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**INDEPENDENT STATE AUDITOR'S REPORT ON
CERTAIN ACTIVITIES OF THE
BERKSHIRE COUNTY DISTRICT ATTORNEY'S
OFFICE
JULY 1, 2005 TO SEPTEMBER 30, 2006**

**OFFICIAL AUDIT
REPORT
JULY 12, 2007**

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The Berkshire County District Attorney's Office (BDA) was established under the provisions of Chapter 12, Section 13, of the Massachusetts General Laws, which provides for the administration of criminal law and the defense of civil actions brought against the Commonwealth, according to Chapter 258 of the General Laws (claims and indemnity procedures for the Commonwealth, its municipalities, counties, districts, officers, and employees). As of September 30, 2006, the BDA had 46 employees, including prosecutors/assistant district attorneys and administrative and program staff, who represent and serve approximately 135,000 Commonwealth citizens in criminal and civil proceedings, within a jurisdiction of 32 cities and towns in the geographic area of Berkshire County. The BDA's main office is located in Pittsfield, and it maintains a satellite office in North Adams.

In accordance with Chapter 11, Section 12, of the General Laws, the Office of the State Auditor has conducted an audit of the BDA for the period July 1, 2005 to September 30, 2006. The purpose of the audit was to review internal controls over financial and program activities to determine whether financial records are accurate, up-to-date, and maintained in accordance with established criteria; costs and expenditures, including payroll and administrative costs, are appropriate and reasonable; controls over revenues, including forfeited funds, are proper and adequate; and the internal control structure is suitably designed and implemented to safeguard assets in compliance with Office of the State Comptroller (OSC) guidelines and Chapter 647 of the Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies.

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Our audit disclosed that the BDA has prepared and developed an Internal Control Plan (ICP) that is generally in compliance with Chapter 647 of the Acts of 1989 and OSC guidelines. However, our audit noted specific areas of the ICP that could be improved upon or further enhanced. The BDA needs to improve its ICP by enhancing certain areas in its control environment, as well as adding specific policies and procedures within the control activities of its ICP. BDA did not document or reference certain policies and procedures within its ICP that were relevant to its operational activities. We noted during our audit testing two internal control areas that should be addressed in the ICP: employee travel policies, which were not formally established, and established guidelines regarding the special procedures for continuing or non-recurring programs in place at the BDA. By improving and enhancing its ICP, the BDA can ensure that it continues to address its mission and achieve its objectives efficiently, effectively, and in compliance with applicable state laws, rules, and regulations. In response to our audit report, the BDA took immediate proactive steps to implement our recommendations for improving and enhancing its ICP.

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INTRODUCTION

Background

The Berkshire County District Attorney's Office (BDA) was established under the provisions of Chapter 12, Section 13, of the Massachusetts General Laws, which provides for the administration of criminal law and the defense of civil actions brought against the Commonwealth pursuant to Chapter 258 of the General Laws (claims and indemnity procedures for the Commonwealth, its municipalities, counties, districts, officers, and employees). As of September 30, 2006, the BDA had 46 employees, including prosecutors/assistant district attorneys and administrative and program staff, who represent approximately 135,000 Commonwealth citizens in criminal and civil proceedings within a jurisdiction of 32 cities and towns in the geographic area of Berkshire County. The BDA's main office is located in Pittsfield, and it maintains a satellite office in North Adams.

For fiscal years 2006 and 2007, the BDA received state maintenance appropriations of \$2,944,751 and \$3,167,184, respectively, to fund their administrative operations. In addition, the BDA received \$186,739 and \$288,839 in 2006 and 2007, respectively, in special appropriations to support other services, including state police overtime and Drug Task Force unit activities. In addition to the state appropriations, the BDA received \$58,493 from the Department of Social Services through an Interdepartmental Service Agreement to provide for the investigation of sexual abuse, severe physical abuse, and sexual exploitation of minors throughout Berkshire County. The BDA also administers a community outreach and education program, which provides ongoing education and training within the BDA and to law enforcement, social service agencies, local schools and community groups.

