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INDEPENDENT STATE AUDITOR'S REPORT

ON CERTAIN ACTIVITIES OF THE

DEPARTMENT OF MENTAL HEALTH'S

GREATER LAWRENCE SITE OFFICE

**OFFICIAL AUDIT
REPORT**

JUNE 11, 2003

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The Greater Lawrence Site Office is located within the North East Area of the Department of Mental Health (DMH), as authorized by Chapter 19, Section 1, of the Massachusetts General Laws. The Site Office is responsible for the community- and center-based system of mental health services, which include state-operated residential services, case management, and contract community services for the citizens of Andover, Lawrence, Methuen, and North Andover. Any individual who lives in the geographical area served and meets the DMH criteria for priority clients may be eligible to receive continuing care services. Priority clients are adults with serious or long-term mental illness and children with serious emotional disturbances or mental illness. The goal of treatment is to reduce disability, increase functioning, and maximize independence in the least restrictive setting possible through comprehensive assessment, treatment planning, and coordination of care.

The Area Office notified the Office of the State Auditor that a theft of client funds had occurred within the Representative Payee Program (RPP). The RPP is administered by DMH and assists clients who do not have family members willing or able to manage their finances. The notification was made in compliance with Chapter 647 of the Acts of 1989, and was based upon disclosures made by the Site Office and a subsequent review by the DMH. Our review, which covered the period March 1, 2002 to September 30, 2002, was performed in accordance with Chapter 647, which requires the Office of the State Auditor to determine the internal control weaknesses that contributed to or caused an unaccounted-for variance, loss, shortage, or theft of funds or property; and to make recommendations that address the condition found. Our recommendations, if adequately implemented, will assist the Site Office in its administration of client funds; provide reasonable assurance that client funds and RPP operations are in compliance with applicable state and federal regulations; and reduce the risk of a recurrence of the problems identified in this report.

AUDIT RESULTS

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1. INADEQUATE INTERNAL CONTROLS OVER CLIENT FUNDS AND REPRESENTATIVE PAYEE PROGRAM OPERATIONS RESULTED IN THE THEFT AND MISUSE OF \$18,070 IN CLIENT FUNDS

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Our review of the Site Office revealed inadequate internal control procedures that resulted in the theft of \$18,070 from 26 DMH clients participating in the RPP. These thefts were initiated by an employee of the Site Office from March 2002 through September 2002 and were discovered when a client questioned his available balance to another member of the Site Office staff. As a result of our review, the Site Office initiated corrective action by implementing the departmental policies and procedures relative to the management of client funds issued by DMH in December

2000, which had not been included as part of the Site Office procedures. The DMH departmental policy entitled “Representative Management Payee Policy” defined internal control practices that must be utilized in instances where DMH state-operated programs are involved in providing any representative payee services. Additionally, DMH has reimbursed 24 of the 26 clients for the misappropriation through its own appropriation account. The other two clients cannot be reimbursed until a representative for their estate is appointed. DMH terminated the employee responsible for the theft and has requested that a hold be placed on the employee’s retirement account so that the Commonwealth may recoup some of the funds used to reimburse the clients. According to DMH's Office of Investigations, the DMH employee responsible for the thefts is scheduled to appear in court on June 11, 2003. In its response, the DMH Area Office indicated that the audit report was accurate and complete.

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INTRODUCTION

Background

The Greater Lawrence Site Office is located within the North East Area of the Department of Mental Health (DMH), as authorized by Chapter 19, Section 1, of the Massachusetts General Laws. The Site Office is responsible for the community- and center-based system of mental health services, which include state-operated residential services, case management, and contract community services for the citizens of Andover, Lawrence, Methuen, and North Andover. Any individual who lives in the geographical area served and meets the DMH criteria for priority clients may be eligible to receive continuing services. Priority clients are adults with serious or long-term mental illness and children with serious emotional disturbances or mental illness. The goal of treatment is to reduce disability, increase functioning, and maximize independence in the least restrictive setting possible through comprehensive assessment, treatment planning, and coordination of care.

