Massachusetts Department of Correction **POLICY**	Effective Date 7/24/2026 Annual Review Date 7/24/2026	Responsible Division Deputy Commissioner, Administration
Policy Name 103 DOC 346 INTERNAL CONTROL PROCEDURES	Regulation References: M.G.L. c. 124, § 1 (c) & (q) Chapter 647 of the Acts of 1989	
	DOC Policy Reference: 103 DOC 100; 103 DOC 102; 103 DOC 104; 103 DOC 175	
	ACA/PREA Standards: 1-CTA-1B-01; 1-CTA-1B-02; 1-CTA-1B-07; 2-CO-1B-01; 2-CO-1B-05; 2-CO-1B-06; 2-CO-1B-07; 2-CO-1B-11; 2-CI-6E-4; 4-ACRS-7D-17; 4-ACRS-7D-20; 4-ACRS-7D-23; 4-ACRS-7D-24; 5-ACI-1B-02; 5-ACI-1B-03; 5-ACI-1B-08; 5-ACI-1B-10; 5-ACI-1B-11; 5-ACI-1B-12	
Attachments Yes ☒ No ☐ / Library Yes ☒ No ☐	Applicability: Staff	
Public Access Yes ☒ No ☐	Location: Department Central Policy File Each Institution's Policy File	

PURPOSE:
To establish a Department of Correction (Department) internal control system and to comply with the Commonwealth Office of the Comptroller's Internal Control Guide as it specifically pertains to the Department.

RESPONSIBLE STAFF FOR IMPLEMENTATION AND MONITORING OF POLICY:
Deputy Commissioner, Administration
Superintendents
Executive Director of Administrative Services Division
Management Staff

CANCELLATION:
103 DOC 346 cancels all previous Department policy statements, bulletins, directives, orders, notices, rules and/or regulations governing controls which are inconsistent with this policy.

SEVERABILITY CLAUSE:
If any part of 103 DOC 346 for any reason, is held to be in excess of the authority of the Commissioner, such decision shall not affect any other part of this policy.

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346.01 DEFINITIONS

Deputy Commissioner of Administration: The executive staff person who reports to the Commissioner, and whose duties include, but are not limited to the management of Administrative and Fiscal Services, Massachusetts Correctional Industries (MassCor), Information Technology (IT), Food Services and Resource Management.

Audit: An examination of agency or institution operations, programs or accounts which is conducted by a person or persons not directly involved in the area being assessed. An independent audit results in an opinion regarding the adequacy of the area assessed.

Central Policy File: The Department's central file, located in the Policy Development and Compliance Unit (PDCU), containing hard copy and electronic copies of current and past policies and notice of change memorandums for each of the Department's policies.

Department: The Massachusetts Department of Correction.

Management Employee: An employee so designated in accordance with the provisions of M.G.L. Chapter 150E who (a) participates to a substantial degree in formulating or determining policy, or (b) assists to a substantial degree in preparation for the conduct of collective bargaining, or (c) has substantial responsibility, not initially in effect, in the administration of collective bargaining agreements or in personnel administration, and (d) is not included in a bargaining unit.

Massachusetts Management Accounting and Reporting System (MMARS): The accounting system of the Commonwealth as mandated by the Comptroller's division within the Executive Office of Administration and Finance.

Policy: A written document setting forth a definition course of action which guides present and future decisions, statement(s) of guiding principles directing activities toward the attainment of objectives, and overall goals. Policies may be Department-wide or institution/division based.

Procedure: A written protocol setting forth detailed and/or sequential actions, including but not limited to the method of perming an operation or specific task, that must be executed to ensure a Policy is fully implemented. Procedures may be Department-wide or institution/division based.

Records Conservation Board: The state agency having authority over the retention and destruction of official documents.

346.02 THE INTERNAL CONTROL SPECIAL LAW

A. Chapter 647 of the Acts of 1989 sets forth the minimal level of quality for internal controls within state departments for administrative and financial operations. Internal controls for the Department must be established in accordance with the guidelines promulgated by the Office of the Comptroller (Attachment #1).

B. Chapter 647 also requires that all unaccounted-for variances, losses, shortages, or thefts of funds or property be reported immediately to the Office of the State Auditor (OSA).