Pursuant to the BDA's mission of prosecuting criminal offenses in Berkshire County, the BDA deposited \$79,279, as of September 30, 2006, in court-awarded forfeited funds with the Office of the State Treasurer. Each case must be fully adjudicated before the asset is considered forfeited, after which the funds may be used for the many purposes set forth in Chapter 94C, Section 47, of the General Laws, including defraying the costs of protracted investigations, providing the BDA with technical equipment or expertise, providing matching funds to obtain federal grants, or such other law enforcement purposes as the District Attorney deems appropriate. The BDA may also expend up to 10% of the funds and proceeds for drug rehabilitation, drug education, and other anti-drug or neighborhood crime watch programs that further law enforcement purposes.

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the General Laws, the Office of the State Auditor has conducted an audit of the BDA for the period July 1, 2005 to September 30, 2006. Our audit was conducted in accordance with applicable generally accepted government auditing standards. The purpose of the audit was to review internal controls over financial and program activities to determine whether financial records are accurate, up-to-date, and maintained in accordance with established criteria; costs and expenditures, including payroll and administrative costs, are appropriate and reasonable; controls over revenues, including forfeited funds, are proper and adequate; and the internal control structure is suitably designed and implemented to safeguard assets in compliance with Office of the State Comptroller (OSC) guidelines and Chapter 647 of the Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies.

To accomplish our objectives, we:

- Reviewed applicable laws, OSC Internal Control Guides, and Chapter 647 of the Acts of 1989.
- Reviewed the budgetary process and the spending plan.
- Reviewed the BDA's Internal Control Plan, risk assessment, and internal control structure along with existing verbal and written administrative and accounting policies and procedures.
- Interviewed various officials.
- Reviewed selected revenue (forfeited funds), expenditure, advance, and payroll transactions to verify that these transactions are appropriately accounted for, recorded, and safeguarded in accordance with established criteria.
- Examined the inventory control system for the furnishings and equipment that was in place during our audit period.

During our audit, we met and discussed the results of our review with the District Attorney and his staff.

Except as noted in the Audit Results section of this report, we have determined that, for the areas tested, the BDA's financial records are accurate, up-to-date, and maintained in accordance with established criteria; costs and expenditures are appropriate and reasonable; controls over revenue are proper and adequate; and the internal control structure is suitably designed to safeguard the

Commonwealth's assets in compliance with OSC's Internal Control Guides and Chapter 647 of the Acts of 1989.

AUDIT RESULTS

FURTHER IMPROVEMENTS AND ENHANCEMENTS NEEDED IN INTERNAL CONTROL PLAN

Our audit disclosed that the Berkshire County District Attorney's Office (BDA) has prepared and developed an Internal Control Plan (ICP) that is generally in compliance with Chapter 647 of the Acts of 1989 (an Act to Improve Internal Controls within State Agencies) and Office of the State Comptroller (OSC) guidelines. However, our audit noted specific areas and sections of the ICP that should be improved upon or further enhanced.

Chapter 647 of the Acts of 1989 requires departments to develop an ICP in accordance with OSC guidelines. The OSC's Internal Control Guide, Volume II, states, in part:

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

For the ICP to be considered an effective "high level summarization," five interrelated components of internal control must be present: control environment, risk assessment, control activities, information and communication, and monitoring.

With regard to the BDA's developing this high-level summarization and preparing its ICP while ensuring that the five components of internal control are contained in its high level summarization, we noted that the BDA has done a sufficient job in defining its mission in clear, concise, and practical terms. Specifically, the ICP has a description of its internal control system and identifies administrative responsibility for its implementation. Moreover, within the ICP, the BDA has established goals and objectives to carry out its mission, and has prepared a well-developed risk assessment defining its five greatest risks and identifying specific internal controls to mitigate those risks.

We also found that the plan included well-developed internal controls that were generally in place within various areas of operation, including procedures for implementing the five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring). We noted that risks were well defined and relevant to the size of

the BDA, and that the control activities were generally well documented. These risks included funding, staffing, case management, employee safety and security, and asset protection.

In addition, we found that the BDA was addressing these risks with mitigating control activities identified in its ICP with regard to funding and general accounting practices, staffing procedures, case management procedures, employee safety and security procedures, personnel and payroll, cash, receivables, checking accounts, cash management and seized property, document processing, records retention, Generally Accepted Accounting Principles (GAAP)/Single Audit, and federal funds. Moreover, these provisions, practices, and procedures identified within the internal control plan were generally functioning and operating as intended.

However, we found that the BDA needs to improve its ICP by enhancing certain areas in its control environment and adding specific policies and procedures within the control activities of its ICP. By so doing, the BDA can ensure that it continues to address its mission and achieve its objectives efficiently, effectively and in compliance with applicable state laws, rules, and regulations.