In 1981, Site Office staff identified a number of individuals receiving DMH services in the community whose inability to manage their funds were exacerbating their mental health problems into crisis situations, resulting in utilization of the state hospital inpatient unit primarily to provide shelter, food, and other basic needs. These clients needed help managing their finances, but did not have family members willing or able to assume the responsibility. To meet this need for their clients, the Site Office established a Representative Payee Program (RPP) with the Area Director as payee and bookkeeping and recordkeeping functions provided by the Site Office.

In 2002, approximately 60 clients were receiving RPP services from the Site Office. The eligibility of clients for the RPP is carefully reviewed because it is seen as a limitation of a client's rights. It is only when clients' inability to manage their funds has a direct impact on the need for clinical mental health services that they are considered for the program, and then only after all other efforts to assist with budgeting have failed.

In accordance with Chapter 647 of the Acts of 1989, the Area Office notified the Office of the State Auditor that improprieties had occurred concerning the administration of client funds in the RPP. The request included an investigation to determine and/or confirm the amount of funds missing from each client's account. Accordingly, our audit focused on the concerns over client funds expressed by the Area Office, the Site Office, and the DMH.

Audit Scope, Objectives, and Methodology

In accordance with Chapter 647 of the Acts of 1989, we conducted a review of client funds and the RPP's internal controls with regard to the proper accounting and management of client funds, as well as compliance with federal and state regulations. Chapter 647 requires the Office of the State Auditor to determine the internal control weaknesses that contributed to or caused an unaccounted-for variance, loss, shortage, or theft of funds or property; to make recommendations that address the correction of the condition found; to identify the internal control policies and procedures that need modification; and to report matters to appropriate officials.

We conducted our review in accordance with applicable generally accepted government auditing standards. Our review focused on activities from March 1, 2002 to September 30, 2002, the period in which improprieties were reported to exist.

To achieve our objectives we reviewed internal controls to ensure that (a) client fund disbursements were valid, supported with sufficient detail that adequately documents the use of client funds, and properly authorized, (b) duties were properly segregated to act as a deterrent and reduce the risk and opportunities to commit and conceal defalcations, (c) adequate safeguards were designed and implemented to restrict access to and control over the issuance of client fund checks susceptible to theft and easily convertible to cash or personal use, and (d) adequate supervisory and monitoring controls were present to maintain continuity in a controlled environment and reduce the risk to program operations. Additionally, we (1) reviewed all documents produced during the generation and distribution of client fund checks; (2) obtained third-party verification to acquire evidential matter about the validity and accuracy of client account disbursements, (3) conducted an on-site review of the Site Office to gain an

understanding of the client RPP operations and information-gathering and recordkeeping practices; and (4) reviewed, as necessary, other pertinent financial records relative to client accounts.

Furthermore, we interviewed appropriate staff from the Site Office, the DMH, and the DMH Area Office to obtain an understanding of the client fund operations. Finally, we reviewed available supporting documentation for client fund disbursements to determine the amount of reimbursements to be made.

AUDIT RESULTS

1. INADEQUATE INTERNAL CONTROLS OVER CLIENT FUNDS AND REPRESENTATIVE PAYEE PROGRAM OPERATIONS RESULTED IN THE THEFT AND MISUSE OF \$18,070 IN CLIENT FUNDS

As a result of a complaint registered by a client of the Greater Lawrence Site Office's Representative Payee Program (RPP) regarding the balance of funds within the client's account, the Department of Mental Health (DMH) initiated an investigation. The investigation included a review of the client's account, which led to a subsequent review of all client accounts handled by one DMH employee and an examination of RPP policies and procedures within the Site Office. The results of the initial internal review indicated that a Site Office employee processed checks through the Fleet Bank's Homelink Internet Banking system without any supporting documentation or approval from Site Office management or from any of the 26 clients affected by the withdrawals. The report indicated that the unauthorized cash disbursements totaled \$19,050. Accordingly, DMH notified the Office of the State Auditor of the alleged improprieties involving client funds.

