

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

Making government work better

Official Audit Report – Issued July 25, 2016

Cape Cod Community College—Examination of Annual Internal Control Questionnaire

For the period July 1, 2014 through June 30, 2015





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

Making government work better

July 25, 2016

John L. Cox, EdD, CPA
Cape Cod Community College
2240 Iyannough Road
West Barnstable, MA 02668-1599

Dear Dr. Cox:

I am pleased to provide this performance audit of Cape Cod Community College. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2014 through June 30, 2015. My audit staff discussed the contents of this report with management of the college, whose comments are reflected in this report.

I would also like to express my appreciation to Cape Cod Community College for the cooperation and assistance provided to my staff during the audit.

Sincerely,

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

Suzanne M. Bump
Auditor of the Commonwealth

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
OVERVIEW OF AUDITED ENTITY	2
AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY	3
DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE.....	7
1. Information reported regarding internal controls was inaccurate or unsupported by documentation.	7
a. Contrary to what its ICQ indicated, CCCC's ICP was not based on guidelines issued by OSC.....	7
b. CCCC's ICP response was inaccurate with regard to conducting an organization-wide risk assessment that includes the risk of fraud.	8
c. Contrary to what its ICQ indicated, CCCC had not updated its ICP within the past year.	8
d. Contrary to what its ICQ indicated, CCCC had not performed an annual physical inventory of capital assets.....	8
e. CCCC submitted its 2015 ICQ without certifying the accuracy of its responses as required by OSC instructions.....	9
OTHER MATTERS	12
APPENDIX A	13
APPENDIX B	15

LIST OF ABBREVIATIONS

CCCC	Cape Cod Community College
CFO	chief fiscal officer
COSO	Committee of Sponsoring Organizations of the Treadway Commission
ERM	enterprise risk management
GAAP	generally accepted accounting principles
ICP	internal control plan
ICQ	Internal Control Questionnaire
OSA	Office of the State Auditor
OSC	Office of the State Comptroller
PII	personally identifiable information

EXECUTIVE SUMMARY

Each year, the Office of the State Comptroller (OSC) issues a memorandum (Fiscal Year Update) to internal control officers, single audit liaisons, and chief fiscal officers (CFOs) instructing departments to complete an Internal Control Questionnaire (ICQ) designed to provide an indication of the effectiveness of the Commonwealth's internal controls. In the Representations section of the questionnaire, the department head, CFO, and internal control officer confirm that the information entered on the questionnaire is accurate and approved.

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain information reported in Cape Cod Community College's (CCCC's) ICQ for the period July 1, 2014 through June 30, 2015. The objective of our audit was to determine whether certain responses that CCCC provided to OSC on its fiscal year 2015 ICQ were accurate.

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

Finding 1 Page <u>7</u>	CCCC's 2015 ICQ had inaccurate responses on the subjects of its internal control plan (ICP), risk assessment, and capital-asset inventory. In addition, CCCC did not certify the accuracy of the responses on its ICQ before submitting it to OSC.
Recommendations Page <u>11</u>	<ol style="list-style-type: none">1. CCCC should take the measures necessary to address the issues we identified during our audit and should ensure that it adheres to all of OSC's requirements for developing an ICP and accurately reporting information about its ICP, risk assessment, and capital-asset inventory on its ICQ. It should also review all ICQ questions for accuracy before completing the certification section and electronically submitting the ICQ to OSC.2. If necessary, CCCC should request guidance from OSC on these matters.

OVERVIEW OF AUDITED ENTITY

Cape Cod Community College (CCCC) is authorized by Section 5 of Chapter 15A of the Massachusetts General Laws and operates under the jurisdiction of the Massachusetts Department of Higher Education. It is one of 15 community colleges in the Commonwealth, and it offers 64 associate degrees and 56 career certificates. Most of its students come from southeastern Massachusetts and the cities and towns that make up Cape Cod and the islands. CCCC is governed by a board of trustees made up of 11 members appointed by the Governor for up to two five-year terms. The president of CCCC reports to the board of trustees and is the administrative head of the college. CCCC had a fiscal year 2015 budget of \$24,203,173 and had approximately 229 full-time employees and 301 part-time employees during our audit period. It is located at 2240 Iyannough Road in West Barnstable.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of certain information reported in Cape Cod Community College (CCCC's) Internal Control Questionnaire (ICQ) for the period July 1, 2014 through June 30, 2015. Because of issues identified during our audit, we expanded our audit period to include ICQs submitted to the Office of the State Comptroller (OSC) before July 1, 2014 solely to review, and report on, the accuracy of responses concerning the areas of our audit for prior fiscal years.