C. Chapter 647 sets forth standards that the Department incorporates into its internal control plan.

1. Internal control plans must be documented and available for examination.

2. Transactions and other significant events must be promptly recorded, clearly documented and properly classified.

3. Only persons acting within the scope of their authority are allowed to authorize and execute transactions and other significant events.

4. Key duties and responsibilities including:
   a. Authorizing, approving, and recording transactions
   b. Issuing and receiving assets
   c. Making payments, and
   d. Reviewing or auditing transactions

   Duties and responsibilities should be assigned systematically to several individuals to ensure that effective checks and balances exist.

5. Qualified and continuous supervision is provided to all staff to ensure that internal control objectives are achieved.

6. Access to resources and records are limited to authorized individuals. Qualified individuals will be assigned to maintain accountability for the custody and safeguarding of resources. Physical resources and accounting records shall be periodically compared to reduce the risk of unauthorized use or loss of resources and protect against wasteful and wrongful acts.

346.03 INTERNAL CONTROL PLAN

A. Department Internal Environment

Management's attitude, actions, and values set the tone of an organization, influencing the control consciousness of its people. Internal controls are likely to function well if management incorporate and communicate the Department's Vision and Mission to employees at all levels, and follow Department Policies and Procedures. Employees are aware of the practices followed by management, including those that circumvent internal controls, and employees who see their managers frequently override controls, may be less likely to comply with internal controls themselves. Management can demonstrate internal control by complying with their own Policies and Procedures, discussing internal controls at management and staff meetings, and rewarding employees for following good internal control practices. Although it is important to establish and implement policies and procedures, it is equally important to follow them.

1. In accordance with 103 DOC 100, *Department's Vision, Mission, and Quarterly/Annual Reports*, the Department's Vision and Mission guide the actions and morale of its staff Strong internal controls are pivotal to achieving the Department's objectives. Managers are responsible for effectively managing the resources entrusted to them to carry out Department programs. One (1) major piece of fulfilling this management responsibility is ensuring that adequate internal controls are implemented as portrayed in this Policy.

2. The Commonwealth of Massachusetts and the Department are committed to maintaining strong fiscal management practices. Strong Department level internal controls and Procedures in compliance with state and federal laws, regulations, Policies, and guidelines shall support these practices.

3. The system of internal controls coordinates Department Policies and Procedures to safeguard assets; checks the accuracy and reliability of accounting data; aids in the prevention of fraud, waste and abuse; promotes operational efficiency; and encourages adherence to Department Policies and practices.

4. The existence of internal controls shall facilitate the preparation of audits, both internally and by the State Auditor's Office. Compliance with the internal control mandates provides a basis for relying on system results and whether the financial statements of an audit fairly present the financial position of an institution or

program in accordance with generally accepted accounting principles.

5. All staff, not just managers, should understand, promote and support the Department's internal control system. Internal control procedures should be part of the Department's day-to-day operations, not a separate series of activities.

6. So as to comply with Section 6032 of the Deficit Reduction Act of 2005, MassCor Industries (MassCor) employees, contractors, and agents shall be educated about the Federal and State False Claims Acts; the rights of employees to be protected as whistleblowers; and MassCor's procedures for detecting and preventing fraud, waste, and abuse. This shall be accomplished through the distribution of MassCor Industries False Claims Act Procedural Statement to all employees, contractors and agents of MassCor. An acknowledgement of receipt shall be maintained on file at MassCor.

7. The Department is committed to hiring, training, and retaining qualified staff. The Department is committed to competence which includes the hiring of staff, ensuring that current staff receive optimal training as well as supervision, and employees are acknowledged for outstanding services.

B. Department Risk Assessment and Enterprise Risk Management

1. General Overview: The Department's Mission is an undertaking of tremendous magnitude and achievement of this Mission is predicated on control initiatives developed through risk assessment, both identified and ongoing. A risk assessment is a process to identify and analyze factors that may affect the achievement of a goal. In general, risk factors may include the control environment, size of the organization, complexity, change, and results of previous reviews/audits. Not all risks are equal: some risks are more likely to occur while others will have a greater impact. Once the risk is identified, assessment regarding its probability and significance is critical.

