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**AUDITOR**

# The Commonwealth of Massachusetts

**AUDITOR OF THE COMMONWEALTH**

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**INDEPENDENT STATE AUDITOR'S REPORT**  
**ON CERTAIN ACTIVITIES OF THE**  
**MASSACHUSETTS BAY COMMUNITY**  
**COLLEGE**

**OFFICIAL AUDIT**  
**REPORT**  
**DECEMBER 13, 2001**

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Massachusetts Bay Community College (MassBay) is one of 25 higher educational institutions in Massachusetts that are organized under Chapter 15A, Section 5, of the Massachusetts General Laws. MassBay is a two-year public community college with approximately 3,200 students in day programs and 2,000 students in continuing education evening courses. It operates under the oversight of the Board of Higher Education, which is responsible for monitoring each educational institution to ensure that state funds support measurable performance, productivity, and results.

Our audit was initiated as a result of a Chapter 647 report filed by MassBay with the Office of the State Auditor (OSA). The MassBay report indicated that there was a theft of \$49,786.50 on March 27, 2001 from the Student Accounts Office. Payments made to the Student Accounts Office represent student tuition and fees for the cost of education at MassBay. During the period July 1, 2000 through June 30, 2001, the Student Accounts Office collected over \$8 million in student tuition and fees. During our audit, MassBay filed two more Chapter 647 reports with the OSA. The reports indicated that unauthorized electronic bank charges and other debits, totaling approximately \$3,358, were paid from two of MassBay's checking accounts. Chapter 647 requires the OSA to determine the internal control weaknesses that contributed to or caused an unaccounted-for variance, loss, shortage, or theft of property; make recommendations that address the correction of the condition found; identify the internal control policies and procedures that need modifications; and report the matter to appropriate management and law enforcement officials.

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Our review of internal controls over the receipt, safeguarding, and deposit of payments made to the Student Accounts Office disclosed that improvements were needed in the safeguarding of cash and checks received and in the timeliness of deposits to MassBay's bank. Due to the lack of proper safeguarding of cash and checks and delays in depositing payments received, a theft in the amount of \$49,786.50, consisting of \$48,856.50 in checks and \$930 in cash, was believed to have occurred on or about March 27, 2001, as reported to the OSA under Chapter 647 of the Acts of 1989. Although MassBay had an Internal Policies and Procedures Manual for the Business Office which documents its internal accounting and administrative control systems for the receipt and deposit of student account payments, the procedures for depositing payments in a timely manner were not adhered to. Since the theft occurred, MassBay has acquired a more reliable safe that is secured with a combination lock and drop slot. In response to our audit, MassBay

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MassBay bank accounts were charged unauthorized fees through electronic bank charges in the amount of \$1,291.90 to three Internet billing companies due to fraudulent contracts between the billing companies and adult entertainment Web sites, as reported to the OSA under Chapter 647 of the Acts of 1989. The monthly service fees were charged to the Student Accounts Payment bank account and the Trust Fund Payroll bank account without proper authorization. The fees were electronically transferred from MassBay accounts to the Internet billing company accounts between February 22, 2000 and May 14, 2001. These electronic banking transfers were not detected by MassBay until May 2001 because the monthly bank statements had not been reconciled on a routine basis. Subsequently, during its reconciliation of bank accounts, MassBay detected additional unauthorized payments totaling \$2,066.11 that were charged to the Student Accounts Payment bank account and used to pay private individuals' telephone and credit card bills. In response to our review, MassBay has met with officials from the bank, and both MassBay and the bank are committed to resolving all outstanding issues. Further, MassBay is performing bank reconciliations on a monthly basis.

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## INTRODUCTION

### *Background*

Massachusetts Bay Community College (MassBay) is one of 25 higher educational institutions in Massachusetts that are organized under Chapter 15A, Section 5, of the Massachusetts General Laws. MassBay is a two-year public community college with approximately 3,200 students in day programs and 2,000 students in continuing education evening courses. It operates under the oversight of the Board of Higher Education, which is responsible for monitoring each educational institution to ensure that state funds support measurable performance, productivity, and results. A Board of Trustees, which establishes MassBay's administrative policies, governs MassBay, and MassBay's president is responsible for implementing the policies set by the Board of Trustees.

