



# The Commonwealth of Massachusetts

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**INDEPENDENT STATE AUDITOR'S REPORT  
ON THE  
BARNSTABLE SHERIFF'S OFFICE TRANSITION TO  
THE COMMONWEALTH OF MASSACHUSETTS  
ON JANUARY 1, 2010**

**OFFICIAL AUDIT  
REPORT  
APRIL 30, 2010**

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## INTRODUCTION

### *Background*

Chapter 61 of the Acts of 2009, An Act Transferring County Sheriffs to the Commonwealth, was enacted on August 6, 2009. This Act transfers to the Commonwealth the remaining seven County Sheriff's Offices and, except where specified, all of their functions, duties, and responsibilities including assets, liabilities, and debt as of January 1, 2010. Also, Chapter 102 of the Acts of 2009, An Act Relative to Sheriffs, was enacted on September 29, 2009 "to provide for supplementing certain items in the general appropriation act and other appropriation acts for fiscal year 2010" and amended certain sections of Chapter 61 of the Acts of 2009.

Chapter 61, Section 25, of the Act requires the Office of the State Auditor (OSA) to conduct an independent audit of the assets, liabilities, and potential litigation of each of the County Sheriff's Offices (Barnstable, Bristol, Norfolk, Plymouth, Suffolk, Nantucket, and Dukes) transferred to the Commonwealth. The audit shall also include an audit of any accounts, programs, activities, functions, and inventory of all transferred Sheriff's Office property. The OSA is required to file a report with the Secretary of Administration and Finance and the Chairs of the House and Senate Committees for Ways and Means no later than April 30, 2010 that includes a summary of audit results for each Sheriff's Office and the cost of each audit.

The Barnstable Sheriff's Office (BSO) ensures protection of the community by providing a safe and secure environment, as well as correctional and educational services, at its facilities. The BSO received funding for fiscal year 2010 to operate a jail, house of correction, and any other statutorily authorized facilities and functions. There are approximately 330 employees staffing the BSO. Its facilities have an original inmate capacity of 588 inmates and during January 2010, had an average daily inmate census of 450 inmates. This includes 448 state and county inmates, as well as two federal detainees who are being held for the United States Marshal's Service. The BSO is responsible for operating all aspects of the facilities as presently structured and has an inmate support network consisting of multiple programs. The BSO provides jail operations and inmate programs through its correctional and educational services. The Barnstable County Correctional Facility is located at the Massachusetts Military Reservation in the Town of Bourne.

Programs offered include educational and human service programs as such vocational training and Alcoholic Anonymous to help smooth the reintegration of inmates into society. The public safety

programs offered by the BSO include the Bureau of Criminal Investigation (BCI), a resource for crime scene investigation, along with communication and technical support programs to alert the public to any imminent public safety emergencies in the area. The community relations programs offered by the BSO include a wide range of services under a Citizens Corp, Senior Programs, Youth Programs, a Citizens Academy, and community service inmate crews to perform various types of service within the community.

Civil deputies throughout the Commonwealth collect fees for their services of civil process conducted in accordance with Chapter 37, Section 11, of the Massachusetts General Laws, which states:

*Sheriffs and their deputies shall serve and execute, within their counties, all precepts lawfully issued to them and all other process required by law to be serviced by an officer. They may serve process in cases wherein a county, city, town, parish, religious society or fire or other district is a party or interested, although they are inhabitants or members thereof.*

The serving of civil process, in accordance with Chapter 262 of the General Laws, includes such activities as serving summonses, warrants, subpoenas, and other procedures requiring legal notification. The BSO Civil Process Office, under a Chief Deputy Sheriff, consists of 11 Deputy Sheriffs along with support and clerical staff. The Office is a for-profit corporation filing with the Commonwealth of Massachusetts Office of the Secretary of State. It is operationally independent of the BSO and there are no accounting records for it at the County Treasurer's Office or at the BSO. The Office's operations as controlled by the Massachusetts General Laws are specialized. The Civil Process Office operates independently at no cost to the county or to the taxpayers. Attorneys, or individual plaintiffs, under a statutory-fee structure, pay for the service. The Deputy Sheriffs of this Office deliver legal notices and court papers from all Massachusetts courts, as well as from the various courts in other states. They are legally capable to serve process in all 15 towns within the County of Barnstable. The cases vary from small claims matters to multi-million dollar real estate attachments and major Superior Court matters. Fully computerized, the Civil Process Office is located adjacent to the Barnstable County Complex at 3261 Main Street in Barnstable Village. The Civil Process Office handles approximately 12,600 services per year.

***Audit Scope, Objectives, and Methodology***

As authorized by Chapter 11, Section 12, of the Massachusetts General Laws and as required by Chapter 61, Section 25, of the General Laws, the Office of the State Auditor conducted an independent audit of the transfer of BSO to the Commonwealth. Our audit was conducted in accordance with applicable generally accepted government auditing standards and accordingly included such audit procedures and tests, as we considered necessary under the circumstances.

The purpose of the audit was to:

- Determine whether all BSO duties, functions and responsibilities were transferred in accordance with Chapter 61 of the Acts of 2009, including all applicable laws, regulations, and policies related to the transition to the Commonwealth;
- Determine whether all BSO assets, liabilities, and debt were transferred in accordance with Chapter 61 of the Acts of 2009; and
- Report the results of the audits to the Barnstable County Sheriff, the Secretary of Administration and Finance, and the Chairs of the House and Senate Committees on Ways and Means.

Our audit consisted of, but was not limited to, the following procedures:

- Reviewed Chapter 61 of the Acts of 2009, Chapter 102 of the Acts of 2009, and other applicable laws, rules, regulations, and policies relating to the transfer of the BSO;
- Met with the Barnstable County Sheriff, County Treasurer, County Commissioners, and other Sheriff's Office and county officials;
- Met with officials from the Executive Office for Administration and Finance, Office of the State Comptroller, Division of Capital Asset Management, Office of the State Treasurer, Public Employee Retirement Administration Commission, Group Insurance Commission, and other Commonwealth officials;
- Reviewed and tested payroll and personnel records transferred;
- Reviewed and verified terms and conditions of transferred employee benefits coverage for continuation and compliance as specified in Chapter 61 of the Acts of 2009;
- Obtained listings and reviewed applicable policies and procedures for the processing and authorization of expenses, accounts payable, liabilities, leases, contracts, and pending litigation;

- Obtained listing of all cash and investment accounts as of January 1, 2010 to determine the status of all accounts;
- Obtained listings of accounts receivable as of January 1, 2010 to determine their comprehensiveness and accuracy;
- Identified revenue streams and status of retained revenue accounts as of January 1, 2010;
- Obtained listing of property, equipment, and inventory as of January 1, 2010 to determine its comprehensiveness and accuracy;
- Reviewed and analyzed fiscal year 2010 spending plans and budget projections;
- Reviewed and analyzed fiscal year 2010 appropriation and other accounts established in the Massachusetts Management Accounting and Reporting System (MMARS) as of January 1, 2010;
- Determined the nature, extent, and status of civil processing functions and other programs and activities as of January 1, 2010;
- Determined the establishment and activity status of the mandated Deeds Excise Fund as of January 1, 2010;
- Reviewed functions and activities related to the transition of employees to the Group Insurance Commission and State Retirement System.