Our review of the Site Office's RPP operations for the period March 1, 2002 to September 30, 2002 disclosed that \$18,070 from 26 client accounts was withdrawn without client or Site Office personnel knowledge or approval. Specifically, the clerk acting as a Program Support Coordinator (PSC), processed 51 checks totaling \$19,450 from 26 client accounts through the Fleet Bank Homelink on-line banking system without any supporting documentation or approval from the 26 clients affected by the withdrawals or anyone in management at the Site Office. The breakdown of the checks written is as follows; 46 checks to an individual believed to be an associate of the DMH clerk totaling \$16,770; one check to the DMH clerk for \$500; one check to an individual not positively identified at this time for \$800; and three checks totaling \$1,380 made out to the associate of the DMH clerk which had stop payments placed on them before they could be cashed. Furthermore, our review indicated that improvements are needed in the Site Office's internal controls to provide reasonable assurance that client funds are properly accounted for and to ensure compliance with applicable state and federal regulations. Specifically, our audit revealed that the Site Office

lacked (a) effective supervisory and monitoring controls over RPP activities, and (b) adequate segregation of duties.

Chapter 647 of the Acts of 1989 establishes the minimum level of quality acceptable for internal control systems for state agencies of the Commonwealth. Internal control systems for state agencies should be developed in accordance with the Internal Control Guidelines established by the Office of the State Comptroller. In response to these guidelines DMH, on December 1, 2000, established the “Representative Payee Management Policy,” which defines the internal control practices concerning the management of client funds. This policy also included procedures to (a) physically secure client furnishings, equipment, cash, and other assets; (b) maintain accounting/bookkeeping systems that clearly identify transactions applicable to all representative payee funds, including purchases of furnishings and equipment; (c) reconcile and review the accuracy of the reports on the client funds; and (d) provide for internal quality control reviews. The cover sheet to the policy memo shows that the new procedure was only distributed at the DMH Area Office level. The former Northeast Area director previous to the issuance of this policy decided that the site offices would be responsible for the development of their own written RPP procedures because each site operated differently. We contacted the DMH to determine whether any other site offices within the Northeast Area were handling client funds and were told that the Lawrence Area Site Office was currently the only site with an RPP that was active.

In response to the DMH Area Office directive to prepare procedures, the Site Office developed RPP procedures that designate the PSC as being responsible for managing client benefits. The job responsibilities of the PSC include (a) maintaining all financial records and documentation relative to individual participants in accordance with Social Security Administration regulations, (b) reviewing and analyzing the program’s financial status and making recommendations to the Client Case Manager in order to design an accurate and affordable budget, and (c) managing the DMH State Operated Residential Program Accounts by ensuring payments, reconciling bank statements, reviewing ledgers, and verifying the accuracy of program purchases.

The internal policies developed over the RPP also reflect the responsibilities of the program staff and place many of the duties required within the PSC's responsibilities. The Case Coordinator, who determines how client benefit funds will be spent on a monthly basis, develops each client's budget. The budget is usually composed of only a few monthly payments such as rent, utilities, and an allowance for the personal needs of the client. Any expenditure not predetermined by the client budget would require the review and approval of the Site Office Director. In accordance with Section 1631 of the Social Security Act, the duty of a representative payee is to keep informed of an individual's needs to choose alternatives for maximum benefits to be used for the individual's personal care and well-being. Our discussions with Site Office staff revealed that there were two employees serving in the administration of the RPP: one for community-based clients who live independently with some support, and one for residential clients who reside in state-funded programs. According to Site Office staff, the individual responsible for the community-based clients was a PSC, but the individual administering the residential clients' accounts was only a clerk doing the work of a PSC.

