we observed on the computer screen matched the total balances for each account on the PDF document that SRA provided to us.

To determine the accuracy of the General Ledger Reports, we selected a judgmental sample of 12 months of all bank accounts listed in the general ledgers and compared the bank account names and amounts to the corresponding hardcopy bank statements and reconciliation forms. To determine the completeness of the General Ledger Reports, we judgmentally selected a sample of 12 months of all bank account hardcopy forms and compared the bank account names and amounts to the corresponding general ledger accounts and reconciliation forms.

Based on the results of our data reliability assessment procedures detailed above, we determined that the information obtained for the audit period was sufficiently reliable for the purposes of our audit.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. The Southfield Redevelopment Authority does not have an internal control plan and does not have an updated policies and procedures manual.

The Southfield Redevelopment Authority (SRA) does not have an internal control plan and has not updated its policies and procedures manual since 2012. Also, the board of directors (BOD) did not instruct SRA management to create an internal control plan or update and maintain its policies and procedures manual. During a prior audit, the Office of the State Auditor found that SRA did not have an internal control plan and discussed this matter with the authority.

Without a documented internal control plan or an updated policies and procedures manual, SRA may be unable to sufficiently safeguard the organization or efficiently achieve its objectives.

Authoritative Guidance

Chapter 647 of the Acts of 1989 states, "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."

Section 12.01 of the Office of the Comptroller of the Commonwealth's (CTR's) *Internal Control Guide* states, "Managers and other staff in key roles should document internal control. . . . The documentation may appear in . . . administrative policies or operating manuals."

Reasons for Issue

SRA management stated that the BOD was unaware that it needed to have an internal control plan or have an updated policies and procedures manual in place for SRA's operations.

Recommendation

SRA should develop and maintain a documented internal control plan that includes policies and procedures for SRA operations.

Auditee's Response

The Authority's staff is currently working on a draft Internal Control Plan using the Office of the Comptroller of the Commonwealth's Internal Control Guide. The Authority has individual policies for accounts payable and payroll, as well as a monthly and annual accounting checklist, however

the Authority has not updated the policies and procedures manual that was adopted by its predecessor organization, the [South Shore Tri-Town Development Corporation]. The Authority will update the Policies and Procedures Manual to reflect our 2014 Enabling Legislation. Also, please note that the Authority has had an Antifraud Policy in effect since February of 2019.

Auditor's Reply

SRA states that it is taking appropriate actions to address this finding.

2. The Southfield Redevelopment Authority's board of directors did not always provide timely signatory reviews of bank reconciliations.

In our review of 20 bank statement reconciliations, we found that 19 reconciliations had an average elapsed time of 198 days between the bank statement date and a board member's signatory review, the least being 71 days after a bank statement date and the most being 370 days. Further, 1 out of the 20 reconciliations was missing signature approval.

Without timely reviews of the bank statement reconciliation process, SRA may suffer financial loss in the event of an error in the reconciliation process. With the departure of SRA's executive director in April 2019, the BOD has taken on some of managerial roles and duties that would normally be required of an executive director. If the BOD is overly involved in roles that should be typically performed by management, in this case the timely review of the reconciliations, then the BOD may not be able to provide enough oversight on more important policy matters, and the risk of a conflict of interest may arise.

Authoritative Guidance

Section 8 of Article 1 of the "Southfield Redevelopment Authority Board of Directors By-Laws" states,

The Executive Director of the Authority shall have general supervision over the administration of its business and affairs, subject to the direction of the Authority. The Executive Director shall have oversight of all funds of the Authority and shall inspect monthly and annual reporting and reconciliations.

Reasons for Issue

SRA management stated that bank reconciliations by the treasurer are typically done 30 to 60 days out from their receipt of bank statements. When the executive director left SRA, the BOD expanded its involvement in day-to-day operations, performing more of the managerial duties that would normally be required of an executive director. This included a signatory review of bank statement reconciliations. Only

one board member has been assigned the task of reviewing and signing on these reconciliations. Depending on the availability of this board member, it can take additional time to complete this task.

Recommendation

SRA should perform timely reviews of bank reconciliations, and the BOD should ensure that SRA is staffed with a sufficient number of employees who can fully manage SRA's daily operations.

Auditee's Response

The Authority is currently and will continue to complete bank reconciliations within 30 to 60 days. This timeframe will be included in the Internal Control Plan, and the updated Policies and Procedures Manual of the Authority. In addition, the Authority will assign an alternate board member to provide signatory review of bank reconciliations when necessary to stay within the 30 to 60 day timeframe.

Auditor's Reply

SRA states that it is taking appropriate actions to address this finding.

3. The Southfield Redevelopment Authority's vendor invoices did not always have preapproval signatures prior to the preparation of an accounts payable warrant.

During our review of internal controls, we inspected 150 vendor invoices, totaling \$264,853, and found that 23 invoices, totaling \$21,185, were missing preapproval signatures by a separate employee before the treasurer submitted those invoices on an accounts payable warrant to the BOD for final approval and payment. In practice, this means that a single employee, in this case, the treasurer, can cause a payment to be made to a vendor without review and certification by others that the vendor actually exists and that the goods were provided or services rendered.

We did not find evidence of misappropriation or mismanagement of funds; however, if SRA does not properly segregate managerial duties to ensure that vendor invoices receive preapproval signatures, then there is an increased opportunity for errors or other problems to go unnoticed and for unauthorized transactions to occur.