Our audit of the BSO should not be construed to be an audit within the strict standards and guidelines adhered to by the Office of the State Auditor and promulgated by the Comptroller General of the United States in Government Auditing Standards January 2007 Revision, which discusses under the heading “General Standards” (Section 3.10) certain scope impairments, as follows:

*Audit organizations must be free from external impairments to independence. Factors external to the audit organization may restrict the work or interfere with auditors’ ability to form independent and objective opinions, findings, and conclusions. External impairments to independence occur when the auditors are deterred from acting objectively and exercising professional skepticism by pressures, actual or perceived, from management and employees of the audited entity or oversight organizations. For example, under the following conditions, auditors may not have complete freedom to make an independent and objective judgment, thereby adversely affecting the audit:*

*c. unreasonable restrictions on the time allowed to complete an audit or issue the report;*

Because of the BSO transition date of January 1, 2010 and the legislatively mandated OSA reporting deadline of April 30, 2010, it was not reasonable or feasible to conduct an extensive audit of the

County Sheriffs transfer. The BSO was conducting its regular business and transitioning to the Commonwealth at the same time that our audit was in progress, and the many changes and extensive activities required for this transition were still ongoing as the audit was being conducted. Prior to the January 1, 2010 transition, the County Treasurer processed BSO payrolls and BSO bills. After the transition, Sheriff's Office staff was responsible for processing financial data and paying bills through the Commonwealth's Massachusetts Management Accounting and Reporting System (MMARS) and using the Commonwealth's Human Resource/Compensation Management System (HR/CMS) to prepare its payroll. This transition required BSO staff to learn how to use two financial reporting and processing systems, populate the systems' databases, and continuously enter data to encumber funds and pay BSO obligations. The learning curve associated with utilizing two information systems is quite steep and requires additional time by all parties involved. As of mid-March 2010, most of the BSO's MMARS accounts were established and MMARS data fields were in the process of being populated. Our review determined that the BSO's bi-weekly payroll was being accurately processed and that bills were in the process of being paid. Therefore, our audit approach was to determine the status of the BSO transition to the Commonwealth, identify and report any issues preventing compliance with Chapter 61 of the Acts of 2009 and all other applicable legislation related to the transition, and make recommendations for improvements or corrective action.

Chapter 61, Section 22, of the Acts of 2009 establishes a Special Commission to investigate and study all Sheriffs' Offices throughout the Commonwealth and make recommendations for possible reorganization or consolidation of operations, administration, regulation, governance, and finances, including recommending legislation. Section 22 delineates the composition of the special commission and its mission as follows:

*Notwithstanding any general or special law to the contrary, there shall be a special commission to consist of 9 members: 1 of whom shall be a member of the Massachusetts Sheriffs Association; 2 of whom shall be appointed by the speaker of the house of representatives; 1 of whom shall be appointed by the minority leader of the house of representatives; 2 of whom shall be appointed by the president of the senate; 1 of whom shall be appointed by the minority leader of the senate, and 2 of whom shall be appointed by the governor for the purpose of making an investigation and study relative to the reorganization or consolidation of sheriffs' offices, to make formal recommendations regarding such reorganization or consolidation and to recommend legislation, if any, to effectuate such recommendations relating to the reorganization, consolidation operation, administration, regulation, governance and finances of sheriffs' offices...*

*The commission, as part of its review, analysis and study and in making such recommendations regarding the reorganization, consolidation, operation, administration, regulation, governance*

*and finances of sheriffs' offices, shall focus on and consider the following issues, proposals and impacts:*

- (1) the possible consolidation, elimination or realignment of certain sheriffs' offices and the potential costs savings and other efficiencies that may be achieved by eliminating, consolidating and realigning certain sheriffs offices to achieve pay parity;*
- (2) any constitutional, statutory or regulatory changes or amendments that may be required in order to effectuate any such consolidation or reorganization;*
- (3) the reallocation of duties and responsibilities of sheriffs' office as a consequence of any such consolidation or reorganization;*
- (4) the best management practices including, but not limited to, administrative procedures, payroll systems, software updates, sheriff's ability to negotiate cost effective contracts and the current use of civil process funds, including the amount of civil process funds collected by each county sheriff and the actual disposition of said funds currently, and, in the event of consolidation, realignment, elimination or reorganization, the collection and use of civil process fees in the future;*
- (5) the consideration of any other issues, studies, proposals or impacts that, in the judgment of the commission, may be relevant, pertinent or material to the study, analysis and review of the commission; and*
- (6) The need for appropriate placements and services for female detainees and prisoners, including pre-release services, job placement services, family connection services and re-entry opportunities; provided however, the review shall consider the need and present adequacy of placement of female prisoners and detainees in each country and provided further, that all departments, divisions, commissions, public bodies, authorities, boards, bureaus or agencies of the commonwealth shall cooperate with the commission for the purpose of providing information or professional expertise and skill relevant to the responsibilities of the commission subject to considerations of privilege or the public records law.*

*The commission shall submit a copy of its final report of its findings resulting from its study, review, analysis and consideration, including legislative recommendations, if any, to the governor, president of the senate, speaker of the house of representatives, the chairs of the house and senate committees on ways and means and the chairs of the joint committee on state administration and regulatory oversight and the clerks of the senate and house of representatives not later than December 31, 2010.*

The OSA has conducted numerous audits of the seven Sheriff's Offices previously transferred to the Commonwealth prior to the enactment of Chapter 61. Our audits have disclosed instances of inconsistencies amongst the Sheriff's Offices regarding their financial operations and the application of various conflicting laws, rules, and regulations and have made recommendations to address these issues. Our recommendations in this audit, where appropriate, will also be directed to the Secretary for Administration and Finance and Chairs of the House and Senate Committees on Ways and Means, the Legislature, and the Special Commission for its consideration and use during its study



and investigation for the reorganization and consolidation of Sheriff's Offices throughout the Commonwealth in the future.

The Audit Results section of this report outlines the status of the transition of the BSO.

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## AUDIT RESULTS

### 1. TRANSITION STATUS OF SHERIFF, PERSONNEL, AND PAYROLL

#### *Sheriff Compensation*

The elected Barnstable Sheriff's annual salary as of January 1, 2010 is \$123,209 in compliance with Chapter 61 of the Acts of 2009, An Act Transferring County Sheriffs to the Commonwealth, which states, in part:

*The sheriffs of the counties of Barnstable, Bristol, Norfolk, Plymouth and Suffolk and of the former counties of Berkshire, Essex, Franklin, Hampden, Hampshire, Middlesex and Worcester shall each receive a salary of \$123,209.*

In the six months prior to the transfer, the Sheriff received a salary of \$70,265, including longevity pay and education incentive. The Sheriff's paid salary for that prior period was \$61,605, longevity pay totaling \$6,160, and education incentive totaling \$2,500. The votes to approve and disburse funds for these longevity and education incentive benefits as part of a full compensation package to the Sheriff have been affirmed on an ongoing basis by Barnstable County Commissioners up to the transition date. The Sheriff does not accrue any leave time including any sick, vacation, or other leave accruals. These existing benefits continue through the transition under Chapter 61, Section 17, of the Acts of 2009.