The job descriptions in effect at the time of the misappropriation show that the PSC was responsible for coordinating the RPP. The PSC also is responsible for area housing programs, contract monitoring, and developing and maintaining statistical databases for the Site Office. Specific to the RPP, the PSC manages the DMH State-Operated Residential Program Accounts by ensuring payments, reconciling bank statements, reviewing ledgers, and verifying the accuracy of program purchases. The individual who actually was a PSC handled only the community-based client accounts. The clerk who was functioning as a PSC was in charge of the residential client accounts. The job description for a clerk position lists their responsibilities as data entry into the Client Tracking System, performing payroll functions, assisting the Administrative Assistant, recording and transcribing meeting minutes, and serving as a backup for the receptionist. The only mention of any function as a Representative Payee is that the clerk acts as a backup for the PSC. However, our review showed that the clerk was actually working as a PSC in regard to Representative Payee functions and was not receiving any oversight from Site Office management personnel.

In February 2002, the Site Office implemented the Fleet Bank Homelink on-line banking system in lieu of the manual system they were using for RPP client accounts. This new system allowed budgeted payments such as rent and transfers to the client savings accounts to happen automatically. Actual bills for utilities would still go to the clients, and the Case Coordinators would bring them back to the office and submit them to the clients' Representative Payee for payment. Any additional requests for funds by the clients had to be signed by the Case Coordinator and the client. If the request was for more than \$100, the Case Coordinator's supervisor also had to sign the request. Once a payment was scheduled to be processed, the funds were immediately withdrawn from the client's account and moved to an internal holding account within Fleet Bank, where it was held until the check was presented for payment. The DMH employee was then supposed to enter the amount scheduled for payment into the internal Quicken bookkeeping system for reconciliation with the bank records and to provide up-to-the-minute fund availability in case a client requires some additional money.

The DMH employee was able to process these payments and then remove the appearance of the payment because the on-line banking system allowed the individual scheduling the payments to delete them from the system. The payments were still made but would now only show on the individual client bank statements. In order to cover the misappropriations, and more specifically, to cover the shortage in one particular client's account, the DMH employee developed a strategy of internally transferring funds among the various client accounts for which she acted as Representative Payee. The DMH employee was able to continue this practice of misappropriating and transferring funds due to a lack of segregation of duties and management oversight within the Site Office. The employee in all likelihood would have been able to continue these activities had a work absence not necessitated that another PSC had to work on one of her accounts. This PSC noted that apparent unallowable payments were being made from this account to a known associate of the employee. It was at this point that the Site Office contacted the DMH Area Office and reported apparent irregularities in this employee's Representative Payee responsibilities.

The absence of segregation of duties is best illustrated by the responsibilities entrusted to the PSCs. Specifically, the PSCs are responsible for paying client bills, receiving monthly statements, and reconciling client accounts for the individuals for which they are the Representative Payee. This lack of segregation of duties is inherent in both the internal policies and procedures of the Site Office and the PSC job description.

When questioned on how such procedures were developed, Site Office staff indicated that the Area Directors told them to implement their own procedures over the RPP. We were then given a memorandum dated December 1, 2000 from the DMH central office to the Area Directors outlining the procedures and internal control practices that were to be incorporated into any site office providing Representative Payee services to clients. Under Section G, Disbursements, the memorandum states that “monthly bank reconciliations should be made by someone other than the individual posting to the transaction form or the check register.” It also states that if any limitations on staffing make such segregation of duties impossible, local management will need to conduct periodic audits to ensure that proper procedures are being followed. However, neither of these procedures was incorporated into the Site Office’s internal policies. Site Office staff indicated that the memorandum was never disseminated further down the chain of command than the DMH Area Office and that they were not aware that these procedures were to be included into their own plan. This lack of supervisory controls designed to prevent or detect discrepancies in the handling of client funds was the primary reason an employee was able to conceal the actions that led to the thefts.

To determine the extent of the problem identified within the program-based RPP accounts, we examined the internal report conducted by the DMH and reviewed the account activity of all program-based clients. We also reviewed the accounts of the community-based clients handled by a different employee and found them to be accurate. Our review noted that many control procedures listed in the Site Office’s RPP guidelines were not followed, as follows:

- Checks were prepared that were not based on the approved budget.

