



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

Making government work better

Official Audit Report – Issued September 30, 2015

Civil Service Commission—Examination of Annual Internal Control Questionnaire

For the period July 1, 2013 through June 30, 2014





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

Making government work better

September 30, 2015

Mr. Christopher C. Bowman, Chair
Civil Service Commission
One Ashburton Place, Room 503
Boston, MA 02108

Dear Chairman Bowman:

I am pleased to provide this limited-scope performance audit of the Civil Service Commission. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2013 through June 30, 2014. My audit staff discussed the contents of this report with management of the agency, whose comments are reflected in this report.

I would also like to express my appreciation to the Civil Service Commission 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, CSC’s ICP was not based on guidelines issued by OSC.	7
b. Contrary to what its ICQ indicated, CSC’s response was inaccurate with regard to capital assets with a useful life of more than one year.....	8
c. Contrary to what its ICQ indicated, CSC had not performed and documented an annual physical inventory of capital assets.	8
d. Contrary to what its ICQ indicated, CSC did not have procedures encompassing all phases of the inventory process.	8
OTHER MATTERS	11
APPENDIX A	12
APPENDIX B	14

LIST OF ABBREVIATIONS

COSO	Committee of Sponsoring Organizations of the Treadway Commission
CSC	Civil Service Commission
EOAF	Executive Office for Administration and Finance
ERM	enterprise risk management
GAAP	generally accepted accounting principles
ICP	internal control plan
ICQ	Internal Control Questionnaire
IT	information technology
MMARS	Massachusetts Management Accounting and Reporting System
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 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, chief fiscal officer, and internal control officer confirm that the information entered in the questionnaire is accurate and approved.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted a limited-scope performance audit of certain information reported in the Civil Service Commission's (CSC's) ICQ for the period July 1, 2013 through June 30, 2014. The objective of our audit was to determine whether certain responses that CSC provided to OSC in its fiscal year 2014 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>	CSC's 2014 ICQ had inaccurate responses on the subjects of its internal control plan (ICP), capital-asset inventory, and inventory procedures.
Recommendations Page <u>10</u>	<ol style="list-style-type: none">1. CSC 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, capital assets, annual physical inventory, and inventory procedures in its ICQ.2. If necessary, CSC should request guidance from OSC on these matters.

OVERVIEW OF AUDITED ENTITY

The Civil Service Commission (CSC) is a quasi-judicial agency established under Chapter 7, Section 4I, of the Massachusetts General Laws. It hears and decides appeals of public employees and job applicants protected by Massachusetts civil-service law (Chapter 31 of the General Laws) and is charged with ensuring fair and impartial treatment.

CSC has a five-member appellate board whose members are appointed by the Governor to staggered five-year terms. CSC's powers and duties are detailed in Chapter 31, Section 2, of the General Laws.

During our audit period, CSC had a staff of four full-time employees and two part-time employees and a fiscal year budget of \$436,000. The commission is located at One Ashburton Place in Boston.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a limited-scope performance audit of certain information reported in the Civil Service Commission's (CSC's) Internal Control Questionnaire (ICQ)¹ for the period July 1, 2013 through June 30, 2014.

We conducted this limited-scope 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 CSC accurately reported certain information about its overall internal control system to the Office of the State Comptroller (OSC) in its 2014 ICQ. Accordingly, our audit focused solely on reviewing and corroborating CSC'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. In its 2014 ICQ, did CSC give accurate responses in the following areas?	
a. internal control plan (ICP)	No; see Finding 1a
b. capital-asset inventory, for both generally accepted accounting principles (GAAP) and non-GAAP assets	No; see Findings 1b , 1c , and 1d
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

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

Our analysis of the information in the ICQ was limited to determining whether agency documentation adequately supported selected responses submitted by CSC in 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 CSC in 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 CSC was based on our interviews and document reviews. Our audit 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 2014 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 Chapter 93H, Section 3, of the General Laws, and Massachusetts Executive Order 504, 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 reviews² conducted by OSC for CSC.
- We interviewed CSC's chairman to gain an understanding of CSC's ICQ process, and we requested and obtained documentation to support the responses on the ICQ for the 12 questions we selected for review.
- We interviewed CSC's chairman to ask whether CSC 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.

2. 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 reviewed the fiscal year 2014 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 internal control systems, procedures, and operating cycles, covering the objectives of all department activity?
 - 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, 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 Chapter 93H, Section 3, 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 law and policy, secured and restricted to access for job-related purposes?

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

- We requested and reviewed the CSC ICP to determine whether it complied with OSC requirements.
- We requested and reviewed any department-wide risk assessments conducted by CSC.