   a. Accomplished risk assessment and response predicates the management of control-related policies and procedures. The Department maintains over one hundred and fifty (150) Department policies and parallel institution procedures in order that identified risks do not prevent the agency from reaching its objectives. Said Policies are categorized as administrative (100 series), staffing & personnel (200

series), fiscal & financial (300 series), incarcerated individual and civil commitment management (400 series), security & institutional operations (500 series), medical (600 series), and support services (700 series). These policies undergo annual reviews in accordance with Department Policy 103 DOC 104, *Internal Regulations* to minimize risk and enhance effectiveness. Please refer to 103 DOC 104, *Internal Regulations*, Attachment #1 for a complete list of Department policies.

b. In accordance with Department Policy 103 DOC 100, *Department Vision, Mission, and Quarterly/Annual Reports*, the Department shall establish long range goals and objectives by Department, division, and institution, which identify areas of potential risk and initiatives to address same.

c. Cognizant of identified risks within the correctional environment, the management of Department institutions is guided by recognized best penal practices as evidenced by all institutions having achieved accreditation by the American Correctional Association (ACA). Professional standards for safety and security are met in the daily operation of all institutions.

d. In accordance with Department Policy, 103 DOC 175, *Department Strategic Planning, Management, Accountability and Performance Process*, managers shall be responsible for developing and carrying out ongoing internal audits to identify risks and/or potential risks. Audits shall be designed to provide the Commissioner with immediate and current information about agency and institution programs and operations. This shall include but is not limited to institutional administrative audits, institutional inspections, and management/program evaluations by outside agencies.

e. The Department is committed to identify latent risk and as such maintains several internal organizations to police the institutions and divisions. These include but are not limited to:
   i. Office of Investigative Services (OIS): staff and incarcerated and civilly committed individual investigations;
   ii. Health Services Division: monitors and audits medical services contract;

iii. Budget Office: monitor expenditure reviews;
iv. Office of Diversity and Equal Opportunity: review hiring practices;
v. Policy Development & Compliance Unit (PDCU): Audit institutions for ACA compliance;
vi. Audit & Compliance Unit: Fiscal and Operational audits;
vii. Special Operations Division: Security audits.

2. Risk Analysis and Mitigation

As a result of analyzing data furnished by the above assessment methods, Department Senior Management has identified the following risks as "High Level Department Wide Risks." Accompanying each High Level Risk, are the control activities that the Department has in place to reduce the level of associated risk to an acceptable level.

RISK	CONTROL ACTIVITIES
Failure to maintain institutions which are safe for staff and incarcerated individuals.	DOC 101, 102, 103, 105, 112, 175, 225, 400, 422, 427, 428, 501, 502, 504, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 518, 519, 520, 521, 522, 530, 550, 558, 559, and CMR 403, 420, 421, 423, 430, 431, 481, 482.
Failure to provide education and other reentry initiatives which will decrease the likelihood of recidivism.	DOC 441, 445, 446, 466, 493, and CMR 425, 430, 455, 464, 465.
Lack of security to maintain public safety.	DOC 101, 102, 103, 105, 112, 175, 404, 487, 501, 502, 504, 506, 513, 521, and CMR 420, 481, 482.
Not offering adequate medical care to incarcerated individuals.	DOC 601, 607, 620, 630, 631, 640, 661, and CMR 761.
Spending over appropriated amounts.	DOC 210, 210A, 300, 340.
Poor public/community relations.	DOC 133, 172, and CMR 131.
Failure to maintain adequate criminal records.	DOC 156, 417, and CMR 155.
Poor disorder management.	DOC 105, 501, 559, 560, 550, and CMR 505.
Poor preventive maintenance for aging institutions.	DOC 740
Failure to provide a professional and rewarding work environment for staff.	DOC 203, 205, 211, 213, 216, 221, 237, 238, 239, 250, 270.
Failure to identify latent risk.	DOC 100, 102, 103, 104, 112, 175, 346.

C. Control Activities

1. The organizational structure, policies, and procedures (control environment) of the Department shall set a proper foundation for internal

control, providing discipline and structure as well as encompassing both technical competence and ethical commitment. Each manager must evaluate the internal controls in their own unit or area of responsibility in order to decide if the system (procedure, Policy, control cycle), sufficiently safeguards the Department's resources, assures accuracy of information, and promotes effectiveness and efficiency.

2. 103 DOC 104, *Internal Regulations*, sets forth procedures for this evaluation and review process for established Department and Institution policies. Please refer to 103 DOC 104, *Internal Regulations*, Attachment #1 for a complete list of Department policies.