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

The overall objective of our audit was to determine whether CCCC accurately reported certain information about its overall internal control system to OSC on its 2015 ICQ. Accordingly, our audit focused solely on reviewing and corroborating CCCC's responses to specific questions pertaining to ICQ sections that we determined to be significant to the agency's overall internal control system.

Below is a list of the relevant areas, indicating the conclusion we reached regarding each objective and, if applicable, where each objective is discussed in this report.

Objective	Conclusion
1. On its 2015 ICQ, did CCCC give accurate responses in the following areas?	
a. internal control plan (ICP)	No; see Findings <u>1a</u> , <u>1b</u> , and <u>1c</u>
b. capital-asset inventory, for both generally accepted accounting principles (GAAP) and non-GAAP assets	No; see Finding <u>1d</u>
c. personally identifiable information (PII)	Yes
d. audits and findings (reporting variances, losses, shortages, or thefts of funds or property immediately to OSA; see Appendix A)	Yes

In the course of our audit, we also determined that CCCC had submitted its 2015 ICQ to OSC without certifying the accuracy of its responses in accordance with OSC instructions (Finding 1e).

Our analysis of the information on the ICQ was limited to determining whether agency documentation adequately supported selected responses submitted by CCCC on its ICQ for the audit period; it was not designed to detect all weaknesses in the agency's internal control system or all instances of inaccurate information reported by CCCC on the ICQ. Further, our audit did not include tests of internal controls to determine their effectiveness as part of audit risk assessment procedures, because in our judgment, such testing was not significant within the context of our audit objectives or necessary to determine the accuracy and reliability of ICQ responses. Our understanding of internal controls and management activities at CCCC was based on our interviews and document reviews. Our review was limited to what we considered appropriate when determining the cause of inaccurate ICQ responses.

In order to achieve our objectives, we performed the following audit procedures:

- We reviewed the instructions for completing the fiscal year 2015 ICQ distributed by OSC to all state departments (Appendix B).
- We reviewed the September 2007 version of the OSC Internal Control Guide (the version effective during the audit period) to obtain an understanding of the requirements for preparing an ICP.
- We reviewed Section 3 of Chapter 93H of the General Laws to obtain an understanding of the requirements pertaining to the safeguarding and security of confidential and personal information and to providing notification of breaches to appropriate parties.
- We reviewed Chapter 93I of the General Laws to obtain an understanding of the requirements pertaining to the disposal and destruction of electronic and hardcopy data records.
- We interviewed the director of OSC's Quality Assurance Bureau to obtain an understanding of OSC's role in the ICQ process and to obtain and review any departmental quality assurance reviews¹ conducted by OSC for CCCC.
- We interviewed CCCC's vice president of Finance and Operations to gain an understanding of CCCC's ICQ process, and we requested and obtained documentation to support the responses on its ICQ for the 12 questions we selected for review.

1. According to OSC, the primary objective of the quality assurance reviews is to validate (through examination of transactions, supporting referenced documentation, and query results) that internal controls provide reasonable assurance that Commonwealth departments adhere to Massachusetts finance law and the policies and procedures issued by OSC. The quality assurance review encompasses the following areas: internal controls, security, employee and payroll status, and various accounting transactions. The internal control review determines whether the department has a readily available updated ICP.