#### *Personnel and Payroll*

There were a total of 330 employees at the BSO for the initial six months of fiscal year 2010 that were paid under the county system in the amount of \$9,746,972 through December 31, 2009. During the first pay period after the transition, the number of employees decreased to 325 employees; four individuals retired and one individual voluntarily terminated employment. All of these 325 employees are now being paid from the Commonwealth of Massachusetts Human Resource/Compensation Management System (HR/CMS).

As part of our review of the transferred employees, we randomly selected a sample of 25 employees from the total of 330 BSO employees. We reviewed payroll information and leave balances transferred from the county payroll for the period ended December 18, 2009 for comparison to the Commonwealth of Massachusetts HR/CMS payroll for the period ended January 2, 2010.

We reviewed and analyzed the listing of all employees by title, full-time or part-time status, pay rate, longevity, roll call rate of pay, education incentive, employee portion of Medicare, court-ordered deductions, retirement deductions, union dues deductions, collective bargaining agreement, and non-union and other payroll-related information to determine whether all of the payroll information was transferred properly from the county to the HR/CMS. We then reviewed the transferred employees' benefit accruals (compensation time, personal time, sick time, and vacation time) to verify their accuracy during transition from the county to the Commonwealth. Finally, we reviewed the state rates for Group Insurance Commission benefits and calculated percentages of health insurance costs that employees would pay depending on their bargaining unit or non-union status.

Our testing indicated that all employees and all of these elements were transferred properly from the county to the HR/CMS. Everyone who received a regular rate of pay as of the last pay period in December 18, 2009 was properly transferred and the payroll was properly accounted for along with leave balances according to the above-listed attributes for the January 2, 2010 payroll. We were also able to verify that the employees, whose collective bargaining agreement stipulated either a 15% or 20% premium contribution rate for union employees or a 20% or 25% rate for non-union employees for health insurance, were accurately carried forward in the transfer.

The payroll and personnel records for the BSO are currently being maintained on site at the BSO administrative offices.

***Recommendation***

The control environment related to payroll and personnel functions as organized by Barnstable County appears to be adequate for the transfer of these functions. Policies, procedures, and internal controls for these functions should be developed and instituted in compliance with the Massachusetts laws and regulations. Moreover, these policies and procedures should be referenced in the BSO's Internal Control Plan (ICP) for the protection and accountability of the BSO's personnel and payroll functions against the threat of loss, waste, fraud, and misuse. (See Audit Result No. 6.)

**Auditee's Response**

*We have begun the process of developing our Internal Control Plan (ICP) by updating our fiscal policies and procedures. We intend to complete our ICP by the May 2011 deadline from the Office of the State Comptroller.*

**2. TRANSITION STATUS OF ASSETS TRANSFERRED**

We determined the status of cash, accounts receivable, property, and equipment and inventory at the BSO that were being transferred to the Commonwealth in accordance with Chapter 61 of the Acts of 2009, as follows:

**Cash**

The BSO controlled a significant amount and diverse group of funds, excluding those related to Civil Process, that have been transferred in accordance with Chapter 61. Section 12(a) of the Acts of 2009 states, in part:

*Notwithstanding any general or special law to the contrary and except for all counties the governments of which have been abolished by chapter 34B of the General Laws or other law, revenues of the offices of sheriff in Barnstable, Bristol, Dukes, Nantucket, Norfolk, Plymouth and Suffolk counties for civil process, inmate telephone and commissary funds shall remain with the office of the sheriff.*

The BSO's cash, checking, savings, and all other bank accounts were controlled by and in the custody of the Barnstable County Treasurer's Office, with the exception of the Civil Process Office, whose revenues, expenses, and operations were independently controlled as of January 1, 2010. The respective account names, purpose, and amounts of those funds are listed below as they appear after the transition date:

| ACCOUNT NAME   | PURPOSE  | BALANCE 01/01/2010 |
|----------------|--|--------------------|
| Inmate Canteen | Profits generated from: inmate commissary, inmate phone service, vending machines in visiting area, staff break room, locker room; and print shop. Expenses support inmate care (e.g., attorneys, libraries, counseling, and postage). | \$266,152          |
| Fine Account   | Checkbook for Inmate state-mandated fees (e.g., court ordered restitution, child support, alimony, etc.)   | 176                |
| Inmate Fund    | Funds in possession of inmates at intake and given to them by family members   |                    |

|                        |   |                    |
|------------------------|---|--------------------|
|                        | during incarceration. Money pays for commissary items and any owed bail.  | 228,579            |
| Work Release           | Payroll checks from employer of inmates in Federal Work Release Program.  | 58,978             |
| State Sweep Account    | Depository only account. Balance is the December 31 cash balance in the BSO Operating Account held by the County. | 2,017,559          |
| State Dynacash Account | Cash Advances from MMARS (Opened 1/1/10)  | 0                  |
| TOTAL                  |   | <u>\$2,571,444</u> |

### ***Account Receivable***

There were no accounts receivable on BSO's county records as of December 31, 2009 and no receivables were transferred to the Commonwealth on January 1, 2010. However, according to the County Treasurer, approximately \$67,416 was still being maintained by the county for the BSO to use as of February 13, 2010, and is to be remitted to the Commonwealth once all collections are received and receivable amounts are satisfied. These funds were generated from the US Marshal's Service, Federal Housing and Community Correction Grant and the County Correction Fund recorded on the General Ledger of the county. The County Treasurer continued to control this account as of January 1, 2010 and the BSO was aware of this, but it did not maintain its own financial reporting of these funds. The BSO established financial reporting for accounts receivable after the transition and after the reconciliation of these outstanding balances.

The BSO is currently waiting for accounts to be set up in Massachusetts Management Accounting and Reporting System (MMARS) for the State Criminal Alien Assistance Program (SCAAP) and the Federal Bureau of Prisons as part of its new responsibilities as a state entity.