Control Environment

The BDA's ICP does not contain within its high-level summarization direct statements from top management on the expectations of staff concerning integrity and requirements of high ethical standards or definitive statements that set the tone for the importance of internal controls within the BDA. Moreover, written statements defining the BDA's control environment and linking management's attitude, supervision, and organizational structure within the ICP were absent or unclear. Further, the BDA's ICP did not identify how its control environment and its established policies and procedures for controlling the risk (control activities) were correlated. The ICP also does not include a section referring to whom the plan is to be distributed and how the plan is to be monitored.

The OSC's Internal Control Guide for Managers, Volume 1, defines control environment as follows:

*The **control environment** of a state agency sets the tone of the organization and influences the effectiveness of internal controls within the agency. Control environment, an intangible factor and the first of the five components, is the foundation for all other components of internal control, providing discipline and structure and encompassing both technical competence and ethical commitment. Managers must evaluate the internal control environment in their own unit and department as the first step in the process of analyzing internal controls. Many factors determine the control environment, including those on the following list.*

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- **Management's attitude, actions, and values** set the tone of an organization, influencing the control consciousness of its people. Internal controls are likely to function well if management believes that those controls are important and communicates that view to employees at all levels. If management views internal controls as unrelated to achieving its objectives, or even worse, as an obstacle, this attitude will also be communicated. Despite policies to the contrary, employees will then view internal controls as a "red tape" to be "cut through" to get the job done. Management can show a positive attitude toward internal control by such actions as including internal control in performance evaluations, discussing internal controls at management and staff meetings, and by rewarding employees for good internal control practices.
 - **Commitment to competence** includes a commitment to hire, train, and retain qualified staff. It encompasses both technical competence and ethical commitment. Management's commitment to competence includes both hiring staff with the necessary skills and knowledge and ensuring that current staff receives adequate on-going training and supervision.

The OSC's Internal Control Guide for Managers, Vol. 1, Chapter 5, Part B, Prepare an Internal Control Plan, states that an internal control plan would "briefly state the integrity and ethical values expected of all staff, and especially, the ethical values top management expects of itself (control environment)." However, notwithstanding the absence of these defining statements in the ICP, the BDA has language and other elements present within other documents it has developed that identify the philosophy of the BDA in holding employees to high ethical standards and outline the BDA's organizational structure. One such document that should be referenced in the ICP is a brochure published by the BDA for assisting the public in understanding the role of the BDA. The brochure can be used to develop general statements by management within the body of the ICP that define the ethical values it expects of staff and itself. This document clearly describes the BDA's structure and refers to its staff and its commitment to ensuring that justice is obtained with fairness and integrity, holding the guilty accountable while protecting the innocent, and preserving the dignity of victims and their families. In addition, the BDA can enhance its ICP by adding within its internal control system segment a brief explanation of how the structure, policies, and procedures act to control and link all units and segments of the BDA's operation. This addition would serve to improve upon the ICP already in place and advocate management's attitude with regard to the rest of the ICP.

The BDA's public brochure also identifies and lists other units or services provided by the BDA that are not identified within the ICP. These units or services support the overall mission of prosecuting criminal cases and go further to address the need for critical services to be provided to victims and their families and the community at large. These units or services are Child Abuse, Juvenile,

Domestic Violence, Elder Abuse/Disabled Persons Protection, TRIAD Program, Sexually Dangerous Persons, and Community Outreach and Education.

By identifying units or services either directly or by reference to its ICP, the BDA will more appropriately identify and greatly enhance the knowledge, structure, and defining areas of its control environment. The BDA can enhance its plan by identifying and referring to these units in its ICP along with unit policies and procedures and how they act to control all segments of the BDA's operation.

Additionally, although the BDA's plan is clear as to which staff members are responsible under the ICP for its implementation and execution, it does not clearly identify the BDA's Internal Control Officer, whose responsibility is to ensure that the BDA has written documentation of its internal accounting and administrative system on file as required by Chapter 647 of the Acts of 1989. Although not stated in the ICP, because of the small size of the BDA, responsibilities of internal control functions primarily fall upon the top three administrators of the BDA. During our audit we identified these positions as the District Attorney, Director of Fiscal Affairs, and the Executive Assistant. Nevertheless, designation and identification of the Internal Control Officer should be clearly stated in the ICP.