- We conducted interviews with CSC’s chairman to determine the procedures used to prepare and update the ICP and conduct an annual physical capital-asset inventory.
- We requested and reviewed CSC’s policies and procedures for PII to determine whether policies were in place and addressed the provisions of (1) Chapter 93H, Section 3, of the General Laws, and Executive Order 504, 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 CSC.
- We requested and reviewed all documentation available to support CSC’s certification of the accuracy of its responses on the fiscal year 2014 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 CSC 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 the Civil Service Commission (CSC) reported in its Internal Control Questionnaire (ICQ) to the Office of the State Comptroller (OSC) for fiscal year 2014 was inaccurate or not supported by documentation. Specifically, although CSC indicated that it was complying with OSC guidelines in all of the areas we reviewed, its internal control plan (ICP) had not documented one of the eight components of enterprise risk management (ERM) required in guidelines issued by OSC, it inaccurately disclosed that it held capital assets subject to OSC's Accounting and Management Policy and Fixed Assets—Acquisition Policy, it could not provide documentation that it had performed an annual physical inventory of its capital assets, and it did not have procedures encompassing all phases of the inventory process.

Without establishing an ICP in accordance with OSC guidelines, CSC 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 CSC's internal control system for the purpose of financial reporting. Finally, without performing and documenting an annual physical inventory or establishing procedures that encompass all phases of the inventory process, CSC is not ensuring that its capital assets are properly safeguarded against loss, theft, or misuse and that its inventory records are complete and accurate.

The problems we found are detailed in the sections below.

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

In the Internal Control Plans section of the fiscal year 2014 ICQ, departments were asked, "Is the internal control plan based on guidelines issued by the Comptroller's Office?" In its ICQ, CSC answered "yes," but its ICP was not fully compliant with the guidelines in OSC's Internal Control Guide. Specifically, although CSC's ICP identified seven of the eight ERM components, it did not adequately identify or discuss the Internal Environment component.

b. CSC's response was inaccurate with regard to capital assets with a useful life of more than one year.

In the Capital Assets Inventory (GAAP and Non-GAAP) section of the fiscal year 2014 ICQ, departments were asked, "Does the department have singular tangible and/or intangible capital assets with a useful life of more than one year?"³ In its ICQ, CSC answered "yes," but CSC's chairman told us that the commission did not have any generally accepted accounting principles (GAAP) or non-GAAP capital assets. Further, although they were outside our audit period, we noted that in its ICQs for fiscal years 2011 and 2013, CSC answered "yes" to this question, whereas in its fiscal year 2012 ICQ, it answered "no" to the same question.

c. Contrary to what its ICQ indicated, CSC had not performed and documented an annual physical inventory of capital assets.

In the Capital Assets Inventory (GAAP and Non-GAAP) section of the fiscal year 2014 ICQ, departments were asked, "Does the Department take an annual physical inventory of tangible and/or intangible capital assets including additions, disposals and assets no longer in service?" In its ICQ, CSC answered "yes," but it had not conducted an annual physical inventory of its tangible and intangible capital assets that included additions, disposals, and assets no longer in service. Moreover, although they were outside our audit period, we noted that in its ICQs for fiscal years 2011, 2012, and 2013, CSC answered "yes" to this question despite not having conducted annual physical inventories.

d. Contrary to what its ICQ indicated, CSC did not have procedures encompassing all phases of the inventory process.

In the Capital Assets Inventory (GAAP and Non-GAAP) section of the fiscal year 2014 ICQ, departments were asked "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 responsibilities to personnel?" In its ICQ, CSC answered "yes," but it had not established and implemented formal written policies and procedures for managing its capital-asset inventory. Though it was outside our audit period, we also noted that CSC also responded "yes" to the question in fiscal year 2013, the first year the question was included in the ICQ.

3. OSC's Fixed Assets—Acquisition Policy defines GAAP and non-GAAP assets as singular capital assets with a useful life of more than one year and a value equal to or above \$1,000.

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 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's 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 components of an internal control system must be present and functioning properly and operating together in an integrated manner in order to be effective.

OSC's Accounting and Management Policy and Fixed Assets—Acquisition Policy require that an annual inventory of each department's fixed assets, both GAAP and non-GAAP, be performed each year.

Reasons for Inaccurate or Unsupported Information

According to CSC's chairman, the omission of the Internal Environment component of ERM was caused by an administrative oversight. In addition, the chairman stated that in responding to the Capital Assets Inventory (GAAP and Non-GAAP) questions, he had mistakenly assumed that CSC had singular capital assets worth \$1,000 or more that would be subject to an annual inventory and reconciliation in accordance with OSC's capital-asset policies. He also stated that an annual physical inventory had been performed via a visual inspection of assets, but not documented, and that by including sections on Chapter

647 of the Acts of 1989 and obsolete and nonfunctional equipment in the ICP, he had established adequate inventory procedures.