Projected receivables for fiscal year 2010 include tower and dispatch leases, and rental agreements entered into by the BSO, which are accounted for in a Communication Trust Fund Account in MMARS. The projected revenue generated for leases, contracts, and rental agreements for the balance of the account in fiscal year 2010 are as follows:

| Lessee                                  | Lease Service            | Term of Lease  | Lease Amount  |
|---|--------------------------|--|---|
| AT&T Wireless                           | Cell phone Tower Rental  | December 17, 1997 with three consecutive five-year options exercised.              | \$42,699 per year with a 4% increase annually until 2017.               |
| Verizon Wireless                        | Cell phone Tower Rental  | August 5, 2002 to June 30, 2006 with two five-year renewable clauses through 2016. | \$39,493 annually with 4% increases built in until July 2023.           |
| Nextel Communications                   | Cell phone Tower Rental  | September 12, 2000 to September 12, 2015.  | Annual tower rental Income: \$40,007.                                   |
| Evercom, Inc.                           | Inmate Telephone Service | July 1, 2009 to June 30, 2010.   | 52% of gross revenues accrue to the BSO.                                |
| US Department of Justice                | Federal Inmate Services  | March 1, 2009 to February 28, 2012.  | Federal payment amount not to exceed \$887,760 for period of agreement. |
| Fire Departments (FD) Dispatch Revenue: | FY 2010                  | Fiscal Year 2010.  | \$20,000 base fee plus \$17 per call.                                   |
| Barnstable FD:                          | \$10,000                 |  | 1. Actual amount is number of calls per calendar year.                  |
| Brewster FD:                            | \$63,571                 |  | 2. Small volume, Barnstable and West Barnstable split base fee.         |
| Dennis FD:                              | \$99,900                 |  | 3. Per call fee to increase \$0.50 per call per year starting in 2011.  |
| Mashpee FD:                             | \$69,011                 |  |   |
| Orleans FD:                             | \$59,015                 |  |   |
| West Barnstable FD:                     | \$10,000                 |  |   |

The revenue from the AT&T, Verizon, Nextel, and Evercom agreements for January, February, and March 2010 was \$30,545 and projected income for April, May, and June 2010 is \$30,550. The AT&T, Verizon and Nextel funds are swept and then posted to the Communication Trust Fund; Evercom, Inc. funds are posted to the Inmate Canteen; and the US Department of Justice funds are posted to the Federal Grants Account.

The separate fire dispatch revenue from Barnstable, Brewster, Dennis, Mashpee, Orleans, and West Barnstable Fire Departments are projected to be \$80,957 through June 30, 2010. These amounts are deposited into a sweep account with the Office of the State Treasurer (OST) and then posted to the Communications Trust Fund for operational costs of the dispatch service.

There are several MMARS accounts that track funds from the federal government. These include a budgetary account for the Federal Reimbursement Retained Revenue Account for the federal prisoners under the US Marshal's Service, a Trust Fund Account for Federal Detention for Work Release Program Employer Amounts, and grant accounts to handle the federal reimbursement funds for the purchase of bulletproof vests and for reimbursement under the Federal Bureau of Prisons Electronic Monitoring and Work Release Programs.

Further, BSO and Keefe Commissary Network contracted for the cash card system used for inmate purchases at the Inmate Canteen. The original contract time period was from July 1, 2007 to June 30, 2008 and was renewed for two additional years. The contract is based on monthly sales at the Inmate Canteen less postage, and non-commissionable items; the adjusted gross sales of which is retained by the BSO at 32.5% commission. All proceeds are deposited to the Canteen Fund. Provisions are made for supplies to be donated to indigent inmates.

### ***Property and Equipment***

The BSO is situated within the Barnstable County Correctional Facility at the Massachusetts Military Reservation in the Town of Bourne. These properties are valued at \$58,061,192. The properties and the associated administrative offices were transferred under Chapter 61, Section 7 of the Acts of 2009. A separate parcel of land not on the Massachusetts Military Reservation is not being transferred from the county to Commonwealth as stated in Chapter 61, Section 7 (f). This property is the former County House Of Correction located at the Barnstable County Complex on state highway route 6A in the Town of Barnstable.

The real and personal property to be transferred, as stated in Chapter 61, Section 7, includes tools, maintenance, and Master Inventory lists for communications, weapons, and other security equipment. Perpetual inventories are kept in each individual department throughout the year. The Assistant County Treasurer capitalized items at the \$5,000 threshold under the county policies and procedures. A physical inventory is also performed annually on these items at the BSO and at the conclusion of the annual physical inventory the Assistant Deputy Superintendent for Finance submits a new, complete, and updated Fixed Asset Report to the Superintendent, with adjustments appropriately made from the information received from the individual departments.

Chapter 61, Section 23, of the Acts of 2009 states the following:

*Not less than 90 days after the effective date of this act, a sheriff transferred under this act shall provide to the secretary of administration and finance a detailed inventory of all property in the sheriff's possession which shall include, but not be limited to, vehicles, weapons, office supplies and other equipment.*

BSO has written policies and procedures addressing this requirement. The BSO maintains materials, supplies, food, drugs, and other consumable inventories on the premises for prison industries, the infirmary, and the dietary needs of the inmates but there is no dollar value ascribed to them. These inventories are maintained within the facility and secured under policies established within the BSO Policies and Procedures for Inventory, Number 122.02, as part of the Finance Department Policies and Procedures, which states:

*The purpose of this document is to establish Barnstable County Sheriff's Office (BCSO) policy and procedure to maintain sound fiscal responsibility through inventory control of all fixed property and other assets.*

We found that the listings being maintained were incomplete in terms of the financial values placed on the tools, maintenance, and master inventories for communications equipment, weapons, and other security equipment. There was an Asset-By-Site/Location Report of inventory for the jail and administrative facility valued at \$2,507,169. Our review included physically testing 22 items randomly selected from the listing provided. We were able to locate all 22 items from the listing; however, six items that were located did not have an inventory tag affixed to them that could be traced back to the inventory listing. The Chief Financial Officer stated that BSO is planning to tag all items by the end of fiscal year 2010.

The BSO submitted its inventories for fixed assets, vehicles, weapons, medical and maintenance equipment, and other supplies to the Executive Office for Administration and Finance (EOAF) on March 26, 2010, pursuant to Chapter 61, Section 23, of the Acts of 2009.

### ***Recommendation***

To comply with Chapter 61, Section 23, of the Acts of 2009, BSO needs to assign values in its inventory listings for its communications equipment, weapons, and security equipment. Further, BSO should affix inventory tags to all of its fixed assets to ensure the security of transferred assets and inventory in compliance with Massachusetts laws, rules, and regulations. BSO should reference its policies and procedures regarding its fixed assets and inventory listings to its ICP.



These policies, procedures and internal controls should include provisions for processing and monitoring cash control activities; establishing accounts receivable practices including oversight activities; processing and monitoring inventories or property and equipment including taking of periodic physical inventories, and equipment replacement planning steps should be developed for the custody, protection, and accountability of these assets and inventories against the threat of loss waste, fraud and misuse because they are now Commonwealth of Massachusetts property (See Audit Result No. 6.)