D. Communication of Information

The Department recognizes that information must be effectively communicated to all stakeholders in a timely manner. The below listed control activities provide the framework that ensures this essential communication process.

1. 103 DOC 175, *Department Strategic Planning, Management, Accountability and Performance Process*, establishes procedure pertaining to preparation and submission of periodic and annual reports.

2. 103 DOC 102, *Organizational Function/Staff Meetings*, establishes procedures pertaining to staff meetings.

3. 103 DOC 104, *Internal Regulations* requires that expeditious dissemination of approved, new, or revised policies and procedures to designated staff, volunteers, and when appropriate, to incarcerated individuals prior to their becoming effective.

E. Monitoring

The Department must continually monitor the effectiveness of controls, identify problems, and review weaknesses to determine whether revisions are warranted. This monitoring is accomplished by the following means:

1. Management Oversight

All managers are required to continually monitor their Procedures and controls to ensure that all objectives of the Department are being met and that the risks to meeting those objectives are effectively minimized. Management is required to ensure that an adequate level of supervision exists in the day-to-day operation of their areas of responsibility.

2. Evaluation of Controls

As mentioned in the control activity section above, 103 DOC 104, *Internal Regulations* requires that all Department Policies be evaluated annually. During this process, each policy is reviewed to determine if it is current, operationally sound, and consistent with the philosophy and goals of the Department. 103 DOC 104, *Internal Regulations* provides a detailed description of the review process.

3. Testing of Controls

The Department utilizes several internal organizations to conduct tests of controls to determine whether they function as intended. These include but are not limited to:

a. PDCU: Audit institutions for ACA compliance
b. Audit & Compliance Unit: Fiscal and Operation Audits
c. Special Operations Division: Security audits

4. Continuous Monitoring

The Department utilizes several internal organizations to perform continuous monitoring functions. These include but are not limited to:

a. Health Services Division: monitors and audits medical contract
b. Budget Office: monitors expenditures
c. Office of Diversity and Equal Opportunity: review hiring practices
d. Audit & Compliance Unit: executes continuous monitor plan audits as dictated by the audit program
e. Director of Administrative Resolution: Reviews incarcerated and civilly committed individual grievance reports to identify trends or emerging problems

5. Sub-recipient Monitoring

A large percentage of the federal funds received by the Commonwealth are expended by sub-recipients rather than by Commonwealth departments themselves. Department management must continue to monitor the entities to which they pass through their federal funds. Each year the Office of Management and Budget (OMB) publishes a guide to identify the compliance requirements that the Federal Government expects auditors to review as part of a single audit. The OMB A-133 Compliance Supplement adds new material to emphasize and provide guidance on what the federal government considers adequate sub-recipient monitoring.

346.04 INTERNAL CONTROL KEY CONCEPTS

A. Segregation of Duties

A primary principle for an internal control system or plan is the segregation of duties which helps protect against the misuse of funds. In the automated environment, the principle of segregation is critical because it ensures the separation of different functions, such as data preparation, input, and review. It also defines authority and responsibility over transactions and use of the Department's institution/division resources.

1. Segregation of duties is a particularly challenging control to implement for institutions with small numbers of employees; however, managers of these institutions shall consider this principle when designing and defining job duties and build control procedures to assure segregation exists. A supervisor's close and documented review and approval of transactions, reports, and reconciliations become especially critical in smaller sites with limited personnel.

2. Inadequate segregation of duties exists whenever one (1) individual is performing two (2) or more of the following functions:

    a. Authorization,
    b. Record keeping, and
    c. Custodianship.

B. Institutions and Divisions under the jurisdiction of the Department should ensure that, at a minimum, the following activities are properly segregated:

1. <u>Personnel/Payroll Activities</u>

    a. The individual that is responsible for hiring, discharging, and approving promotions shall not be directly involved with preparing payroll or inputting data.
    b. Payroll deductions and time sheets/cards shall be reviewed and approved by a supervising manager before data entry.
    c. Individuals approving time sheets/cards shall not be involved in preparing payroll.
    d. An individual who is not involved in the payroll process shall periodically verify all personnel salaries and wage rates.
    e. Individuals involved in payroll data entry shall not have payroll approval authority.