Our audit was initiated as a result of a Chapter 647 report filed by MassBay with the Office of the State Auditor (OSA). The MassBay report indicated that there was a theft of \$49,786.50 on March 27, 2001 from the Student Accounts Office. Payments made to the Student Accounts Office represent student tuition and fees for the cost of education at MassBay. During the period July 1, 2000 through June 30, 2001, the Student Accounts Office collected over \$8 million in student tuition and fees.

Chapter 647 requires the OSA to determine the internal control weaknesses that contributed to or caused an unaccounted-for variance, loss, shortage, or theft of property; make recommendations that address the correction of the condition found; identify the internal control policies and procedures that need modifications; and report the matter to appropriate management and law enforcement officials.

During our audit fieldwork, MassBay filed two more Chapter 647 reports with the OSA. The reports indicated that unauthorized electronic bank charges and other unauthorized debits totaling approximately \$3,358 were paid from two of MassBay's checking accounts. These unauthorized payments included \$1,292 in Internet billings for adult entertainment Web sites and non-business-related credit card payments and personal debit expenses totaling \$2,066.

***Audit Scope, Objectives, and Methodology***

In accordance with Chapter 11, Section 12, of the General Laws and Chapter 647 of the Acts of 1989, we have conducted an examination of certain activities of MassBay's Student Accounts Office and the use of electronic banking transfers and other unauthorized bank account debit activities at MassBay for the period February 22, 2000 through June 30, 2001. Our review was conducted in accordance with applicable generally accepted government auditing standards for performance audits issued by the Comptroller General of the United States. MassBay's financial activity and its compliance with applicable laws and regulations are the responsibility of its management.

The purpose of our review was to determine the internal control weaknesses that contributed to the theft of a bank deposit, unauthorized electronic bank charges, and other unauthorized checking account debit transactions. To accomplish our objectives, we examined the conditions that surrounded the theft and the various unauthorized electronic banking transfers and debits that were reported in the Chapter 647 reports, including the accuracy of the amount involved. We also assessed the measures, including newly implemented internal controls, taken by MassBay to prevent future occurrences of such unauthorized transactions. We interviewed various MassBay officials and personnel, bank officials, and Internet billing company personnel to discuss the circumstances surrounding the theft and unauthorized electronic banking transfers. In addition, we notified and worked with the Norfolk County District Attorney's Office to assist us in investigating the Internet protocol address of the individual initiating the possible fraudulent transaction.

## AUDIT RESULTS

### 1. IMPROVEMENTS NEEDED IN THE SAFEGUARDING OF REVENUE AND THE TIMELY DEPOSIT OF RECEIPTS FROM STUDENTS

Our audit indicated that a lack of adequate internal controls over the receipt, safeguarding, and deposit of student payments at Massachusetts Bay Community College (MassBay) led to a theft of \$49,786.50. In accordance with Chapter 647 of the Acts of 1989, MassBay reported to the OSA that a deposit dated March 27, 2001, consisting of \$48,856.50 in checks and \$930 in cash, was missing from the safe located in the Student Accounts Office. The total deposit, representing tuition and fees, consisted of 67 checks and seven cash payments, which were placed in a sealed transparent plastic bank bag and placed in the safe located in the Student Accounts Office. The bookkeeper who prepared the deposit and placed it into the safe briefly stepped out of her area, where the safe was located. During her absence MassBay's contracted cleaning company cleaned the area. Shortly thereafter, the bookkeeper returned to her area then left for the day. She did not recall whether the safe was locked but thought it was closed. The Student Accounts Manager, while securing the Student Accounts Office prior to closing the office, stated that the safe was not locked and pushed the lock in. On the next morning when the safe was opened the deposit was missing.

According to MassBay officials, the theft was the result of inadequate security issues with the safe located in the Student Accounts Office. Specifically, the key to the safe was readily accessible, since it was left in an unlocked desk drawer, and due to the safe's inappropriate key locking mechanism, it could remain open when the key lock was disengaged. MassBay officials immediately reported the theft to its Campus Police and the Wellesley Police Department, which investigated the incident. Both police departments interviewed individuals who had access to the safe, including the individuals of MassBay's Student Accounts Office and the cleaning company. As of September 12, 2001, the case was still open with the Wellesley Police Department.