- We interviewed CCCC's vice president of Finance and Operations to ask whether CCCC had any instances of variances, losses, shortages, or thefts of funds or property to determine compliance with Chapter 647 of the Acts of 1989's requirement of reporting to OSA.
- We reviewed the fiscal year 2015 ICQ and selected questions pertaining to (1) the ICP, (2) Chapter 647 requirements, (3) capital-asset inventory (GAAP and non-GAAP), and (4) PII. We selected these areas using a risk-based approach and prior OSA reports that noted inconsistencies with departmental supporting documentation and agency ICQ responses submitted to OSC. Accordingly, we selected the following ICQ questions:
 - Does the department have an ICP that documents its goals, objectives, risks, and controls used to mitigate those risks?
 - Is the ICP based on the guidelines issued by OSC?
 - Has the department conducted an organization-wide risk assessment that includes the risk of fraud?
 - Has the department updated its ICP within the past year?
 - Does the department require that all instances of unaccounted-for variances, losses, shortages, or thefts of funds be immediately reported to OSA?
 - Does the department have singular tangible and/or intangible capital assets with a useful life of more than one year?
 - Does the department take an annual physical inventory of tangible and intangible capital assets, including additions, transfers, disposals, and assets no longer in service?
 - Are there procedures that encompass all phases of the inventory process—acquisition, recording, tagging, assignment/custody, monitoring, replacement, and disposal—as well as the assignment of the roles of responsibility to personnel?
 - Are information system and data security policies included as part of the department's internal controls?
 - Is the department complying with Section 3 of Chapter 93H of the General Laws, and Executive Order 504, regarding notification of data breaches?
 - Are stored personal data, both electronic and hardcopy, secured and properly disposed of in accordance with Chapter 93I of the General Laws and in compliance with the Secretary of State's record-conservation requirements?
 - Are sensitive data, as defined in policy and the General Laws, secured and restricted to access for job-related purposes?

To determine whether the responses that CCCC provided to OSC for the above 12 questions were accurate, we performed the following procedures:

- We requested and reviewed CCCC's ICP to determine whether it complied with OSC requirements.
- We requested and reviewed any department-wide risk assessments conducted by CCCC.
- We conducted interviews with CCCC managers to determine the procedures used to prepare and update the ICP and conduct an annual capital-asset inventory.
- We requested and reviewed CCCC's policies and procedures for PII to determine whether policies were in place and addressed the provisions of (1) Section 3 of Chapter 93H of the General Laws regarding notification of data breaches and (2) Chapter 93I of the General Laws regarding storing electronic and hardcopy personal data.
- We requested documentation for the last annual physical inventory conducted by CCCC.
- We requested and reviewed all documentation available to support CCCC's certification of the accuracy of its responses on the fiscal year 2015 ICQ.

In addition, we assessed the data reliability of OSC's PartnerNet, the electronic data source used for our analysis, by extracting copies of the ICQ using our secured system access and comparing their data to the ICQ data on the source-copy ICQ on file at CCCC during our subsequent interviews with management. ICQ questions are answered entirely with a "Yes," "No," or "N/A" checkmark. By tracing the extracted data to the source documents, we determined that the information was accurate, complete, and sufficiently reliable for the purposes of this audit.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. Information reported regarding internal controls was inaccurate or unsupported by documentation.

Some of the information that Cape Cod Community College (CCCC) reported on its Internal Control Questionnaire (ICQ) to the Office of the State Comptroller (OSC) for fiscal year 2015 was inaccurate or not supported by documentation. Specifically, although CCCC indicated that it was complying with OSC guidelines in all of the areas we reviewed, its internal control plan (ICP) was not based on guidelines issued by OSC; it had not conducted an organization-wide risk assessment that included the risk of fraud; it had not updated its ICP within the past year; and it did not perform an annual physical inventory of its capital assets. In addition, CCCC had not certified that the representations on its ICQ were accurate and complete.

Without establishing an ICP in accordance with OSC guidelines and updating it at least once a year, CCCC may not be able to achieve its mission and objectives effectively; efficiently; and in compliance with applicable laws, rules, and regulations. Further, inaccurate information on the ICQ prevents OSC from effectively assessing the adequacy of CCCC's internal control system for the purposes of financial reporting. In addition, without performing and documenting an annual physical inventory, CCCC is not ensuring that its capital assets are properly safeguarded against loss, theft, and misuse and that its inventory records are complete and accurate. Finally, without properly certifying the accuracy of the ICQ, CCCC cannot be certain that its management has reviewed the ICQ and ensured that the information that the college is providing to OSC is complete and accurate.

The problems we found are detailed in the sections below.

a. Contrary to what its ICQ indicated, CCCC's ICP was not based on guidelines issued by OSC.

In the Internal Control Plans section of the fiscal year 2015 ICQ, departments were asked, "Is the internal control plan based on guidelines issued by the Comptroller's Office?" In its ICQ, CCCC answered "yes," but its ICP did not fully comply with these guidelines. Specifically, although CCCC's ICP identified seven of the eight components of enterprise risk management (ERM), it did not consider or adequately identify the Risk Assessment component.

b. CCCC's ICP response was inaccurate with regard to conducting an organization-wide risk assessment that includes the risk of fraud.

