The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

ONE ASHBURTON PLACE, ROOM 1819

BOSTON, MASSACHUSETTS 02108

TEL. (617) 727-6200

A. JOSEPH DeNUCCI

AUDITOR


NO. 2002-0271-2S

# INDEPENDENT STATE AUDITOR'S REPORT
# ON CERTAIN ACTIVITIES OF THE
# PONKAPOAG GOLF COURSE
# JULY 1, 2000 TO JUNE 30, 2002

**OFFICIAL AUDIT REPORT**

**MAY 6, 2003**

# TABLE OF CONTENTS/EXECUTIVE SUMMARY



The Massachusetts General Laws Chapter 29, Section 2U, established the Ponkapoag Recreational Fund to finance the operation and maintenance of the Ponkapoag Golf Course (PGC). PGC is a public facility controlled and operated by the Metropolitan District Commission (MDC). The MDC has the responsibility for the internal administration of PGC, including staffing, budgeting, and general maintenance. The PGC facility consists of two 18-hole golf courses, a clubhouse, a pro shop, and a driving range. It is located in Canton, Massachusetts, within the Fowl Meadow and Ponkapoag Bog area, which the Secretary of Environmental Affairs designated an Area of Critical Environmental Concern (ACEC) in 1992. In recent years, several fairways on both courses have exhibited excessive flooding, so much so that playing on some of them during the early spring and late fall is virtually impossible. In 1983, prior to the Ponkapoag area being deemed an ACEC, the Legislature authorized a capital-outlay appropriation of $500,000 for a study and preparation of plans, if necessary, for the installation of sub-drainage for four holes at PGC.

The purpose of this audit was to determine the adequacy of internal controls over PGC's receipts and expenditures and focused on the following: (1) direct and indirect expenditures for the operation and maintenance of the golf courses; (2) the internal control structure for receipts, expenditures, fixed assets, and inventory; (3) the fee structure and control systems; (4) controls over personnel records; (5) compliance with applicable laws, rules, and regulations; and (6) status of prior audit results.



Our prior audit identified two areas of internal controls needing improvement: individuals who collect MDC revenues were not bonded, and there was inadequate monitoring of MDC-issued concession contracts. Our follow-up review of these issues revealed that the MDC did not bond individuals who collect revenue, nor could it produce evidence to indicate that bonding had been pursued. Furthermore, our follow-up also revealed that the MDC is obtaining Independent Audit Reports from the concessionaires and has assigned the Secretary of the Commission the responsibility for reviewing the reports and enforcing the contracts. However, subsequent to our audit, the MDC Board of Commissioners approved a Debt Collection Policy and Procedures Manual that establishes written policies and procedures to ensure concessionaires' contract compliance regarding revenue collection and designates the individuals responsible for monitoring those contractors. Also, MDC officials indicated that they would pursue "blanket" bond coverage to ensure that fidelity bond coverage exists for all individuals collecting cash receipts.



We found that PGC has no procedures in place to control the use of membership cards and that the MDC has not established a comprehensive PGC internal control/operational procedures manual detailing revenue collection activities for tournaments and fees. Revenue from the golf course, which totaled approximately $898,476 in fiscal year 2001, is recognized only when it is deposited into the MDC clearing account. Although the MDC has an internal control manual for the agency, it does not address operations at PGC. Because the MDC has not developed a comprehensive policy and procedures manual, there is limited assurance that revenues due PGC have been received; properly recorded, reported, and deposited; and used for their intended purposes. Subsequent to our audit, MDC officials indicated that they purchased a new ID Express System (hardware and software) that integrates with its Golf Management System (GMS) software in order to manage and track the play of members and control revenue.