In an attempt to recover the missing funds, MassBay immediately notified in writing all check payers to place a stop payment on the missing checks and to issue a new check to the college. As of September 12, 2001, MassBay had recovered \$34,525.50 from 50 of the 67

check payers totaling \$48,856.50. Further, MassBay has purchased a new safe with a combination lock and drop slot, which will remain locked at all times.

Based upon our review of the incident, we have determined an additional internal control weakness that contributed to this theft. Specifically, unusually long delays in processing student payment receipts, contrary to established criteria, allowed checks and cash to remain inadequately safeguarded. Our analysis of the missing deposit batch, dated March 27, 2001, disclosed that MassBay did not make timely bank deposits. The missing deposit batch totaling \$49,786.50 consisted of payments from 74 students. An aging analysis of these payments indicated that these payments remained on hand from four to 41 days. Specifically, 47 payments totaling \$35,416 were on hand four to seven days; eight payments totaling \$1,275 were on hand eight to 15 days; one payment of \$100 was on hand for 21 days; and one payment of \$1,655 remained on hand for 41 days. Seventeen of the 74 payments totaling \$11,340.50 were not date stamped, and MassBay could not determine how long these payments remained on hand. Therefore, these check and cash payments remained in the Student Accounts Office safe for a prolonged period of time.

Annually, the Student Accounts Office processes over \$8 million in student payments for tuition and fees via credit card payments, wire transfers from MassBay's collection agency responsible for students on the payment plan, checks, and cash. Approximately \$4 million of this amount, or 50%, comprises checks or cash received via the mail, the lock box, or in person paid at the Student Accounts Office.

MassBay has established written internal policies and procedures to document its internal accounting and administrative control systems for the receipt and safeguarding of checks and cash processed through the Student Accounts Office. According to MassBay's Business Office Internal Policies and Procedures Manual dated November 15, 1999, receipts of student tuition and fees should be stamped in the lower right hand corner signifying the date, amount, and type of payment (cash, check, credit card) and should be deposited in the bank in a timely manner. Further, the Office of the State Comptroller's Internal Control

Guide for Departments, Section 8, states that receipts should be deposited in a timely manner.

Contrary to the previously cited regulations, MassBay did not always stamp the students' receipts or make deposits on a timely basis. To illustrate the timeliness of deposits collected via the Student Accounts Office, we selected 53 separate deposit batches totaling \$1,401,484 during the period January 1, 2001 to May 4, 2001, which consisted of 2,144 receipt transactions. Based upon our review of the 2,144 transactions, 573 transactions (27%) totaling \$334,336 were not date stamped. Therefore, MassBay could not determine how long the \$334,336 remained on hand. The remaining 1,571 receipt transactions totaling \$1,067,148 indicated that these receipts remained on hand anywhere from one to 42 days. Approximately 85% of the \$1,067,148, or \$907,075, remained on hand for one to seven days, while \$160,073 remained on hand for eight to 42 days. We discussed these significant delays with MassBay personnel, who indicated that due to the lack of a fully automated accounting system, which would immediately process and post student payments upon receipt, the manual system in use caused these delays.

According to MassBay personnel, student payments received over the counter or via the mail in the Student Accounts Office are accepted by one of four bookkeepers at the cashier window. A bookkeeper prints two copies of the student account report, which are stamped as received. The bookkeeper manually fills in the date and amount, indicates cash or check received, and initials the transaction on each copy. The bookkeeper then staples the cash or check to one copy of the student account report and places it into a basket located on the desk to be subsequently processed, while the other copy is given to the student as a receipt of payment. Because MassBay's accounting system is not fully automated and does not interface with the revenue cycle, the receipts remain in the basket until a bookkeeper can enter the data into the system. Each night the basket containing the student account reports with attached cash or checks is placed into the safe. Daily, personnel enter student account payments into the accounting system. However, personnel arbitrarily work on the backlog as well as the current day's student payments. The current automated system assigns a sequentially numbered receipt for each transaction entered and also improperly reports the



date of entry as the date the payment was received. Normally, personnel enter an average of 50 entries per day.