In the Internal Control Plans section of the fiscal year 2015 ICQ, departments were asked, "Has the Department conducted an organization-wide risk assessment that includes the consideration of fraud?" In its ICQ, CCCC answered "yes"; however, we found that no risk assessment had been performed since July 2012. Developing a risk assessment that includes fraud is important because it enables management to focus its attention on the most important entity risks and to manage risks within defined tolerance thresholds. Further, although they were outside our audit period, we noted that CCCC answered "yes" to this question on its ICQs for fiscal years 2013 and 2014.

c. Contrary to what its ICQ indicated, CCCC had not updated its ICP within the past year.

In the Internal Control Plans section of the fiscal year 2015 ICQ, departments were asked, "Has the department updated its internal control plan within the past year?" On its ICQ, CCCC answered "yes," but it had not updated its ICP since July 2012. Further, although they were outside our audit period, we noted that CCCC answered "yes" to this question on its ICQs for fiscal years 2013 and 2014.

d. Contrary to what its ICQ indicated, CCCC had not performed an annual physical inventory of capital assets.

In the Capital Assets Inventory section of the fiscal year 2015 ICQ, departments were asked, "Does the Department take an annual physical inventory of tangible and/or intangible capital assets including additions, transfers, disposals and assets no longer in service?" On its ICQ, CCCC answered "yes," but during our audit, college personnel stated that CCCC had not conducted an annual physical inventory of capital assets in fiscal year 2015. CCCC's generally accepted accounting principles (GAAP) assets had a value of \$44,771,924 and comprised buildings and improvements valued at \$38,106,541 and furnishings and equipment valued at \$6,665,383. Its non-GAAP capital assets had a value of \$1,177,579 and comprised dental equipment with a value of \$528,910, motor vehicles valued at \$91,167, science equipment valued at \$155,716, aviation equipment valued at \$117,981, and other assets worth \$283,805. Further, although they were outside our audit period, we noted that CCCC answered "yes" to this question on its 2013 ICQ and did not respond to the question on its 2014 ICQ.

e. CCCC submitted its 2015 ICQ without certifying the accuracy of its responses as required by OSC instructions.

Contrary to OSC guidance, CCCC's department head, chief fiscal officer (CFO), and internal control officer did not sign and file a printed copy of the ICQ. The college's president, vice president of Finance and Operations, vice president of Human Resources, and director of Information Technology told us that they had read and approved sections of the ICQ before it was submitted, but without a signed copy, there is no assurance that CCCC's management has reviewed the entire ICQ and ensured that the information that the college is providing to OSC is complete and accurate.

Authoritative Guidance

The ICQ is a document designed by OSC that is sent to departments each year requesting information and department representations on their internal controls over 12 areas: management oversight, accounting system controls, budget controls, revenue, procurement and contract management, invoices and payments, payroll and personnel, investments held by the Commonwealth, material and supply inventory, capital-asset inventory, federal funds, and information-technology security and personal data. The department head, CFO, and internal control officer of each department must certify the responses provided in the Representations section of the ICQ as required by OSC's Memorandum—Internal Control Questionnaire and Department Representations (Appendix B).² The purpose of the ICQ is to provide an indication of the effectiveness of the Commonwealth's internal controls. External auditors use department ICP and ICQ responses, along with other procedures, to render an opinion on the internal controls of the Commonwealth as a whole.

In its document *Enterprise Risk Management—Integrated Framework*, or *COSO II*, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines ERM as "a process, effected by the entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage the risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives." To comply with OSC internal control guidelines, an ICP must contain information on the eight components of ERM: Internal Environment, Objective Setting, Event Identification, Risk Assessment, Risk Response, Control Activities, Information and Communication, and Monitoring. COSO guidance states that all

2. Effective May 11, 2016, OSC has eliminated this requirement. Instead, on the fiscal year 2016 ICQ and future ICQs, each department will be required to indicate approval and submit the ICQ electronically after all questions are reviewed with the department head.

components of an internal control system must be present and functioning properly and operating together in an integrated manner in order to be effective. In addition, OSC's Internal Control Guide requires ICPs to include risk assessments. The guide lists fraud as one of a number of risks that entities might face.

OSC's Internal Control Guide also requires that ICPs be updated as often as changes in management, level of risk, program scope, and other conditions warrant, but at least annually.