### ***Auditee's Response***

*In anticipation of our transfer to state government, we purchased a new database program with a barcode and scanner system for the purpose of ensuring that all our fixed assets are properly inventoried. We intend to have our new Fixed Asset Inventory Database updated by the June 30, 2010 deadline from the Office of the State Comptroller.*

*We have begun the process of developing our Internal Control Plan (ICP) by updating our fiscal policies and procedures. We intend to complete our ICP by the May 2011 deadline from the Office of the State Comptroller.*

### **3. TRANSITION STATUS OF THE LIABILITIES AND LITIGATION**

We reviewed the status of account payable, potential litigation, and contracts and leases that were being transferred to the Commonwealth as required by Chapter 61 of the Acts of 2009, as follows:

#### ***Accounts Payable***

Prior to the transfer, all invoices were sent to the Barnstable County Treasurer for payment and the Treasurer recorded all financial transactions. The following paragraph discusses the amounts due to vendors and other non-payroll accounts payable, including prior years, still outstanding as BSO obligations.

The final pre-transition accounts payable balance as of December 31, 2009 was \$68,294. Our review disclosed that all but four outstanding items totaling \$10,750 have been paid by either the county or the Commonwealth as of March 24, 2010. We reviewed these four items and the invoices appear to be appropriate and are waiting for receipt confirmation or documentation prior to being paid. The four items include a \$320 invoice from a plumbing and heating contractor due to a prevailing wage issue, which was settled and cleared for payment by the BSO on March 30, 2010. A \$4,850 invoice for a cooling motor as part of the heating, ventilation, and

air conditioning system on the roof of the jail that was repaired on March 24, 2010 was cleared for payment for the end of March 2010. A \$5,490 fire suppression system inspection is due to be completed and paid by March 31, 2010. The remaining \$90 is part of an open blanket order for BCI camera repairs.

### ***Potential Litigation***

There are four cases in active litigation at the BSO, none of which require any contingencies due to any impending financial loss because three of the four cases have insurance and indemnification against loss and the fourth was settled without financial loss. One case of an inmate claiming sexual assault during his incarceration has been removed to federal court with the plaintiff listing his legal address as the jail. This case is in the discovery phase. The inmate was deposed and the BSO filed a motion for Summary Judgment. Another case is in the appellate stage after an inmate filed a claim of negligence in an incident in which he fell in the kitchen and cut his hand. This case was settled on February 18, 2010. The claim of negligence was dismissed and the inmate has appealed claiming new evidence from an inmate witness. The final two cases were in the discovery phase as of the transition date. In one case, an inmate claims that a design defect in the shower room left puddles of water, which caused him to slip and fall; the case is four years old and is just in discovery phase. The last case is a claim by an inmate that he was forcibly subdued, which is also still in the discovery phase.

### ***Contracts and Leases***

As of the date of transfer, the BSO had one lease for eight photocopier machines and associated devices along with one separate copier leased for a machine in the Education Department. The eight copiers and associated devices are on lease for \$2,096 per month from Bank of America Leasing and Capital, LLC and the separate copier in the Education Department is leased for \$220 per month from Banc of America Leasing and Capital, LLC.

The contracts entered into by BSO are for a wide range of services with some based upon usage and others on a fixed price. The following summary paragraph details, in general, the range in value of contractor services, the amounts committed for the services prior to the transfer, and the necessity and reasonableness of the liability remaining after the transfer in fiscal year 2010 for the contracts examined.

We reviewed all existing contracts over \$1,000 between the BSO and local providers of goods and services for proper signature and date. Our review of these contracts was to determine the term, purpose, and amount of the contract. Our review of the cost of these contracts that were within our cost parameters disclosed a range from an annual low cost of \$2,855 for fingerprint identity scanning to a high cost of \$52,126 for six months of photocopier and fax machine maintenance service. Our review found that all existing contract terms fell within the current 2010 fiscal year, and appear to be necessary and reasonable expenditures for operation of a correctional facility. The contracts we reviewed have been integrated into MMARS.

### ***Recommendation***

The BSO needs to develop and institute policies, procedures, and internal controls to properly process the accounts payable and pending litigation in compliance with Massachusetts laws and regulations. These policies, procedures, and internal controls should be developed so that exposure to the Commonwealth against any undue financial loss is minimized and to ensure that there is transparency in the processing of transactions. This process should function daily and at fiscal year-end in order to guarantee that the BSO is in compliance with the closing instructions of the OSC for proper Commonwealth financial recording and reporting purposes at year-end. These policies and procedures should be developed and referenced in the BSO's ICP. (See Audit Result No. 6.)

### ***Auditee's Response***

*We have begun the process of developing our Internal Control Plan (ICP) by updating our fiscal policies and procedures. We intend to complete our ICP by the May 2011 deadline from the Office of the State Comptroller.*

## **4. TRANSITION STATUS OF ACCOUNTS, PROGRAMS, OR OTHER ACTIVITIES**

### ***Status of BSO reporting in the Massachusetts Management Accounting and Reporting System (MMARS)***

The BSO's accounts for maintenance appropriation, retained revenue, grants, and trusts established and set up in MMARS are summarized in the bullets listed below as of the transition date. The maintenance appropriation accounts are listed by account name and appropriation number and, if active, relative amount detail on any information entered as of the transition date.

- The Maintenance Appropriation account number is: 8910-8200.

- The Retained Revenue account number is: 8910-8210. The balance in the Retained Revenue Account as of March 16, 2010 is \$53,296.

As of March 31, 2010, the BSO had encountered limited difficulties in establishing and processing transactions into MMARS for its General Maintenance Appropriation, Retained Revenue Appropriation, Federal Revenue, Grants, Fixed Assets, and Trust Accounts. Further, the BSO has been able to enter substantial transactions into MMARS. Our audit disclosed that BSO personnel are consistently improving in their usage of and in the initial necessary skills for daily transaction processing as part of their MMARS reporting responsibilities, with some minor exceptions. The BSO Chart of Accounts lists 22 MMARS accounts; Budgetary Accounts, Trust Fund Accounts, State Grant Interdepartmental Service Agreement Accounts, Federal Grant Interdepartmental Service Agreement Accounts, and Direct Federal Grant Accounts. Only two of these 22 MMARS accounts were not up and running as of March 31, 2010 as BSO is awaiting processing of these accounts by OSC and EOAF.

During the audit, we found that BSO personnel were consistently improving in their ability to enter information into MMARS, exemplified by the low transaction error rates in our widely drawn sample of the initial payroll after the transition that was entered into the MMARS system by those personnel. Therefore, BSO employees have, by the necessity of the transition, assumed additional duties and responsibilities not previously performed but are diligently adapting to a new accounting system. Employees of the BSO received and are continuing to receive MMARS training and daily assistance for transitioning BSO operations. In addition, mentoring personnel from other Sheriff's Offices previously transitioned from county government to the Commonwealth are also assisting the BSO as needed. BSO officials anticipated that employees would continue to fully utilize and adapt to MMARS in the future for all transactions based on their continued training and usage of MMARS.

#### ***Budgetary Status and Spending Plans***

On October 1, 2009, the BSO submitted to the EOAF a six-month fiscal year 2010 spending plan (January 1 to June 30, 2010) based on its appropriated amount in accordance with Chapter 102 of the Acts of 2009.