Control Activities

Control activities are the structure, policies, and procedures that an organization establishes so that identified risks do not prevent it from reaching its objectives. Once managers identify and assess risks, they need to evaluate and develop methods to minimize these risks. Control activities encompass areas such as (a) information processing controls, which check the accuracy, completeness, and authorization of transactions, and (b) segregation of duties. These control procedures are intended to reduce the opportunities to allow a person to be in a position to both perpetrate and conceal errors or irregularities in the normal course of their duties by assigning different people the responsibilities of authorizing transactions, recording transactions and maintaining custody of assets.

Chapter 647 of the Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies, states, in part:

Internal control systems of the agency are to be clearly documented and readily available for examination. Objectives for each of these standards are to be identified or developed for each agency activity and are to be logical, applicable and complete. Documentation of the agency's internal control systems should include (1) internal control procedures, (2) internal control accountability systems and (3), identification of the operating cycles. Documentation of the agency's internal control systems should appear in management directives, administrative policy, and accounting policies, procedures and manuals.

During our audit, we reviewed the BDA's ICP to determine whether all significant areas of its internal control activities were documented within its plan. Our review found that, in general, the BDA's internal control activities are suitably designed and implemented to safeguard assets and are in compliance with the OSC's internal control guidelines and Chapter 647 of the Acts of 1989. However, our audit disclosed that the BDA did not document or reference certain policies and procedures within its ICP that were relevant to its operational activities. We noted during our audit testing two internal control areas that should be addressed in the ICP: employee travel policies, which were not formally established, and established guidelines regarding the special procedures for continuing or non-recurring programs in place at the BDA.

As a control activity to ensure the integrity and consistency of the BDA's travel activities, written travel procedures should be implemented and in place. We determined that the BDA was not utilizing written guidelines for its travel activities and did not have written policies and procedures to inform staff of rules, allowances, or restrictions for employees engaged in travel activities on behalf of the BDA. We found that BDA employees, however, were utilizing informal practices to control travel-related activities.

We found that BDA's travel activities have led to certain inconsistent or questionable charges. BDA employees traveling away from their assigned location are entitled to reimbursement for travel expenses incurred while conducting business on behalf of the BDA. At the end of each month, employees submit travel reimbursement forms documenting total mileage, tolls, and parking, hotel, and meal charges. Mileage is reimbursed at a specific rate, and odometer readings are required to be listed on the form. In addition, receipts for out-of-pocket expenses must accompany any request for reimbursement, and employees are required to date and sign the form certifying that the amounts listed were true, correct, and incurred while conducting business on behalf of the Commonwealth. After the employee signs and submits the form, it is then approved and dated by the Director of Fiscal Affairs. This internal control activity needs to be identified or referenced in the ICP and formalized to ensure continued consistency in the event of staff turnover or any needed additions,

deletions, or alterations to address funding and recordkeeping functions of BDA travel activities. Moreover, the BDA should ensure that all employees are aware of the rules, allowances, or restrictions to be followed when engaged in travel activities on behalf of the BDA, through the development of formal written policies or memorandums by the BDA to control travel activities.

As opposed to the BDA's informal policies on travel, we found that the BDA does have established formal policies and special procedures regarding the administration and operation of other continuing or non-recurring programs, such as for projects that receive special funding. These control activities should be made part of or identified by reference in the BDA's ICP.

Updating its ICP is important for the BDA to ensure the integrity and effectiveness of its internal control system and to enhance its ability to respond to changes while maintaining the system's effectiveness. In addition, with an adequate internal control plan in place, it is more likely that the BDA will respond appropriately and rapidly to major changes in events affecting its overall control environment, including the implementation of new systems or a major change of key personnel, including the transition of an elected official's position.

By referencing existing policies and procedures not documented within the ICP, as well as annually updating its current plan with additional agency information regarding its operational activities, the BDA can ensure that it continues to address its mission and achieve its objectives efficiently, effectively, and in compliance with applicable laws and regulations. A sound plan will provide guidance in the event of administrative change or employee turnover and serve as a mechanism for properly safeguarding BDA assets against loss, theft, or misuse.