MassBay acknowledged these long delays and indicated that it has recently purchased an automated revenue software package that will be fully compatible with MassBay's newly acquired accounting system, which will be operational in the near future. In addition, MassBay stated that, although staffing vacancies still exist, priorities have been established to ensure that revenue is deposited more timely.

***Recommendation***

MassBay should continue its attempts to ensure that student payment revenue is deposited in the bank on a timely basis and the new automated system is implemented. Additionally, we recommend that staffing vacancies in the Student Accounts Office be addressed and that personnel be hired to accommodate the need for additional staff.

***Auditee's Response***

*The College agrees with the recommendations of the Office of the State Auditor. Management is committed to ensure that revenues are posted and deposited on a timely basis. Additional controls have been instituted to follow up on staff workloads and to make provisions when necessary to provide sufficient resources to complete all postings on a daily basis, and to ensure that all payments are date stamped. All outstanding staffing vacancies were resolved as of August 27, 2001.*

*The general ledger, procurement and accounts payable modules to the new management information system went live in September 2001. The student-billing module is part of the integrated portion of the student information system. The student information system modules are now scheduled to go live for the fall 2002 semester.*

**2. UNAUTHORIZED FEES PAID TO INTERNET BILLING COMPANIES AND OTHER UNAUTHORIZED PAYMENTS**

During the 15-month period February 22, 2000 through May 14, 2001, MassBay bank accounts were charged \$1,291.90 in monthly service fees to three Internet billing companies. The fees were charged as monthly electronic banking transfers from MassBay's Student Accounts Payment and Trust Fund Payroll bank accounts. The fees charged were for memberships to three adult entertainment Web sites, which were set up fraudulently through

MassBay's bank accounts. During this same 15-month period, MassBay did not reconcile the monthly bank statements for these two accounts. As a result, these fraudulent charges remained undetected until May 14, 2001, when MassBay's new accountant reconciled the bank statements.

We interviewed customer service representatives of each of the Internet billing companies that collected the payments and were informed that all monthly charges made to the two MassBay bank accounts were for memberships to adult entertainment Web sites. We also were informed that, to establish an account, the billing companies required only minimal information that is readily found on any bank check. The information needed to open the account is the bank account number and routing number, and the person or persons opening the account must accept an agreement waiver to process the fees through the bank account named on the application. Further, according to the Client Privilege Privacy Act, the billing companies would not divulge the information needed to determine the individual(s) responsible for opening these accounts. We contacted the Norfolk County District Attorney's Office to assist us in investigating the possible fraudulent transaction, but no data was available on the Internet protocol address, which would have potentially given us the information regarding the individual who initiated these transactions. However, the Internet service provider only retains this information for a 90-day period. These monthly charges ranging from \$29.95 to \$39.95 per Web site were never detected by MassBay because bank statements were not reconciled.

According to MassBay's "Business Office Internal Policies and Procedures Manual," dated November 15, 1999, all bank accounts, including clearing accounts and trust fund accounts, are to be reconciled monthly. Also, Chapter 647 of the Acts of 1989 requires that "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."

During the period February 2000 through June 2000, MassBay retained a private accounting firm to assist in preparing for its annual audit for the fiscal year ended June 30, 2000. During

this period, the positions of Controller and Assistant Controller were vacant, and an outside consultant was hired to assist in the duties of the Business Office. Although the bank statements for February 2000 to June 2000 were reviewed, they were not reconciled, and the monthly bank statements for the period July 2000 through April 2001 were not reviewed nor reconciled until the new accountant was hired. Because MassBay did not adequately review or reconcile its monthly bank statements, these inappropriate charges continued for the entire 16-month period without question.

In May 2001, when the new accountant noted and investigated the charges, she contacted the Internet billing companies and immediately had the charges stopped. Two of the Internet billing companies agreed to issue refunds to MassBay, and as of June 30, 2001, refund credits totaling \$89.85 had been received.