On February 8, 2010, the BSO submitted to the House and Senate Ways and Means Committees a budget showing its full fiscal year 2010 projected spending. The BSO then annualized this amount and added necessary expansion to create its 2011 budget request.

The projected spending detailed in the spending plan submitted to EOAF and the House and Senate Ways and Means Committees totaled \$22,902,809, detailed as follows for fiscal year 2010.

| <b>Projected Spending for Fiscal Year 2010</b> |   |                     |
|--|---|---------------------|
| <b>Code</b>                                    | <b>Description</b>  | <b>Amount</b>       |
| AA   | STATE EMPLOYEE COMPENSATION   | \$18,495,691        |
| BB   | EMPLOYEE-RELATED EXPENSES   | 353,800             |
| CC   | SPECIAL EMPLOYEE/ CONTRACTED EMPLOYEES AND SERVICES   | 185,165             |
| DD   | PENSION AND INSURANCE-RELATED EXPENDITURES  | 342,444             |
| EE   | ADMINISTRATIVE EXPENSES   | 67,500              |
| FF   | FACILITY OPERATIONAL SUPPLIES AND RELATED EXPENSES  | 1,368,274           |
| GG   | ENERGY COSTS AND SPACE RENTAL EXPENSES  | 1,310,000           |
| HH   | CONSULTANT SERVICE CONTRACTS  | 6,975               |
| JJ   | OPERATIONAL SERVICES  | 17,500              |
| KK   | EQUIPMENT PURCHASE  | 5,000               |
| LL   | EQUIPMENT TAX EXEMPT LEASE-PURCHASE, LEASE AND RENTAL MAINTENANCE AND REPAIR                      | 52,800              |
| MM   | PURCHASED CLIENT HUMAN AND SOCIAL SERVICES AND NON-HUMAN SERVICES PROGRAMS                        | 20,000              |
| NN   | CONSTRUCTION AND IMPROVEMENTS OF BUILDINGS AND MAINTENANCE OF INFRASTRUCTURE AND LAND ACQUISITION | 205,000             |
| PP   | GRANTS AND SUBSIDIES  | 0                   |
| RR   | ENTITLEMENT PROGRAMS  | 130,310             |
| SS   | DEBT PAYMENT  | 0                   |
| TT   | LOANS AND SPECIAL PAYMENTS  | 0                   |
| UU   | INFORMATION TECHNOLOGY EXPENSES   | \$342,350           |
| TOTAL  |   | <u>\$22,902,809</u> |

This amount was then annualized by BSO to create an FY 2011 maintenance budget without any expansion allowed.

We discussed the fiscal year 2010 budget with the BSO officials and whether sufficient funding exists to cover expenses for the remainder of the fiscal year. They indicated that for the period of January 1, 2010 through June 30, 2010, the BSO anticipates a slight surplus in its temporary Expendable Trust Account. This account, which expires June 30, 2010, was established for the BSO by the OSC and EOAF so that the BSO could expend the positive balance that existed in its operating account with the county on December 31, 2009 to cover accounts payable and the two December payrolls. The balance of this Expendable Trust was not known to the BSO until December 2009, well after the proposed spending plans were submitted.

### ***Sheriff's Office Locally Held Funds***

The BSO controls and maintains a significant amount of and diverse group of funds that are by statute not being transferred to the Commonwealth and into MMARS but are to remain with the BSO. These accounts are the Inmate Canteen, Inmate Fund, Work Release Program, and Fine Account. Also, the BSO has established two other local accounts to accommodate activity and facilitate transfers to the Commonwealth. These accounts are the Dynacash Account and Sweep Account.

The Assistant Deputy Superintendent for Financial Matters is currently responsible for reconciling these accounts as of the transition date after the completion of the transfer. Authorization for the Inmate Canteen and Fine Account are the shared responsibility of the Superintendent, Assistant Superintendent, and a Captain in Charge of Records; the Inmate Fund authorization is the shared responsibility of the Superintendent, Assistant Superintendent, and a Captain in Charge of Records along with the Assistant Deputy Superintendent of Human Resources. The Work Release Program is the shared responsibility of Superintendent, and the Assistant Superintendent, along with the Assistant Deputy Superintendent of Human Resources. The BSO Sweep Account is a depository only account reconciled by the Assistant Deputy Superintendent for Financial Matters. The BSO Dynacash Account is controlled by the Superintendent and Assistant Deputy Superintendent of Finance and is reconciled by a finance clerk.

### ***Recommendation***

Policies, procedures, and internal controls for MMARS activities, budgetary processes, and locally controlled assets should be instituted and developed in compliance with Massachusetts's

laws and regulations. These policies should be developed for the custody, protection, and accountability of the maintenance appropriation, retained revenue, grants, and trusts established and set up in MMARS to prevent loss, waste, fraud, and misuse. These policies and procedures should be developed to ensure that exposure to the Commonwealth against any loss is minimized and that there is transparency in the processing of transactions. This process should function daily and at fiscal year-end in order to ensure that the BSO is in compliance with the OSC's closing instructions for the relevant items and for proper financial reporting on the Commonwealth's books at year-end. These policies and procedures should, once developed, be referenced in the BSO's ICP. (See Audit Result No. 6.)

#### ***Auditee's Response***

*We have begun the process of developing our Internal Control Plan (ICP) by updating our fiscal policies and procedures. We intend to complete our ICP by the May 2011 deadline from the Office of the State Comptroller.*

### **5. TRANSITION STATUS OF REVENUES TRANSFERRED**

#### ***Deeds Excise Fund***

Chapter 61, Section 2, of the Acts of 2009, which amends Chapter 64D, Sections 11 to 13 of the General Laws, states the following in regard to the Deeds Excise Fund:

*Section 11. Except for Barnstable and Suffolk counties, there shall be established upon the books of each county of a transferred sheriff, the government of which county has not been abolished by chapter 34B or other law, a fund, maintained separate and apart from all other funds and accounts of each county, to be known as the Deeds Excise Fund.*

*Notwithstanding any general or special law to the contrary, except for Barnstable and Suffolk counties, on the first day of each month, 10.625 per cent of the taxes collected in the county of a transferred sheriff under this chapter shall be transmitted to the Deeds Excise Fund for each county; provided, however, that in any county in which its minimum obligation, established by the secretary of administration and finance in 2009, is insufficient in any given fiscal year to satisfy the unfunded county pension liabilities and other benefit liabilities of retired employees of the sheriff's office as determined by the secretary of administration and finance in consultation with appropriate county officials and county treasurers, beginning in fiscal year 2011, the county shall retain 13.625 per cent of the taxes collected in such county and transferred to the Deeds Excise Fund to satisfy the unfunded county pension liabilities and other benefit liabilities of retired employees of the sheriff's office until the minimum obligation is sufficient or until such county has paid such unfunded pension liability in full; and provided further, that once such liabilities are satisfied, the following month and each month thereafter, 10.625 per cent of such taxes collected shall be retained by such county; provided, however, that an additional 30.552 per cent of said taxes collected in Nantucket county shall be transmitted to the Deeds Excise Fund on the first day of each month for said county*