The MDC has not adequately monitored golf course expenditures to ensure that PGC's approved spending plan was adhered to. In fiscal year 2001, $900,000 was appropriated based on retained revenue, which includes daily, tournament, and membership fees. However, near the end of the fiscal year, more than $250,000 remained in the account, with fewer than 30 days to spend the funds but no plans for golf course improvements. As a result, the MDC expensed $119,078 in equipment purchases originally budgeted at $18,000. Additionally, although $265,274 was budgeted for golf course improvements in the fiscal year 2001 spending plan, only $23,467 was actually expended.

Furthermore, in 1983 the MDC received a $500,000 capital outlay appropriation for golf course improvement expenses, including costs for a study, preparation of plans and, if necessary, the installation of sub-drainage for four holes. An additional $173,967 was expended from the Ponkapoag Recreational Fund and the MDC Facilities Improvement Program account to supplement improvements to the golf course. The MDC did not award a contract for the work until August 1992, nine years after the award. As of December 2001, after 18 years and funding totaling $673,967, drainage problems had yet to be corrected.

Also, the MDC has not developed a detailed maintenance plan as recommended in the 1997 Resource Management Plan, a collaborative project of the MDC and other state and local organizations to identify drainage, irrigation system, and other improvements needed for the operation and maintenance of PGC. We observed the conditions of the golf course and facilities and found that they need extensive improvements regarding drainage, irrigation, and maintenance. Without a needs assessment, appropriate estimates for improvements, effective planning and follow-through, and efficient allocation of revenues, the MDC cannot be assured that revenues and appropriated funds are being used for their intended purpose. Furthermore, these shortcomings significantly limit the use of the course and inhibit PGC's ability to achieve standards comparable to those of similar golf courses. Subsequent to our audit, Chapter 236, Section 2, of the Acts of 2002 provided additional funding of $12 million for the renovation and reconstruction of the Leo J. Martin and Ponkapoag golf courses. The law requires the MDC to develop and submit to the House and Senate committees on Ways and Means a comprehensive plan for the regular and professional maintenance and operation of the golf courses. This is a further indication that a needs assessment and detailed maintenance plan should be developed in order to adequately identify the costs associated with the reconstruction of the Ponkapoag golf course.

Furthermore, the MDC inaccurately recorded labor costs and inadequately controlled personnel transfers to and from PGC. We found variances between the State Comptroller's Payroll Cost Reporting System Paycheck Earnings Report and weekly time logs that the MDC maintained. Moreover, our examination of human resources records, payroll records, and time logs found that not all personnel working at the golf course were paid under the Ponkapoag Recreational Fund appropriation. In addition, our examination of 33 employee time records indicated that two PGC employees were working at the MDC central office, and two employees had no time records at PGC but were being paid from the Ponkapoag appropriation. We also found that the MDC does not have written policies and procedures that require prior approval or a documentation process for the transferring of employees within the MDC.



The MDC has not prepared a cost analysis or conducted a needs assessment for developing a feasible fee structure to support needed improvements to the golf course. The appropriation language in the fiscal year 2001, 2002, and 2003 budgets authorizes the MDC to make adjustments to the fee structure to help defray maintenance, operation, and administration costs. An increase based on 80,000 rounds and fee increases of $3, $5, and $7 per round would generate an additional revenue of $240,000, $400,000, and $560,000, respectively, for needed capital improvements and deferred maintenance.

A review of golf fees charged in 2002 for other area golf courses revealed that fees charged at the two Ponkapoag golf courses are considerably lower than those charged by other golf courses in the area. Consequently, PGC is not generating enough revenues to help maintain and improve the condition of the golf course. Without a needs analysis, an assessment of direct and indirect costs, and a written plan for maintenance and improvements to the golf course, the MDC cannot adequately assess and modify the fee structure to fund needed improvements. In its response, the MDC intends to file golf course fee increases of $5 per round and season pass increases, depending on the category, from $140 to $150 per pass. The MDC estimates that these fee increases will increase revenues by $541,000 in 2003.