2. <u>Purchasing/Payment Activities</u>

a. Approval of transactions shall not be delegated to the immediate supervisor of data entry or to data entry personnel. Approvals must be written (signature on MMARS forms, etc.) and accomplished by the appointing authority or authorized designee (fiscal officer, etc.)

b. Certain purchases of goods and services are made using Procurement Cards (P-Cards). This is a Commonwealth-issued credit card generally used for smaller purchases to achieve greater cost efficiency, control, and convenience. The Commonwealth Office of the Comptroller's Internal Control Policy provides substantial guidance on the appropriate use of P-Cards in state government and has been adopted by and consulted regularly for guidance by the Department.

c. Per the Commonwealth P-Card Policy, the Department has also issued its own P-Card internal controls document. This will help the Department to better implement the Comptroller's guidance. In addition, the internal guidance enables the Department and its offices to shape their own forms of oversight and constraints on the use of state-issued credit cards, as those protocols satisfy or exceed the minimum standards set out in the Comptroller's guidance.

3. Receipt of Goods/Services

Those individuals responsible for acknowledging the receipt of goods or services shall not be responsible for purchasing and payment activities.

4. Inventories

a. Individuals responsible for monitoring inventories shall not have the authority to authorize withdrawals of items maintained in inventory.

b. Actual physical inventory counts must be taken by someone other than the individual(s) maintaining the inventory (storekeeper) or the inventory records.

5. Accounts Receivable

a. Individuals responsible for issuing billings shall not be responsible for estimating, budgeting, collecting, and processing receipts or involved with the accounts receivable records.

b. The persons responsible for maintaining accounts receivable records shall not be involved with receipts or the processing of receivables.
c. An independent individual who was not part of the approval or processing of the transaction shall investigate billing disputes promptly.
d. Individuals receiving revenue shall not be involved in the reconciliation of the accounts.

6. Receipts

a. Persons receiving cash shall have no access to accounting records.
b. A person having no access to cash receipt records (i.e., mailroom officer) shall open incoming mail.
c. Someone other than the person entering income into the IMS Trust Fund Accounting module shall prepare the related bank deposit. The amount of funds posted to the system shall be reconciled to the bank deposit prior to the bank deposit being made.
d. Specific persons shall be responsible for receipts; from the time cash is received until it is deposited.
e. Only the Treasurer or Assistant Treasurer shall have access to the petty cash fund.

7. Check Writing Activities

a. The person preparing checks shall not be the person signing the check.
b. The person signing the checks shall not be the person reconciling the account.

8. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA or Stimulus Funds), included heightened levels of reporting requirements, beyond the traditional federal audit requirements. All information and direction received from oversight agencies pertaining to the management and reporting of ARRA funds shall be posted on the **Administrative Services Intranet web page** under the reference tab. This information must be read and reviewed annually in PowerDMS by all staff who will be handling ARRA obligations or expenditures at any point in the process (program, planning, procurement, contracts, payments, etc.)

This compliance may provide a guide as such reporting and transparency may be required for future programs as implemented at the State or Federal level.

B. Supervision of Internal Controls

1. The adherence to established policies and procedures (Department Policies, Comptroller's Policy Memos, MMARS guidelines, Operational Service Division purchasing guidelines, etc.) are mandatory to ensure proper internal controls. Qualified and continuous review and approval of assigned work shall be provided to ensure that such policies are followed. To this effect and effort, every institution shall establish clear lines of authority and responsibility.

2. Adequate and timely supervision is especially important in the smaller institutions where limited number of personnel may inhibit a thorough segregation of duties.

3. Accounting and payroll reports are vital tools available to assist managers with their supervisory responsibilities. The automation of the state accounting system yields a wide range of data, which is captured, compiled, and disseminated, to users.

4. These reports provide managers with timely information on the verification of transaction, status of financial conditions, analytical and predictive data, reference information, and transaction output reports.

C. Documentation of Activities

1. Each step of the transaction process shall be documented to allow for a proper audit trail. This provides managers with the ability to trace transactions from requests, to authorizations for ordering, purchasing, receipt and paying for services or goods.

2. The Department's designated Records Liaison Officer to the Records Conservation Board, as appointed by the Commissioner, shall work in consultation with the Records Conservation Board to promote efficient records management practices. The Records Liaison Officer is authorized to sign applications for disposal schedules and destruction permissions.