- Bills were not paid every Wednesday based upon the approved budget information.
- Checks were processed without the client's name and purpose of the request and were not signed by the client and the Case Coordinator submitting the check request.
- Checks and transfers of funds on-line were processed without the required authorization of the client and Case Coordinator.
- Check request forms submitted in excess of \$100 were not reviewed and signed by the Case Coordinator's Supervisor.
- The PSC did not maintain an automated, computerized system that is kept accurate on a daily basis reflecting all moneys received and expended.
- Client bank account statements were not reconciled monthly.
- Checks were issued outside the approved budget without the authorization of the Site Director/Agency Director or designee.

All of these instances of noncompliance are a direct result of a lack of management oversight and inadequate segregation of duties. It should be noted that the internal DMH report also identified the same areas of noncompliance.

At the time the theft was discovered, DMH requested that a hold be placed on the suspected employee's retirement account so that, if the court so orders, affected client accounts could be reimbursed. According to DMH Area Office personnel, the employee responsible for the alleged theft has been terminated. Additionally, the DMH has reimbursed 24 of the 26 client accounts from its own budget (Appropriation Account No. 5046-0000, known as the Community Service Account). The remaining two clients, owed \$300 and \$500, respectively, are deceased and will have their accounts reimbursed when a representative for their estate is appointed.

As a result of the DMH review and our review and assessment of RPP policies and procedures, the DMH Northeast Area Director issued Procedure Directive FS-606, which instituted universal guidelines with an effective date of December 18, 2002. These guidelines state that all Northeast Area site offices must now follow the DMH Representative Payee

Management Policy and ensure that the local area office practices are consistent with these policies. Within these guidelines the following procedures are now required:

- All transactions must be entered into an automated bookkeeping system within one business day.
- Site staff responsible for recording account transactions cannot be responsible for reconciling accounts under their management. Either their supervisor or another staff person not involved in the specific account transaction must perform monthly account reconciliations.
- The Site Director must review monthly financial statements showing reconciled accounts, and copies must be forwarded to the Northeast Area business office.
- Any purchase or disbursement made from an account should be made with a check or electronic fund transfer and must have a receipt or source document that verifies that the disbursement is legitimate.
- Northeast Area Fiscal Services or a contracted accounting firm will conduct periodic reviews/audits of all cash accounts at least once annually.
- Any apparent irregularities or deficiencies are to be reported to the Northeast Area Operations Manager or Area Director within one business day.

Prior to the close of our review, DMH referred this case to the Eastern District Attorney's Office. According to DMH's Office of Investigations, the DMH employee responsible for the thefts is scheduled to appear in court on June 11, 2003.

Recommendation

The Greater Lawrence Site Office should revise its internal controls and implement the new procedures recommended by DMH, including adequate segregation of duties and proper management oversight, to ensure adequate and proper administration of client funds and the Representative Payee Program. Additionally, we recommend that new job descriptions be written to reflect the new procedures that will create adequate segregation of duties as they relate to all transactions involving either DMH or client assets.

Auditee's Response

The response from DMH's North East Area Office indicated that the audit report was accurate and complete.

APPENDIX I

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

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

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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.

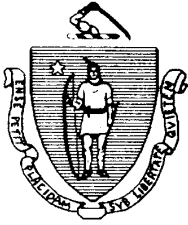
Passed to be enacted, *William W. Budge*, President.

January 3, 1990.

Approved, *Richard H. Kiah* Governor.

APPENDIX II

Chapter 647 Awareness Letter from the State Auditor and the State Comptroller



The Commonwealth of Massachusetts

Office of the State Auditor
State House
Boston, MA 02133

Office of the Comptroller
One Ashburton Place
Boston, MA 02108

September 19, 2000

Legislative Leadership
Judicial Branch Administrators
Elected Officials
Secretariats
Department Heads

The State Auditor and the Comptroller are both committed to departmental improvements in the Internal Control structure of the Commonwealth. A good system of controls, as you know, assists management in meeting objectives while avoiding serious problems. Chapter 647 of the Acts of 1989, *An Act Relative To Improving Internal Controls Within State Agencies*, establishes acceptable Internal Control systems for state government operations and constitutes the criteria against which we will evaluate internal controls. With the passage of this law, we began a campaign to educate all department staff on the significant role of internal controls in department operations.