OSC's Accounting and Management Policy and Fixed Assets—Acquisition Policy provide guidance on proper recording of, and accounting for, capital assets and require an annual inventory of each department's fixed assets.

Reasons for Inaccurate or Unsupported Information

The current vice president of Finance and Operations stated that although the ERM element of risk assessment was not stated in the ICP, the assessment of risk was implied by the risk response. He further stated that the ICP and risk assessment had not been updated since 2012 because of personnel changes (the appointment of a new college president in 2012 and a new vice president of Finance and Operations in 2013, followed by the departure and replacement of the former comptroller and assistant vice president of Finance, who were responsible for annually updating the ICP and the risk assessment).

The current vice president further stated that CCCC did update its related Fiscal Accounting and Policies Manual annually throughout the management-transition period after this departure and believed that this would meet OSC's requirement of updating the ICP and risk assessment at least once a year.

He also stated that the annual physical inventory of capital assets was in progress at the time the ICQ was submitted to OSC and that he thought it would be complete by the end of fiscal year 2015. However, because of insufficient staffing and technical issues in transitioning from its old inventory system to a new system, CCCC was unable to complete the inventory.

Finally, he stated that CCCC management was unaware of OSC's requirement that the department head, CFO, and internal control officer certify the responses on the ICQ by signing and dating the form and retaining a signed copy on file as confirmation of its accuracy.

Recommendations

1. CCCC should take the measures necessary to address the issues we identified during our audit and should ensure that it adheres to all of OSC's requirements for developing an ICP and accurately reporting information about its ICP, risk assessment, and capital-asset inventory on its ICQ. It should also review all ICQ questions for accuracy before completing the certification section and electronically submitting the ICQ to OSC.
2. If necessary, CCCC should request guidance from OSC on these matters.

Auditee's Response

- *The College does not dispute any of the audit findings detailed as items 1(a) through 1(e), reflected in "Detailed Audit Findings with Auditee's Response."*
- *As the College considers adequately identifying risk in the Risk Assessment component of its ICP to be essential to maintaining a fiscally sound operation, we are in the process of reviewing and amending our ERM to incorporate those risks the College deems to be significant in today's climate, and will monitor and contingency plan based on those identified.*
- *The College has initiated work aimed at detecting and reducing risk associated with fraud. Examples of such work include [Payment Card Industry] compliance and its participation in a [Partnership to Advance Collaboration and Efficiencies] initiative, targeting the identification of risk as it relates to the College's information technology practices. As the College realizes the significance of even a minimal threat of fraud poses to our operations, the College will reach out to OSC for further guidance regarding compliance.*
- *Those operating within the Finance and Operations of the College routinely visit the College's Internal Control Policy. During fiscal year 2015, the College did in fact review its ICP, however potential proposed changes were not vetted at the Leadership level. Management is now aware of the need to document even an informal review of the College ICP, even in the event that changes proposed do not materialize.*
- *With regard to physical inventory of capital assets, although in FY2015 significant strides were made in taking and recording an inventory, this was not completed. During FY2016, the College procured inventory control hardware and software, and has also hired a fulltime Inventory Control Coordinator. Further, FY2016 inventory has been completed, and an update to include all fields required by OSC is underway, and includes assets affiliated with the College's new Aviation Maintenance Technology program.*
- *The College's Department Head, CFO, and Internal Control Officer did not sign and file a printed copy of the fiscal year 2015 ICQ. The Leadership team is now aware that a "wet" signature is needed. However, this concern has been mitigated by the fact that [the Office of the State Comptroller] has incorporated electronic attestation into the submittal process, and then sends a confirmation (via email) to the College's Department Head.*

Auditor's Reply

Based on its response, we believe CCCC is taking appropriate measures to address the concerns we identified.

OTHER MATTERS

Cape Cod Community College's capital-asset inventory records were inaccurate and did not include required information.

In addition to the findings discussed in this report, our audit identified other control weaknesses at Cape Cod Community College (CCCC). Specifically, its capital-asset inventory records were inaccurate and incomplete and did not contain all information required by the Office of the State Comptroller (OSC). CCCC's non-generally accepted accounting principles (GAAP) inventory list did not include the purchase date, amount, description, location, and disposal information for all of its assets as required by OSC's Fixed Assets—Acquisition Policy. The policy requires that all non-GAAP capital (fixed) assets be recorded in departments' inventories. Inventories can be either electronic or on paper, as long as they record the date of purchase, amount, description, location, and disposal information for all inventory items.