Recommendations

1. CSC 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, capital assets, annual physical inventory, and inventory procedures in its ICQ.
2. If necessary, CSC should request guidance from OSC on these matters.

Auditee's Response

We will incorporate all of the recommendations listed into our existing Internal Control Plan (ICP) and office procedures.

Despite budget constraints that have left the Civil Commission with only four (4) full-time employees, we have met or exceeded our goals and objectives, reducing the pending inventory of total appeals from approximately 900 in 2006 to approximately 100 as of the time of this audit. The number of appeals pending for more than 12 months was reduced from 550 to 25 during this same time period. We met these milestones through a series of administrative reforms, including moving to a digital recording system that allows us to process appeals in a more efficient manner. These digital recorders are our most valuable assets. Although the singular cost for each of the five (5) recorders is just under \$1,000, we have treated them as if they were non-GAAP capital assets, and maintained a rigorous inventory control for tracking, securing and recordkeeping for these assets on a daily basis. Consistent with the auditors' recommendations, however, we will no longer deem these recorders as capital assets when completing the annual Internal Control Questionnaire (ICQ). We will, however, continue our existing inventory control system for these assets. This will effectively address two (2) of the four (4) findings in the audit.

Upon review, we concur that our existing ICP only identified seven (7) of the eight (8) enterprise risk management (ERM) components. The ICP will be updated to incorporate the eighth component listed in the audit.

Finally, although the Commission does not anticipate purchasing anything that meets the definition of a capital asset, we concur with the recommendation that we should still adopt formal written policies and procedures for managing a capital asset inventory, in the event that circumstances change and capital assets are purchased sometime in the future.

Auditor's Reply

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

OTHER MATTERS

On May 9, 2011, the Governor issued Executive Order No. 532. This order superseded Executive Order 510, which transferred the responsibility for accounting for the information technology (IT) assets of executive departments, including the Civil Service Commission (CSC), to the Executive Office for Administration and Finance (EOAF). One of EOAF's responsibilities under both orders was to perform annual physical inventories of CSC's IT assets in accordance with the state Information Technology Division's Enterprise IT Asset and Risk Management Policy, dated March 6, 2014. This policy states, "Secretariats and their respective agencies are required to . . . annually conduct a physical audit of IT assets and reconcile the audit with the IT asset inventory. Agencies must investigate and resolve discrepancies between the physical audit of IT assets and the IT asset inventory."

As part of our current audit, we inquired whether an annual physical inventory of CSC's IT assets had been conducted. CSC personnel told us that they were uncertain whether EOAF had conducted its annual physical inventory for fiscal year 2014. Moreover, we determined that certain CSC capital assets with a historical cost totaling \$34,287, which were fully depreciated and no longer in CSC's possession, had not been removed from the Fixed Asset Subsystem within the Commonwealth's Massachusetts Management Accounting and Reporting System (MMARS). The assets were a telephone system and related accessories that were purchased on June 30, 1997 for \$15,796 and computer central processing units that were purchased on June 1, 1987 for \$18,491.

If CSC had performed the OSC-required capital-asset reconciliation, comparing the records in the MMARS Fixed Asset Subsystem to internal inventory records maintained by either EOAF or CSC, it would have identified these assets as items that should be deleted from the Fixed Asset Subsystem.

Although this matter was outside the scope of this audit, we discussed this issue with EOAF's bureau chief of Technical Services, who is responsible for the management of IT assets for departments under EOAF. He stated that because of limited resources and time constraints, no physical inventory had been conducted, but corrective action would be taken to ensure annual physical inventories of CSC's IT assets.

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

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>

Memorandum

To: Department Heads, Internal Control Officers, and Chief Fiscal Officers
From: Martin J. Benison, Comptroller
Date: April 22, 2014
Re: Internal Control Questionnaire and Department Representations: Due May 12, 2014

Comptroller Memo # FY2014-23

Executive Summary

This memo announces the FY2014 *Internal Control Questionnaire* (ICQ). The ICQ application is located on our intranet site, [Comptroller Intranet](#), under PartnerNet. See the attached *Instructions for Completing the FY2014 Internal Control Questionnaire* for details. Departments should complete the ICQ on or before May 12, 2014. 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 12, 2014. **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.

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 12, 2014**. Staff should plan to provide a copy to any auditors who visit your agency as part of the Commonwealth's Single Audit. 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