*through June 1, 2009; and provided further that if in a fiscal year the dollar amount that equals 30.552 per cent of said taxes collected in Nantucket county exceeds \$250,000, the amount in excess shall be transmitted to the General Fund. The remaining percentage of taxes collected under this chapter, including all taxes collected under this chapter in Barnstable and Suffolk counties and all counties the government of which has been abolished by chapter 34B or other law, but not including the additional excise authorized in section 2 of chapter 163 of the acts of 1988, shall be transmitted to and retained by the General Fund in accordance with section 10.*

We reviewed with the Barnstable County Register of Deeds deeds excise activity to determine that the correct amount of deeds excise was remitted to the Commonwealth and to the Deed Excise Fund during the transfer. The total deeds excise recorded for December 2009 was \$1,170,898, with \$207,655 sent to the County Deeds Excise Fund. For January 2010, the entire \$921,196 collected was sent to the Commonwealth. These amounts reconciled with the amounts recorded by the County Treasurer.

### **Grant Income**

The BSO has grant income that is used for various programs and activities at the BSO. The following is a listing of grants, start dates, end dates, funding type, and remaining funds available:

| <b>Contract Start Date</b> | <b>Contract End Date</b> | <b>Funding Source</b>                            | <b>Funding Type</b>        | <b>Contract Stated Amount</b> | <b>Balance 1/1/2010</b> |
|----------------------------|--------------------------|--|----------------------------|-------------------------------|-------------------------|
| 09/01/09                   | 06/30/10                 | Department of Elementary and Secondary Education | Federal                    | \$96,443                      | \$57,607                |
| NA                         | NA                       | Department of Justice                            | Federal                    | 1,551                         | 1,551                   |
| NA                         | NA                       | Department of Justice                            | State                      | 5,283                         | 5,283                   |
| 05/22/09                   | 04/30/10                 | Executive Office of Public Safety and Security   | Federal Pass-Through Grant | 66,252                        | 23,522                  |
| 07/01/09                   | 06/30/10                 | Department of Public Health                      | State                      | 45,000                        | 23,732                  |
| 07/01/09                   | 06/30/10                 | Office of Victim Assistance                      | Federal Pass-Through Grant | 51,680                        | 26,131                  |
| 7/1/09                     | 6/30/10                  | Department of Public Health                      | State                      | 46,503                        | 4,651                   |
| 07/01/09                   | 6/30/10                  | Executive Office of Public Safety and security   | State                      | 879,774                       | 121,037                 |
| 10/01/09                   | 09/30/10                 | Department of Justice                            | Federal                    | 214,580                       | 214,580                 |
| 09/01/09                   | 08/31/10                 | Department of Elementary and Secondary Education | Federal Pass-Through Grant | 85,964                        | 57,939                  |
| 07/15/09                   | 06/30/10                 | Department of Elementary and Secondary Education | Federal Pass-Through Grant | <u>23,135</u>                 | <u>6,343</u>            |
|                            |                          |  | TOTAL                      | <u>\$1,516,165</u>            | <u>\$542,376</u>        |



***Federal Revenues***

The BSO has an Intergovernmental Agreement with the Federal Bureau of Prisons (BOP) to handle BOP inmates. The current daily rate for inmates is \$90 per day per inmate for detention and pre-release services for housing these inmates and \$45 per day for home confinement services for these inmates. The estimated maximum number of inmates to be handled by BSO for these services is two for detention and home confinement and six for detention and pre-release at any given time under the agreement.

***Recommendation***

Policies, procedures, and internal controls for these transferred revenues should be instituted and developed in compliance with Massachusetts's laws, rules, and regulations. These policies and procedures should be developed for the custody, protection, and accountability of all revenue, including Commonwealth revenue, retained revenue, grant revenue, and trust revenue against the threat of loss, waste, fraud, and misuse. These policies should be developed to ensure that exposure to the Commonwealth against any financial loss is minimized and that there is transparency in the processing of and accountability for transactions. These policies and procedures should be referenced in the BSO's ICP. (See Audit Result No. 6.)

***Auditee's Response***

*We have begun the process of developing our Internal Control Plan (ICP) by updating our fiscal policies and procedures. We intend to complete our ICP by the May 2011 deadline from the Office of the State Comptroller.*

**6. TRANSITION STATUS OF OTHER MATTERS*****Civil Processing***

Prior to the transition, the Civil Process Office (CPO) was functioning as a for-profit corporation and filing with the Commonwealth of Massachusetts Office of the Secretary of State as the Barnstable County Deputy Sheriff's Corporation. It is operationally independent of the BSO and there are no accounting records for it at the County Treasurer's Office or at the BSO. The Sheriff of Barnstable County swears in employees of the corporation and the corporation's operations are in a leased facility in the town of Barnstable. The Sheriff indicated that there are no employees of the BSO that are employed by the Barnstable County Deputy Sheriff's Corporation. We inquired about the availability of financial information from the corporation

and were not given access to the corporation records. As of the transition, the financial operations of the CPO continued to be run by the for-profit corporation

### ***Employee Benefits***

We reviewed the terms and conditions of all BSO contracts entered into by the various union employees at BSO. We noted that in accordance with the terms of the agreement, the union employees are entitled to specific amounts related to the various benefits, including, but not limited to, shift differentials; overtime; roll call; educational incentives; holidays; and vacation, sick, personal, and bereavement leave. Also, as part of the terms of the contracts, BSO, and now the Commonwealth, must contribute to the costs of the union employees' primary health insurance premiums. As part of our testing, we were able to verify that union employees continued with all benefits governed by the terms of their collective bargaining agreements. Conversely, non-union BSO employees were transitioned over to the Commonwealth at the established Commonwealth share of 80% (75% if hired after June 30, 2003), consistent with other state employees.

The six unions representing employees at the BSO on December 31, 2009 were covered by health insurance provided by Blue Cross and Blue Shield. These employees paid a share as a portion of the entire health care premium. Five of these unions were all covered by this plan under contracts that expire on June 30, 2012 and the sixth union that was covered under this plan has a contract that expires on June 30, 2011. The five unions with contract expiration dates of June 30, 2012 are: The Barnstable Correctional Officers Union; National Association of Government Employees Administrative Office Workers Local 220-Clerical; International Brotherhood of Correctional Officers Local 217, Public Safety Division-Telecommunications; National Association of Government Employees Registered Nurses and Licensed Practical Nurses; and International Brotherhood of Correctional Officers Local 217, Public Safety Division-Radio Technicians. The only union with a contract expiration date of June 30, 2011 was the American Federation of State County and Municipal Employees, AFL-CIO Council 923 (Captains Union).