In the past few years, departments have made significant progress in the area of internal controls. Every department has certified that they have documented internal controls in the form of an Internal Control Plan. In Fiscal Year 2001, we are focusing our Internal Control Campaign on the review of department risk assessments, as documented within the departments' internal control plans. Internal control plans must, of course, include all aspects of a department's business, programmatic operations as well as financial.

A major requirement of Chapter 647 is that "an official, equivalent in title or rank to an assistant or deputy to the department head, shall be responsible for the evaluation of the effectiveness of the department's internal controls and establish and implement changes necessary to ensure the continued integrity of the system". This official, whom we refer to as the Internal Control Officer, is responsible for ensuring that the plan is evaluated annually or more often as conditions warrant.

During this annual Statewide Single Audit, we continue with our review of the Commonwealth's internal controls. We analyze and evaluate information obtained during the audit process in our continuing effort to educate agencies regarding both the need for internal controls and the risks of not having adequate internal controls in place.

Chapter 647 Awareness Letter from the State Auditor and the State Comptroller

To assist departments with this effort, we provide the following support activities:

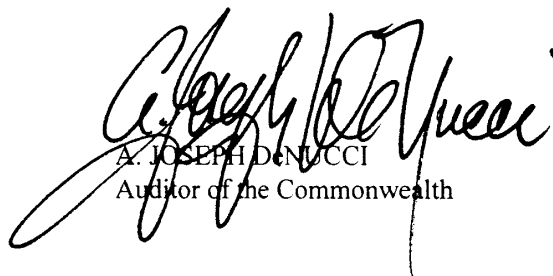
- ◆ The Office of the Comptroller offers departments free monthly training on internal controls. These classes are listed in the *OSC Training Bulletin*.
- ◆ The Office of the Comptroller provided a new document entitled the *Internal Control Guide for Managers* on the Office of the Comptroller's Web page: <http://www.osc.state.ma.us/>. Part II of the guide will be available shortly and will replace the current *Internal Control Guide for Departments*, currently available on the Web.
- ◆ Upon request, the Office of the Comptroller provides assistance to departments in the process of redefining or reviewing their internal control plans.
- ◆ As part of the Statewide Single Audit, auditors will review and comment upon departments' internal control plans, risk assessments, and the reporting level of the Internal Control Officers.
- ◆ We have updated and automated the Internal Control Questionnaire (ICQ) for easier submission. These changes to the ICQ will enable OSA and OSC to evaluate department internal controls and monitor their progress.

Chapter 647 also requires that "all unaccounted for variances, losses, shortages, or thefts of funds or property be immediately reported to the Office of the State Auditor" (OSA). The OSA is required to determine the amount involved and the internal control weaknesses that contributed to or caused the condition, make recommendations for corrective action, and make referrals to appropriate law enforcement officials. In order to comply with this law instances must be reported on the *Report on Unaccounted for Variances, Losses, Shortages, or Thefts of Funds or Property* and be submitted to the OSA. Reporting forms can be obtained by contacting the Auditor's office, Room 1819, McCormack State Office Building, or Web Site:

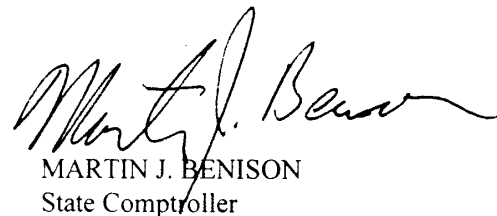
<http://www.magnet.state.ma.us/sao/>.

In conjunction with the above requirement, please note that management is responsible for financial records and systems and must inform, disclose and make representations to the auditors with regards to their management of funds, account activities, programs and systems.

The Offices of the State Comptroller and the State Auditor are committed to the goal of improving the Internal Control structure of the Commonwealth. Thank you for your cooperation and attention on this worthwhile task. Please do not hesitate to call upon the staff of either office for assistance.



A. JOSEPH D. NUCCI
Auditor of the Commonwealth



MARTIN J. BENISON
State Comptroller