We noted that the ICP that was in effect during our audit was originally developed in October 2001 and is updated annually. However, according to the Director of Fiscal Affairs, policies and procedures regarding these and various other control activities were not envisioned when the plan was originally created. The Director stated that these policies and procedures, as well as a statement of integrity and ethical standards, would be documented within the plan upon the BDA's next update. During the course of our audit, the BDA was proactive in updating its ICP, as two draft revisions were provided to the OSA for review.

Recommendation

The BDA should consider updating and enhancing its ICP during its next annual review. In order to ensure the integrity and consistency of its travel activities, the BDA should establish formal, written travel procedures for employees. Moreover, once written travel policies and procedures are developed, the BDA should inform all staff of policies and procedures on the rules, allowances, or restrictions on BDA travel activities.

In addition, the BDA, in order to improve upon and further enhance its ICP, should:

- Address direct statements of top management to the expectations of staff on integrity and requirements of high ethical standards, or declare definitive statements that set the tone for the importance of internal controls within the BDA. To assist this action the BDA can utilize statements on integrity and requirements of high ethical standards found in other Office publications regarding expectations of BDA staff.
- Consider adding and including identification within the ICP of all administrative and programmatic units or divisions of the BDA. This can be simply accomplished by adding language already composed and included in the BDA's brochure, as well as any other key service areas, that were not previously included or referenced. This would also include identification or reference in the ICP control activities developed and in place in each of these areas.
- Consider adding more definitive language that clarifies how the BDA's control environment, operating structure, policies, and procedures act to control the risks (control activities), and link these statements through the ICP.
- Review the BDA's risks to assess the need for modifying or adding additional risks identified within other areas. If deemed necessary, the BDA should develop and implement additional written internal controls to mitigate any new identified risks and provide management with the means to identify future control risks.
- Update and revise its ICP to include identification of its Internal Control Officer in order to designate specific accountability or delegate authority regarding monitoring procedures in the ICP. This identification should include language describing how and by whom the ICP and its related control activities are to be monitored.
- Ensure that all supporting documents identified in the ICP are readily available to both management and staff for daily use to assess the integrity of the BDA's internal control structure and overall operations.

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- Identify to whom the plan is to be distributed internally and add further language ensuring the ICP's availability to parties required under Chapter 647.

By improving and enhancing its ICP, the BDA can ensure that it continues to address its mission and achieve its objectives efficiently, effectively, and in compliance with applicable state laws and regulations.

Auditee's Response:

In response to our audit report, the Berkshire District Attorney responded as follows:

Let me first say that I am quite pleased with the results of our audit. I welcomed the audit as a means to assist me in reviewing the overall operations of my Office.

The findings and recommendations in the audit report addressed issues I had already targeted for review. For example, one of the recommendations in the audit report was that we should develop formal, written travel procedures for employees. Current travel policies were originally developed using the State's "Red Book" and have been updated over the years through informal e-mail communications, but never documented in a full written policy. During the course of the audit, my staff shared with your auditors a draft of an Employee Handbook I am developing to formalize all employee-related policies. Although we have some written employee policies and procedures in place, I have been working with my Senior Staff to review and update them and include some of the more informal policies concerning the day-to-day operations of this Office. I wanted this information available in one comprehensive format to assist all staff. The issues of travel rules, allowances, restrictions, approvals and reimbursements are included in this Handbook. The Handbook has been a significant undertaking and suggestions and recommendations from your auditors have been a great help in this endeavor. I am working with members of my Senior Staff to finalize and issue the Handbook to all staff by July 1, 2007. The Handbook is referenced extensively in our Internal Control Plan and will be reviewed annually in conjunction with the annual review of the Plan.

With regards to your recommendations regarding our Internal Control Plan, I again welcomed the input from your auditors. During the course of the audit, my Director of Fiscal Affairs reported that, as part of the monitoring process, she continually reviews policies and procedures from other agencies on initiatives that may relate to the Office's own control activities as well as using the State Single Audit process to identify trends and challenges that meet the changing needs of the business environment while maintaining the basic mission of the Office. She works with me and other Senior Staff members to continually identify new risks that may need to be addressed within the Internal Control Plan.

The recommendations of your auditors were very helpful in improving our Plan. Some of the information that your auditors indicated should be in our Internal Control Plan was already available in other documentation within the office. However, since I place great importance on the Internal Control system, during the course of the audit, and prior to the exit conference, I immediately implemented all of the suggestions in the audit report on how to improve operations and the control environment and redrafted our Internal Control Plan to address all areas of concern, incorporating the recommended language into the Plan. My Director of Fiscal Affairs has shared a copy of our updated Plan with your auditors.