D. Authorization of Transactions

1. All institution/division purchase requisitions for items $10,000 and over must be approved by the Superintendent/Division Head or their designee as well as the respective Assistant Deputy Commissioner (ADC) prior to sending to Fiscal for processing. If there is no ADC for the division, the purchase requisition must be submitted to the respective Executive Staff Member for approval prior to sending to fiscal for processing.

    a. If the Division of Resource Management (DRM) has project oversight and assigned a DRM Project Number, the Director and Operations Manager at DRM can authorize requisitions under $500,000.00.
    b. If MassCor Industries had project oversight, the MassCor Director of Industries can authorize requisitions under $500,000.00.
    c. Any purchase requisition over $500,000.00 must be approved by the Deputy Commissioner of Administration.

    The "Reason for Need" section on the requisitions must be completed to provide justification for the purchase. An original, wet-ink signature of the specified staff approving the purchase requisition is required.

    If the purchase requisition is denied, it will be returned to the respective institution/division to obtain any further information/signature(s).

2. Institutions and Divisions shall document the staff person with authority to approve certain types of transactions. Documents shall be maintained which indicate that authorizations are issued by a person acting within the scope of their authority and that transactions conform to the terms of authorization.

3. In accordance with M.G.L. c. 29, § 20, no account or demand requiring the certificate of the Comptroller or warrant of the Governor shall be paid from an appropriation unless it has been authorized and approved by the head of the department, office, Commissioner or institution for which it was contracted.

4. The signature of such authorized personnel shall be a matter of record in the Office of the Comptroller, so that when documents are received, they may be certified by comparison with the signature of files and stamped "certification OK." This certification process shall be accomplished at regularly scheduled intervals as prescribed by the Comptroller and coordinated by the Department's Executive Director of Administrative Services.

E. Security of Automated Transaction Processing System

Security of Department automated systems is imperative to protect hardware and ensure only authorized access to on-line transaction processing. The two (2) key security issues are the physical safety of equipment and unauthorized transaction processing.

1. Hardware Security: Access to computer hardware, terminals, remote printers, screens, etc. shall be restricted to protect against physical abuse and unauthorized access to the on-line systems. Equipment shall be maintained in a limited access area (i.e., locked rooms or segregated area) or by using locked covers, securing keyboard, etc. when hardware is idle.

2. Access to Data: Identification codes and passwords shall be used to access the on-line systems, (i.e., MMARS, Human Resources Compensation Management System (HRCMS), Department system, etc.). The Department's Executive Director of Administrative Services Division or designee shall act as the coordinator and security officer for said user privileges.

   a. Identification codes and passwords shall be confidential codes and passwords shall not be shared between personnel.
   b. Passwords shall be changed periodically to ensure confidentiality.
   c. Identification codes and passwords shall not be attached to terminals, desktops, or located where accessible to unauthorized personnel.
   d. Upon notice of an employee's termination, transfer, or change in responsibility, the respective security officer shall be notified immediately so that their privileges may be changed and/or deleted.
   e. Any change in system privileges shall be requested via the mail institution or by submitting a properly completed system request form to the respective security officer.
   f. The confidentiality of system-generated reports shall be safeguarded, and access limited to only authorized personnel.

F. Transaction Processing

Transaction processing refers to the actual initiation, entry, correction, deletion, and scheduling of transactions in the Department's internal

system(s), (e.g., incarcerated and civilly committed individual accounts) or within the state accounting system, (e.g., MMARS, HRCMS).

All pertinent Comptroller control activities such as the MMARS User's Guide, Procedures Manual, and Policy memos, shall be made readily available to all authorized employees involved in transaction processing. To further aid in understanding all required controls related to transaction processing, provided below is cross reference between transaction intense function areas of the Department and the related Department control activity that shall be referred to for guidance.

Function Area	Policy/CMR
Incarcerated and Civilly Committed Individual Accounts	103 CMR 405
Purchasing	103 DOC 340
Payments	103 DOC 345
Inventory Control	103 DOC 339
Fixed Assets	103 DOC 343
Payroll/Personnel	103 DOC 210
Canteen/Vending	103 DOC 476

G. Document Catalog

All Fiscal Offices shall monitor the volume and nature of documents in the MMARS document catalog to expedite document processing by focusing attention on those transactions which are being delayed. To ensure the accuracy and timeliness of those transactions being processed, document catalog management shall include correcting, approving, disapproving, or otherwise altering documents in the document catalog.