MassBay has contacted the bank to determine what additional security measures it should take to ensure that inappropriate electronic charges are not made in the future. A bank official indicated that bank account activity could be reviewed daily, as MassBay has the bank feature "Treasury Express" for all its bank accounts, which allows the agency to review all bank account transactions on line on a daily basis. The bank has a 60-day notice policy for fraudulent transactions; therefore, the necessity for timely reconciliation is essential. Because of this policy and since MassBay had received a refund from the Internet companies for the most recent month, the bank would not reimburse MassBay for any of these charges.

MassBay is currently experiencing difficulty in accessing Treasury Express. However, the accountant is reconciling the various bank accounts and has noticed additional unauthorized charges to the Student Accounts Payment bank account. In June 2001, MassBay informed the bank of six additional unauthorized charges totaling \$2,066.11 that had been charged to this bank account. These charges consisted of bank-issued checks and electronic banking transfers for payments of personal telephone and credit card expenses using the Student Accounts Payment bank account from March 13, 2001 to May 1, 2001. Again, these types of fraudulent charges required minimal bank account information (the bank's routing number and bank account number) and did not require MassBay authorization. According

to bank officials, \$112.85 of the \$2,066.11 was eligible for bank reimbursement under the bank's 60-day notice policy and has already been credited to MassBay's bank account. However, MassBay officials maintain that the entire \$2,066.11 should be reimbursed because the 60-day notice period begins on the day the college receives the actual bank statement. Additionally, the bank has notified its fraud department of these unauthorized payments. The bank is currently pursuing these unauthorized payments and will notify MassBay of all information it obtains. Moreover, MassBay is in the process of closing the Student Accounts Payment bank account and is working with the bank to establish further security measures to prevent additional unauthorized use.

***Recommendation***

MassBay should obtain technical assistance from the bank for the operation of Treasury Express, perform bank reconciliations on a timely basis, continue to closely monitor Student Accounts Payment bank account transactions, and notify the bank of unauthorized activity within the 60-day period to enable MassBay reimbursement options.

***Auditee's Response***

*The College agrees with the recommendations of the Office of the State Auditor. College management met with [bank] officials . . . on September 28, 2001. A number of outstanding technical issues, operational issues and relationship issues were discussed. The College and the bank are committed to resolving all outstanding issues.*

*Changes to the access profile of the Treasury Express . . . product have been requested and new procedures to review all activity daily will be instituted. Following these procedures will alert the College to potential unauthorized activity within the 60-day period required by [the] bank.*

*The College is committed to performing bank reconciliations on a timely basis. The vacant staff accountant position was filled on April 17, 2001. All bank accounts are now reconciled monthly and have been audited for the fiscal year ending June 30, 2001.*

## 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

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

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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 Turman*, Speaker.

In Senate, December 22, 1989.

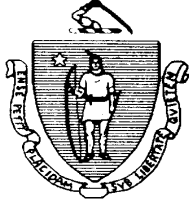
Passed to be enacted, *William W. Budge*, President.

January 3, 1990.

Approved, *Richard Riordan*, 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:

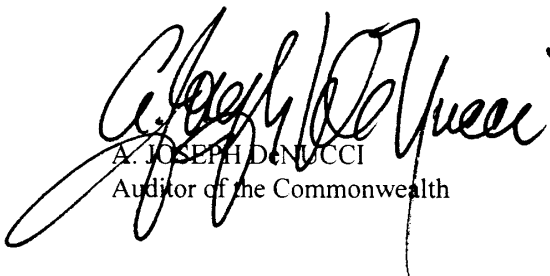
- ◆ The Office of the Comptroller offers departments free monthly training on internal controls. These classes are listed in the *OSC Training Bulletin*.
- ◆ The Office of the Comptroller provided a new document entitled the *Internal Control Guide for Managers* on the Office of the Comptroller's Web 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:

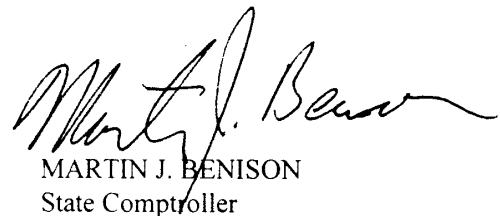
<http://www.magnet.state.ma.us/sao/>.

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'AMUCCI  
Auditor of the Commonwealth



MARTIN J. BENISON  
State Comptroller