Our review disclosed that PGC does not conduct an annual physical inventory or maintain a cumulative inventory listing of property and equipment, and it does not maintain a total value for fixed assets or reconcile property records with the MDC records of assets reported to the Office of the State Comptroller. Furthermore, we found inadequate internal controls over approximately $6,745 in motor fuel that the golf course had purchased in fiscal year 2001. Specifically, PGC does not maintain a fuel usage log or perform periodic fuel level readings to reconcile usage. In addition, access to fuel is not controlled during daytime operations. Consequently, PGC cannot ensure that its property, equipment, and motor fuel supplies are safeguarded against loss, theft, and misuse. MDC officials indicated that they have taken corrective action regarding the controls over motor fuels by maintaining a usage log and installing a lock on the fuel pump and that they have recently taken an inventory of property and equipment.

# INTRODUCTION

### *Background*

Chapter 29, Section 2U, of the Massachusetts General Laws established the Ponkapoag Recreational Fund (PRF) to finance the operation and maintenance of Ponkapoag Golf Course (PGC), a public facility controlled and operated by the Metropolitan District Commission (MDC). The MDC has responsibility for the internal administration of PGC, including staffing, budgeting, and general maintenance. The facility consists of two 18-hole golf courses, a clubhouse, a pro shop, and a driving range. PGC is located in Canton, Massachusetts, within the Fowl Meadow and Ponkapoag Bog area, which the Secretary of Environmental Affairs designated an Area of Critical Environmental Concern (ACEC) in 1992. The first course (par 72) is approximately 6,700 yards and was designed by Donald Ross, a premier golf course architect of the early 20th century. It was constructed in the early 1930s. The second golf course (par 71) is approximately 6,300 yards and was designed by William Mitchell. It was constructed in the mid 1950s.

In recent years, several fairways on both courses have exhibited excessive flooding, so much so that playing on some of them during the early spring and late fall is virtually impossible. In 1983, prior to the Ponkapoag Area being designated an ACEC, the Legislature authorized a capital-outlay appropriation of $500,000 for a study, the preparation of plans and, if necessary, the installation of sub-drainage on four holes at PGC. In August 1992, an engineering firm was contracted to design a drainage system. In July 1993, the contract was amended to include the design of a new irrigation system. The MDC amended the contract several more times, increasing the scope of the project due to environmental issues. In November 1997, a detailed draft environmental-impact report was prepared for the MDC. Titled Drainage and Irrigation Improvements at the Golf Course, this report cited the needs of PGC in detail and concluded that a greater number of holes needed corrective action regarding drainage. At the conclusion of our audit, the improvements to the golf courses' irrigation and drainage system remained in the preliminary-report process and the estimated design costs for this project had escalated to $673,967. In December 1997, another report was prepared for the MDC regarding the Fowl Meadow and Ponkapoag Bog area, including PGC. This report, called the Resource Management Plan (RMP), specified various issues that needed to be addressed: better drainage and irrigation, golf course design modifications, and general maintenance, including renovation of golf tees and greens, general landscaping of fairways, landscaping around the clubhouse and related facilities, grading and repairs to the golf cart paths, and maintenance to the clubhouse and storage shed. Our observation of the facilities confirmed that they need repair.

Annually, the MDC prepares a spending plan for anticipated expenses related to PGC and submits it to the Legislature, requesting an appropriation to pay for these expenditures. Chapter 159 of the Acts of 2000 authorized $900,000 to be expended from Retained Revenue Appropriation No. 2440-4420, as follows:

> *For the operation and maintenance of the Ponkapoag Golf Course, so called; provided, that the commission is hereby authorized to expend revenues up to $900,000 collected from fees generated by said golf course; provided further, that for the purposes of accommodating discrepancies between the receipt of retained revenue and related expenditures, said commission may incur expenses and the comptroller may certify for payment amounts not to exceed the lower of this authorization or revenue estimate as reported in the state accounting system $900,000.*

Additionally, Chapter 29, Section 2U, of the General Laws states:

> *There shall be established and set up on the books of the commonwealth a separate fund to be known as the Ponkapoag Recreational Fund. There shall be credited to said fund revenues generated from fees or any other revenue source at the Ponkapoag Golf Course in the Blue Hills Reservation in the town of Canton. Such revenues shall be credited to said fund in the following manner: (1) the first $700,000 in revenues shall be deposited in said fund and shall be used, subject to appropriation, for capital improvements, equipment, and maintenance of said golf course, including the costs of personnel; (2) revenues which are in excess of $700,000, but less than $1,100,000, shall be credited to the general fund; and (3) revenues generated in excess of $1,100,000 shall be credited to said fund and shall be used, subject to appropriation, for capital improvements, equipment, and maintenance of said golf course, including the costs of personnel.*

According to PGC's fiscal year 2001 financial reports, earnings from fees totaled $898,476. PGC also earned an additional $111,778 from contracts with private vendors, who provide golf pro services, including cart rentals, and maintain the restaurant at the golf course. The revenues from contracts are deposited into the state's General Fund and are not used for the maintenance and operation of the golf course. PGC's expenditures for fiscal year 2001 totaled $765,438, as follows: $289,070 for employee salaries and related expenses; $252,773 for facility operational supplies and energy; $14,749 for consultant and operational services; $185,379 for equipment, rentals, leases, and repairs; and $23,467 for construction improvements to buildings and maintenance.

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

In accordance with Chapter 11, Section 12, of the General Laws, the Office of the State Auditor conducted an audit of Ponkapoag Golf Course. Our audit covered the period from July 1, 2000 to June 30, 2001. The purpose of this audit was to determine the adequacy of internal controls over receipts and expenditures. Our audit reviewed and examined the following: (1) the direct and indirect expenditures for the operation and maintenance of the golf courses; (2) the internal control structure for receipts, expenditures, fixed assets, and inventory; (3) the fee structure and control systems, (4) controls over personnel records; (5) compliance with applicable laws, rules, and regulations; and (6) status of audit results contained in our prior audit report No. 99-0271-3. Our audit was conducted in accordance with applicable generally accepted government auditing standards.

To accomplish our audit, we reviewed the general administrative policies, procedures, and internal controls at PGC and performed tests of selected expenditures and revenue transactions. We toured the facilities and observed the conditions of the golf courses. We interviewed key personnel concerning policies and regulations used by PGC. We reviewed the fee structure at the golf course and internal controls over inventory and vendor contracts, we reviewed and tested human resource and payroll records and we determined compliance with laws, rules, and applicable regulations.

We requested MDC officials to provide a signed management-representation letter indicating that the information provided to us was accurate and that all matters regarding the audit were disclosed to the audit team. However, the MDC has not provided us with a management-representation letter.

During the course of our audit we met regularly with the MDC's Finance Director and other representatives and discussed in detail the various areas of our review and the issues contained in our report. We also held an exit conference with the Finance Director, Recreation Director, and the Director of Intergovernmental Affairs to discuss these matters. All discussions and comments provided by these individuals were considered and incorporated in our final report, where appropriate.

Our audit has determined that PGC has an inadequate internal control structure that is not suitably designed nor adequately implemented to achieve the desired control objectives for the areas reviewed.

# AUDIT RESULTS

## 1. PRIOR AUDIT RESULTS UNRESOLVED: BONDING OF EMPLOYEES AND CONTRACT MONITORING

Our prior audit report on the Metropolitan District Commission (MDC) identified two areas of internal controls needing improvement: individuals who collect MDC revenues were not bonded, and there was inadequate monitoring of MDC-issued concession contracts.