Furthermore, CCCC's non-GAAP inventory list contained 446 assets, with a total value of \$1,177,579, which included 289 assets without dollar values recorded; 415 assets without acquisition dates; and three GAAP assets, together valued at \$260,000, that were also in CCCC's GAAP inventory list.

CCCC's vice president of Finance and Operations stated that the current inventory list had data-integrity issues caused by technical problems in the transition from its old inventory system to its new one. He added that CCCC management was taking corrective action by hiring a manager for inventory control.

APPENDIX A

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

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 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 insure 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 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 weakness 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.

APPENDIX B

Office of the State Comptroller's Memorandum Internal Control Questionnaire and Department Representations



MARTIN J. BENISON
COMPTROLLER

The Commonwealth of Massachusetts
Office of the Comptroller
One Ashburton Place, Room 901
Boston, Massachusetts 02108

Phone (617) 727-5000
Fax (617) 727-2163
INTERNET: <http://www.mass.gov/osc>

To: Department Heads, Internal Control Officers, and Chief Fiscal Officers

From: Martin J. Benison, Comptroller


Date: May 6, 2015

Re: Internal Control Questionnaire and Department Representations: Due May 29, 2015

Comptroller Memo # FY2015-25

Executive Summary

This memo announces the FY2015 *Internal Control Questionnaire* (ICQ). The ICQ application is located on our intranet site, [Comptroller Intranet](#), under PartnerNet. See the attached *Instructions for Completing the FY2015 Internal Control Questionnaire for details*. Departments should complete the ICQ on or before May 29, 2015. Auditors, and staff from the Comptroller's Quality Assurance Bureau review ICQ responses and may contact departments to follow up on specific answers. Department management is responsible for implementing and maintaining effective internal controls based on prescribed statutes, regulations and policies. The ICQ's Representations Section confirms this for the Commonwealth.

The user must first enter PartnerNet to access the ICQ for both data entry and review. Chief Fiscal Officers, (CFOs) Single Audit Liaisons and Internal Control Officers (ICOs) already have access to both PartnerNet and the ICQ. Once these users log on to PartnerNet, they will be presented with a link to the ICQ application. Department Security Officers can request access for additional users by submitting a [PartnerNet Security Request Form](#). 

The ICO, the Single Audit Liaison, and the CFO should work closely with senior management to identify appropriate staff for providing responses to every section of the ICQ. Please collect and review all responses, then

enter them into the ICQ application no later than May 29, 2015. **Instructions on completing and submitting the ICQ are attached.**

The ICQ is designed to provide an indication of the effectiveness of the Commonwealth's internal controls. During the Single Audit, auditors from KPMG, as well as Comptroller staff, will review the internal controls of several departments in more depth. They will also visit departments to follow-up on prior year findings, review compliance with federal and state regulations, test selected transactions, and review cash and encumbrances. The auditors use department Internal Control Plans and ICQ responses, along with other procedures, to render an opinion on the internal controls of the Commonwealth as a whole.

The Office of the State Auditor also refers to ICQ responses and Internal Control Plans when conducting their audits of state agencies.


Departments Using Centralized Business Units

Some departments use centralized business units to perform functions for multiple departments such as human resources, payroll, accounting, and procurement. These departments should answer the questions as if they used a contractor to perform these functions. In the comments field of each relevant section, briefly describe the arrangement.

Representations

The last section of the questionnaire is the department's certification of the accuracy of responses.

The Department Head, CFO, and ICO must read and approve each statement. Then, enter the approvers' names, official titles, and approval dates. **Finally, print this section, have each person sign and date it, and keep the signed copy on file as your department's certification of the representations.**

Internal controls are critical in creating an environment that is accountable to the public, while being responsive to the needs and direction of senior management. The Internal Control Act, Chapter 647 of the Acts of 1989, mandates that each department document its internal controls in accordance with guidelines established by the Office of the Comptroller – see: [Internal Control Guide](#) 

The completed ICQ is due on or before **May 29, 2015**. Staff should plan to provide a copy to any auditors or regulators, federal or state, who conduct a review of your agency. If you have any questions, contact the Comptroller's Help Line at (617) 973-2468. Thank you in advance for your time and cooperation.