Considering the extensive scope of the audit in reviewing internal controls, financial programs and activities, costs, expenditures, payroll, revenue, forfeited funds, and inventory, I would like to say again that I am pleased with the results of the audit. I believe the findings are consistent with my own goals and objectives for this Office and I have already put into place the necessary changes to address the findings of your auditors.

APPENDIX

Chapter 647, Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies

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Chapter 647

THE COMMONWEALTH OF MASSACHUSETTS

In the Year One Thousand Nine Hundred and Eighty-nine

AN ACT RELATIVE TO IMPROVING THE INTERNAL CONTROLS WITHIN STATE AGENCIES.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

Notwithstanding any general or special law to the contrary, the following internal control standards shall define the minimum level of quality acceptable for internal control systems in operation throughout the various state agencies and departments and shall constitute the criteria against which such internal control systems will be evaluated. 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.

(A) Internal control systems of the agency are to be clearly documented and readily available for examination. Objectives for each of these standards are to be identified or developed for each agency activity and are to be logical, applicable and complete. Documentation of the agency's internal control systems should include (1) internal control procedures, (2) internal control accountability systems and (3), identification of the operating cycles. Documentation of the agency's internal control systems should appear in management directives, administrative policy, and accounting policies, procedures and manuals.

(B) All transactions and other significant events are to be promptly recorded, clearly documented and properly classified. Documentation of a transaction or event should include the entire process or life cycle of the transaction or event, including (1) the initiation or authorization of the transaction or event, (2) all aspects of the transaction while in process and (3), the final classification in summary records.

(C) Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority. Authorizations should be clearly communicated to managers and employees and should

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include the specific conditions and terms under which authorizations are to be made.

(D) Key duties and responsibilities including (1) authorizing, approving, and recording transactions, (2) issuing and receiving assets, (3) making payments and (4), reviewing or auditing transactions, should be assigned systematically to a number of individuals to ensure that effective checks and balances exist.

(E) Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved. The duties of the supervisor in carrying out this responsibility shall include (1) clearly communicating the duties, responsibilities and accountabilities assigned to each staff member, (2) systematically reviewing each member's work to the extent necessary and (3), approving work at critical points to ensure that work flows as intended.

(F) Access to resources and records is to be limited to authorized individuals as determined by the agency head. Restrictions on access to resources will depend upon the vulnerability of the resource and the perceived risk of loss, both of which shall be periodically assessed. The agency head shall be responsible for maintaining accountability for the custody and use of resources and shall assign qualified individuals for that purpose. Periodic comparison shall be made between the resources and the recorded accountability of the resources to reduce the risk of unauthorized use or loss and protect against waste and wrongful acts. The vulnerability and value of the agency resources shall determine the frequency of this comparison.

Within each agency there shall be an official, equivalent in title or rank to an assistant or deputy to the department head, whose responsibility, in addition to his regularly assigned duties, 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. Said official shall in the performance of his duties ensure that: (1) the documentation of all internal control systems is readily available for examination by the comptroller, the secretary of administration and finance and the state auditor, (2) the results of audits and recommendations to improve departmental internal controls are promptly evaluated by the agency management, (3) timely and appropriate corrective actions are effected

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by the agency management in response to an audit and (4), all actions determined by the agency management as necessary to correct or otherwise resolve matters will be addressed by the agency in their budgetary request to the general court.

All unaccounted for variances, losses, shortages or thefts of funds or property shall be immediately reported to the state auditor's office, who shall review the matter to determine the amount involved which shall be reported to appropriate management and law enforcement officials. Said auditor shall also determine the internal control weaknesses that contributed to or caused the condition. Said auditor shall then make recommendations to the agency official overseeing the internal control system and other appropriate management officials. The recommendations of said auditor shall address the correction of the conditions found and the necessary internal control policies and procedures that must be modified. The agency oversight official and the appropriate management officials shall immediately implement policies and procedures necessary to prevent a recurrence of the problems identified.

House of Representatives, December 21, 1989.

Passed to be enacted, *George Luvaan*, Speaker.

In Senate, December 22, 1989.

Passed to be enacted, *William W. Budge*, President.

January 3, 1990.

Approved, *Richard K. Hahn*, Governor.