H. Revenue Controls

The following shall be mandated to ensure that Department funds are collected, deposited, and reported efficiently so that these assets are safeguarded and accurately reflected on financial records.

1. Billing: Ensure that all revenues due to Department programs/institutions are billed, accounted for properly, and received in a timely manner.

    a. Billing records shall be independently maintained and not accessible to parties outside the billing functions, especially those who might have access to cash, or those parties being billed.
    b. Following the rendering of a service, product, etc., invoices shall be distributed as soon as possible (at least monthly).

c. Billing shall be reconciled periodically against amounts received and accounts receivable (for the same period). Collected receipts shall also be reconciled against deposits for the period.

2. Accounts Receivable

a. Recording of accounts receivable by an applicable revenue source is encouraged by the Comptroller's Office.
b. Institutions/programs shall maintain a detailed subsidiary ledger of its accounts receivable, which shall be reconciled to the Accounts Receivable Journal on a monthly basis.
c. For additional information regarding accounts receivable please refer to the policies section of the Comptroller's web site.

3. Cash/Revenue Receipts

a. All revenue shall be issued a pre-numbered cash receipt or mechanical devices such as a cash register should be utilized.
b. Checks received shall be properly endorsed "deposit only" or by an appropriate signature where required. All checks issued by the U.S. Department of the Treasury require a full endorsement as well as any other draft, which specifically documents a signature requirement (certain bank drafts, especially those issued from another state). For those checks requiring signature endorsement, the aforementioned deposit stamp will be secondary.
c. All cash shall be secured in an appropriate manner (e.g., lock box, vault)
d. Cash and check receipts shall be deposited on a daily basis.
e. Receipts at year-end shall be coded appropriately to record and deposit receipts in the proper fiscal year. (Refer to Comptroller's closing instructions.)
f. The Department shall reconcile revenue receipts to MMARS Report NGA208W: Case received and allocated at the close of each accounting period.

4. Revenue Refunds

a. Documentation shall accompany any revenue refund request and shall specify the type of refund to be made before authorization is ascertained.
b. All refunds shall be logged and supporting documentation retained.

c. All refunds shall be approved by an appropriate manager/supervisor before processing.

346.05 BOND COVERAGE

Department Superintendents shall be bonded in accordance with M.G.L. c. 125, § 2. (Only Superintendents are required to post bond pursuant to this statute.)

346.06 UNACCOUNTED FOR VARIANCES, LOSSES, SHORTAGES, OR THEFTS OF FUNDS OR PROPERTY

The Report of Unaccounted for Variances, Losses, Shortages, or Thefts of Funds or Property shall be completed for all such instances regardless of monetary amount or property value. This pertains to all types of funds including state appropriation, canteen, avocation, incarcerated and civilly committed individuals, grants, and other discretionary funding.

Upon completion, said report shall be sent to the Department's Support Services Division which shall review for assurance the form is properly documented and that an unaccounted variance actually exists. Additionally, Support Services shall assess the strength of departmental controls associated with the submitted variance report. Support Services shall then coordinate an aggregate submission to the State Auditor for the Department.

346.07 RETENTION OF ACCOUNTING RECORDS/SOURCE DOCUMENTS

All fiscal documents/correspondence shall be systematically filed to facilitate later retrieval for audit purposes.

346.08 ACCESS TO ACCOUNTING RECORDS

The Executive Director of Administrative Services Division or their designee, shall have access to all institutions and their records for audit purposes to determine compliance with this policy.

346.09 RESPONSIBLE STAFF

The Executive Director of Administrative Services Division, under the supervision of the Deputy Commissioner of Administration, shall monitor and implement this policy throughout the Department.

Each Superintendent shall implement this policy within their institution and develop institutional policies and procedures necessary for said implementation.

Commonwealth of Massachusetts
Office of the State Comptroller

Internal Control Legislation

Chapter 647 of the Acts of 1989

Chapter 647 T H E C O M M O N W E A L T H O F M A S S A C H U S E T T S *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 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.

House of Representatives, December 21 , 1989.

Passed to be enacted, George Keverian , Speaker.

In Senate, December 22 , 1989.

Passed to be enacted, William M. Bulger , President.

January 3, 1990.

Approved,

Michael Dukakis

Governor.