The six contracts were amended as of January 1, 2010, the transition date, with a provision to change the health insurance payment and form of participation for each member based on the following provisions in regard to union membership. Each union member hired before June 30,

2003 pays 15% of the health insurance premium and members hired after June 30, 2003 pay 20% of the health insurance premium with all members agreeing to participate in plans offered by the Group Insurance Commission (GIC). GIC coverage for all employees was effective as of February 1, 2010.

***An Internal Control Plan needs to be developed as required by Chapter 647 of the Acts of 1989***

Because of the short timeframe and work involved in the transition of the BSO's operations from the county to the Commonwealth, the BSO has not created an ICP developed in accordance with Chapter 647 of the Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies. Chapter 647 states in part, "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." However, although the BSO does not have an ICP, we found that the BSO does have various comprehensive departmental policies and procedures manuals that can be used, in part, to develop its ICP. The OSC Internal Control Guide, Chapter 1, Internal Control Plan Framework, outlines the importance of internal controls for all Commonwealth entities, as follows:

*An organization is a living entity, which changes over time. As a result, the organization's mission, goals and objectives must be regularly evaluated and periodically revised. Thus, internal control is an ongoing process known as the Internal Control Cycle. After an organization analyzes its goals and objectives to determine its risks, management must analyze these risks and evaluate the policies and procedures in the identified high-risk areas. Part of the management process includes monitoring the progress made toward meeting goals and objectives. Monitoring also helps to ensure the effectiveness of the organization's internal controls and the effectiveness of the policies and procedures. Periodically, policies and procedures should be revised to mitigate risk and eliminate redundancy. They must also be communicated internally and externally, as necessary.*

*Everyone in an organization has responsibility for internal control.*

*An internal control plan is a description of how a department expects to meet its various goals and objectives by using policies and procedures to minimize risk. The Commonwealth has defined the internal control plan to be a high-level summary supported by lower level policy and procedures. Each department's internal control plan will be unique; however, it should be based on the same framework – the organization's mission statement, goals and objectives, and components of internal control recommended by COSO. The plan should be reviewed and updated as conditions warrant, but at least annually.*

*Because the department's policies and procedures provide the detail for the internal control plan, it is important that they be reviewed in conjunction with the plan. It is not uncommon for the detailed policies and procedures to be modified due to changes in*

*personnel, audit or quality assurance recommendations, etc. As these modifications occur, the department's documentation should be updated to reflect them.*

*As stated in Chapter 647 of the Acts of 1989, the department's Internal Control Officer is responsible for its internal control plan. The designated Internal Control Officer should be a senior manager, equivalent in title or rank to an assistant or deputy to the department head. It should be noted, however, that internal controls are the responsibility of every employee.*

Moreover, Chapter 3 of the OSC Guide states, in part:

*All operating departments in Massachusetts state government are required to develop and document departmental internal controls, which must be prioritized and summarized into a departmental internal control plan based on a risk assessment. Responsibility for the department internal control plan resides with the department's Internal Control Officer (ICO). The role of the ICO, as stated in Chapter 647 of the Acts of 1989, is described as follows: "...an official, equivalent in title or rank to an assistant or deputy to the department head, whose responsibility...shall be to ensure that the agency has written documentation of its internal accounting and administrative control system on file. Said official shall, annually, or more often as conditions warrant, evaluate the effectiveness of the agency's internal control system and establish and implement changes necessary to ensure the continued integrity of the system."*

*The Office of the Comptroller defines a department-wide risk assessment as the identification and analysis of the risks that could prevent the department from attaining its goals and objectives. This identification and analysis form the basis for determining the risk management strategy. A precondition to risk assessment is the establishment of the organization's mission and goals. A risk assessment is an integral part of an internal control plan.*

*The Office of the Comptroller defines an internal control plan as a high level department-wide summarization of the department's risks and the controls used to mitigate those risks. This high level summary must be supported by lower level detail, i.e. departmental policies and procedures.*

The BSO needs to create an ICP to be in compliance Chapter 647 and OSC guidelines. The BSO should identify its ICP with the eight components of Enterprise Risk Management (ERM). For an ICP to be considered to have an effective high-level summarization of its internal controls, all eight components of the ERM must be present as described in the OSC Internal Control Guide. These components are described in the OSC Internal Control Guide as follows: Internal Environment, Objective Setting, Event Identification, Risk Assessment, Risk Response, Control Activities, Information and Communication, and Monitoring.

The BSO needs to develop and fully integrate a risk assessment throughout the entire BSO to determine how the BSO's greatest risks to its mission, goals, and objectives would be identified and mitigated. Once risks are identified, the ICP should be adequately developed and cross-

referenced to supporting lower-level detail (i.e., departmental policies and procedures) for most of its organizational areas to ensure that a reliable ICP is in place for the daily operation of the entire BSO. Updates and additions are needed because the BSO is such a large and complex operation with appropriations in excess of \$22 million, approximately 330 employees, and an inmate capacity of 588. Accordingly, the BSO needs to develop an effective internal control plan that addresses its entire financial and programmatic operations. Updating its ICP is important for the BSO to ensure the integrity and effectiveness of its internal control system and enhance its ability to respond to changes while maintaining the system's effectiveness.

The following links provide guidance to the newly transferred Sheriff's Offices regarding the development and implementation of their respective ICPs. The first link displays the OCS's most recent revision of its Internal Control Guide, incorporating the principles of Enterprise Risk Management. The second link provides additional guidance on internal controls for departments in transition.

[http://www.mass.gov/Aosc/docs/business\\_functions/bf\\_int\\_cntrl/Internal\\_Control\\_Guide\\_Volume\\_I.doc](http://www.mass.gov/Aosc/docs/business_functions/bf_int_cntrl/Internal_Control_Guide_Volume_I.doc)

[http://www.mass.gov/Aosc/docs/policies\\_procedures/internal\\_controls/po\\_ic\\_add\\_guide\\_dept.doc](http://www.mass.gov/Aosc/docs/policies_procedures/internal_controls/po_ic_add_guide_dept.doc)

***Recommendation***

In order to adequately safeguard assets, promote operational efficiency, and comply with Chapter 647 of the Acts of 1989, the BSO should initiate plans to work with the OSC and with other Sheriff's Offices already transferred to the Commonwealth to develop an ICP in accordance with Chapter 647 and OSC guidelines. Development of the ICP is important in order for BSO to achieve its mission and objectives efficiently, effectively, and in compliance with applicable state laws, rules, and regulations. The ICP will also provide support and guidance in the event of employee turnover and safeguard its assets against loss, theft, or misuse. Furthermore, once the ICP is implemented the BSO should ensure that its internal control system is reviewed and evaluated and that any necessary changes are implemented at least annually or when conditions warrant.

***Auditee's Response***

*We already have in place numerous policies and procedures, which are reviewed annually, that will be used to develop our Internal Control Plan (ICP). We have begun the process by updating our fiscal policies and procedures since our transfer to state government. We intend to complete our ICP by the May 2011 deadline from the Office of the State Comptroller.*