Authoritative Guidance

Chapter 3.4 of the US Government Accountability Office's "Federal Information System Controls Audit Manual," published February 2009, states,

Effective segregation of duties starts with effective entity wide policies and procedures that are implemented at the system and application levels. Work responsibilities should be segregated so that one individual does not control all critical stages of a process.

While SRA is not required to follow this manual, we believe it to be a best practice.

Reasons for Issue

SRA management stated that the land use administrator does not manage all SRA consultants or vendors (e.g., finance, insurance, information technology). As a result, the treasurer would be the primary approver for those invoices before submitting them to the board for final approval through an accounts payable warrant.

Recommendations

1. SRA should ensure that all accounts payable vendor invoices have preapproval signatures by a separate employee before being submitted to the BOD for final approval and payment.
2. SRA should create policies and procedures that detail specific requirements and responsibilities for all employees in the payment of vendor invoices process.

Auditee's Response

The Authority is currently and will continue to have the Land Use Administrator provide a pre-approval signature on all invoices on the accounts payable warrants, during the absence of an Executive Director, in addition to the Treasurer/Finance Director, providing dual review and approval prior to submittal of the accounts payable warrants to the Board of Directors for final approval.

Auditor's Reply

SRA states that it is taking appropriate actions to address this finding.

4. The Southfield Redevelopment Authority does not have a documented information technology policies and procedures manual and did not provide cybersecurity awareness training to its employees.

During our assessment of SRA's computer information system network, we found that SRA does not have a documented information technology policies and procedures manual that dictates access control,

security awareness and training, audit and accountability, identification and authentication, and employee security. Further, SRA did not provide its employees any cybersecurity awareness training.

If SRA does not educate all employees on their responsibility to protect its information assets by creating an information technology policies and procedures manual or providing cybersecurity awareness training to all its employees, then SRA may be exposed to a higher-than-acceptable risk of cyberattacks, resulting in potential financial and/or reputational losses.

Authoritative Guidance

Sections AC-1, AT-1, AU-1, IA-1, PS-1, and AT-3 of the National Institute of Standards and Technology's *Security and Privacy Controls for Information Systems and Organizations* state that organizations should develop and provide to employees cybersecurity awareness training and policies on access control, audit and accountability, identification and authentication, and employee security.

While SRA is not required to follow these guidelines, we consider them to be a best practice.

Reasons for Issue

SRA management stated that the BOD was unaware that an information technology policies and procedures manual or cybersecurity awareness training were required for a small organization.

Recommendations

1. SRA should develop, disseminate, and periodically review and update a documented information technology policies and procedures manual. The manual should address the purpose, scope, roles, responsibilities, management commitment, and coordination among employees. The manual should also contain an access control policy, a cybersecurity awareness and training policy, an audit and accountability policy, an identification and authentication policy, and an employee security policy.
2. SRA should ensure that it provides annual cybersecurity awareness training to all employees who have access to its computer network system.

Auditee's Response

The Authority agrees with the recommendations and will work to implement them in coordination with our [information technology] consultant. Both staff members completed Cybersecurity Awareness Training in April of 2024, and have marked their calendars for the first Monday in April to continue the training.

Auditor's Reply

SRA states that it agrees with our recommendations and is taking action to implement them.

5. The Southfield Redevelopment Authority does not have a documented employee Settlements and Judgments Policy.

SRA does not have a documented employee Settlements and Judgments Policy. Without a documented policy approved by the BOD, any settlements or judgments may not adhere to appropriate tax reporting, withholdings, or funding requirements, resulting in an undue financial burden on the Commonwealth and its taxpayers.

Authoritative Guidance

The Agency Counsel and Department Responsibilities Section of CTR's Settlements and Judgments Policy 1779893, effective July 1, 2004, states,

The Agency Counsel, Department Chief Fiscal Officer and Payroll Director are responsible for ensuring that claims against the Commonwealth are negotiated and processed in compliance with [Section 5.00 of Title 815 of the Code of Massachusetts Regulations] and policies and instructions issued for Settlements and Judgments, and that all relevant staff are provided with access to these materials and training as appropriate.

Reasons for Issue

SRA management stated that SRA has never executed any settlements or judgments to past or current employees. Therefore, SRA was not aware that a policy guideline existed or was required by CTR.

Recommendation

SRA should adopt CTR's Settlements and Judgments Policy 1779893 in its policies and procedures manual or create a new policy to keep current with executive branch policies and case law.

Auditee's Response

The Authority adopted CTR's Settlements and Judgments Policy in October 2024.

Auditor's Reply

SRA states that it has already taken action regarding our recommendation for this finding.

OTHER MATTERS

In the course of our audit, we noted that the board of directors (BOD) of the Southfield Redevelopment Authority (SRA) is involved in the day-to-day management of the authority in ways not typical of a BOD. The BOD has not hired an executive director to replace the executive director who left the agency, and, instead, the BOD is performing some of the duties of this position itself. This is specifically called out in our audit for issues with reconciling bank account statements, but the involvement of the BOD in day-to-day management of SRA extends beyond this. We do not consider this a best practice and note that it can compromise the BOD's ability to provide needed oversight to agency operations, as the BOD would be responsible for both performing management duties and overseeing them. This would be a management conflict and may result in less oversight, as BOD members may be less likely to question the work of their fellow BOD members.

We recommend that SRA examine these issues and develop an appropriate separation of duties between SRA management and the BOD across all agency functions. While perhaps well-intended to help SRA function without an executive director or to help save money by not hiring an executive director, this loss of management oversight increases risk for SRA and the Commonwealth, and we recommend that it be addressed.