Attachments: [Instructions for Completion](#)

cc:
Single Audit Liaisons,

MMARS Liaisons

Payroll Directors

General Counsels

Internal Distribution

**Instructions for Completing the FY2015
Internal Control Questionnaire**

The Office of the Comptroller (CTR) collects Internal Control Questionnaire (ICQ) data electronically. Please submit the completed questionnaire no later than **May 29, 2015**. Each section includes an area for optional comments at the end. The *Comments* blocks accept up to 500 characters.

ACCESS

1. The questionnaire is accessed through PartnerNet.
2. From the CTR portal, click on the [Comptroller Intranet](#) button. [PartnerNet](#) is the 3rd selection under "Applications." Select the link to access the PartnerNet login screen.
3. Log in to PartnerNet using your Commonwealth UAID and your password (if you do not have or do not know your UAID or your password, contact your department security officer for assistance).
4. If this is your first time in PartnerNet, you will be presented with the requirement of creating your own password. After successfully changing your password, the My Home link will be available. If you are already a PartnerNet user, the login procedure will have presented you with the My Home application page.
5. Once at the *My Home* page, test the *ICQ* link under the Applications heading. If nothing happens, review the error bar across the top of your screen, "*Pop-up blocked*." You can set your browser to "*Always Allow Pop-ups from This Site*" by clicking the error bar, and selecting the "Allow" option (you need do this only on the first visit). Click the link to the ICQ application again.
6. Step 5 will bring you to your department's 2015 ICQ selection screen. Maximize your browser window.
7. Choose Fiscal Year: 2015 with the *Select* button.
8. If the text displayed does not wrap properly and you are using an Internet Explorer browser, select the Tools button on the toolbar and select "Compatibility View."
9. Data from our files was entered for the first five items of the Department Information Section. Please enter or correct information where necessary. Then continue with the rest of the questionnaire.

10. To view last year's ICQ responses, click the *Printing and Status* link located on the Top Menu Bar. A link to the 2014 ICQ is found under the heading: **Archived**.

COMPLETING QUESTIONS AND SAVING YOUR WORK: Each department must answer all questions applicable to its operations. To save a partially completed ICQ, click on the *Save and Proceed* button located at the end of each section. This will save your work and bring you directly to the following section. After your work is saved, click on the red *Exit* button located at the top of each section.

The section menu on the left navigation panel allows you to navigate between sections. However, each section must be saved (*Save and Proceed* button) before exiting or the information will be lost.

Save frequently. If you have not "saved" or otherwise interacted with the system for **five minutes**, the system will log you out. **If you did not "save" data entered before being logged out, you will lose that information.**

PRINT: After logging in, users may find it useful to print the questionnaire and distribute sections to the appropriate business area managers. The questionnaire can be printed from the *Printing and Status* page (the link is located at the top-right of the masthead). *Printing and Status* displays all of the responses for all sections of the ICQ. Select the **Print** button to print the entire document.

STATUS: The Printing and Status page will also display the ICQ status (Complete/Incomplete) and the last user's ID.

SECTIONS OR QUESTIONS THAT DO NOT APPLY TO YOU: Not all sections or questions apply to all departments. Please do not skip a section. Enter "*No*" or "*Not Applicable*" to the first question of the section. For example: *Does the department receive or manage any federal funds?* Selecting "*No*" will inactivate all related questions in this section. Simply go to the next available question to continue the questionnaire. If you discover that you inactivated questions by mistake, changing the original response from "*No*" to "*Yes*" will activate all related questions.

REPRESENTATIONS: The Representations Section operates differently than other ICQ Sections. In this section, the Department Head, CFO, and Internal Control Officer confirm that the information entered into the questionnaire is accurate and approve the representations listed. After they have reviewed the representations, enter their names, official titles, and the approval dates in the appropriate fields. Print this section, have each approver sign it, and file it as your department's certification of the representations. Do not select Save and Submit until you have completed the entire questionnaire, including the representations by the Department Head, CFO and Internal Control Officer.

SUBMIT TO THE OFFICE OF THE COMPTROLLER.

When the ICQ is complete, select *Save and Submit* and click the *Done* button.

After the ICQ is successfully submitted, the questionnaire will be stored in the Comptroller's ICQ database. Once submitted, your department will no longer be able to change the document. If you have accidentally or prematurely submitted the questionnaire and need to make corrections, contact the Comptroller's Help Line (617 973-2468) to unlock your questionnaire. *Save and Submit* the completed ICQ no later than **May 29, 2015**.