Our follow-up review revealed that the MDC has not bonded employees collecting daily revenues. Although the MDC had prepared internal memorandums discussing the bonding of employees, and a list of employees who handle revenue has been submitted to the Director of Finance, it has taken no further actions to bond employees. Sound business practices and effective internal controls advocate that all individuals collecting and processing cash receipts be bonded. Because the individuals who collect and process MDC revenues are not bonded, there is inadequate assurance that Commonwealth receipts have been safeguarded against potential losses; moreover, the MDC is not indemnified against losses that may result from defalcation. Agency officials stated that they had determined the cost of bonding outweighs the benefit; however, they could not provide documentation to indicate that a cost analysis had been prepared. As a result of our audit, MDC officials indicated that they would pursue a "blanket" policy that would bond individuals that handle cash.

Our follow-up also revealed that the MDC is obtaining Independent Audit Reports from the concessionaires as required by contracts; and has assigned the Secretary of the Commission the responsibility for reviewing the reports and enforcing concessionaires' contract compliance with regard to submitting revenue to the Commonwealth.

In addition, at the time of our follow-up audit, the MDC had not promulgated formal written policies and procedures to monitor and enforce concessionaire contract specifications. Subsequent to our audit, the MDC Board of Commissioners approved a Debt Collection Policy and Procedures Manual that establishes written policies and procedures to ensure concessionaire contract compliance regarding revenue and revenue collection and assigns monitoring responsibility to Secretary of the Commission.

***Recommendation***

The MDC should pursue "blanket" bond coverage to ensure that adequate fidelity bond coverage exists for all individuals collecting cash receipts. Moreover, the MDC should conduct and document a cost/benefit analysis that supports any decision to not bond employees who handle cash. Also, the MDC should continue to review concessionaires' independent audit reports and enforce concessionaires' contract compliance with regard to submitting revenue to the Commonwealth.

## 2. INTERNAL CONTROLS OVER MEMBERSHIP-FEE AND TOURNAMENT REVENUE NEED IMPROVEMENT

During fiscal year 2001, the MDC did not have adequate internal controls over revenue collection, tournament fees, daily golf course operations, and membership card use. Golf course revenues for the period were $898,476. In addition, internal control and procedures manuals did not address all aspects of daily activities and were not available to key employees.

PGC uses Golf Management Systems (GMS) software for the recording of daily cash and credit card transactions. The software produces various reports detailing transactions, rounds played, member play, etc. The software does not document details regarding tournament play, such as the number of participants and total revenue collected from tournaments, but it does produce a receipt for every transaction. To play, golfers must present the receipt to a golf starter. However, the system does not produce individual receipts for tournament participants.

When reviewing tournament revenue, we discovered that PGC does not obtain a listing of participants in the tournament to reconcile the number of golfers with the fees collected. The documentation at PGC lacked a detailed audit trail for verification of payments, and in some instances the manually recorded information was inconsistent. Some records lacked the number of players in the tournament; others lacked evidence that all tournament players actually paid. The golf course could not verify that all players in a tournament were properly accounted for which could allow players in a tournament to play free of charge. Tournament fees were not segregated on the sales summary reports generated by GMS and used to report revenue.

PGC's listing of tournaments for calendar year 2001 did not coincide with actual documentation of tournaments maintained in its files. In the sales summary report for the year, 21 tournaments were documented, with a $100 fee and a minimum of 144 participants at $17 per person; therefore, estimated revenue from tournaments was $51,408. However, this estimate could not be verified due to the lack of information regarding the actual number of individuals playing in each tournament.

Each PGC member receives a membership card and an identification number, which is inputted into GMS after the member pays dues. When a member wishes to play, a cashier is supposed to swipe the membership card into a device that reads the magnetic strip on the card and produces a receipt, which documents the transaction and is given to the starter to commence play. We found that the card-reading device had been broken for more than a year, and that the cashier manually enters each member's membership number. PGC management stated that the makers of GMS have filed for Chapter 11 bankruptcy and are unable to provide technical or support assistance, and that until a new system is chosen and purchased PGC will not fix the card-reading device. PGC did not provide documentation indicating that a new system was being sought.

The present software also does not limit the amount of times that a membership number can be used for play, and the MDC does not check whether membership numbers are used more than once a day. We found that no written procedures exist to detect such use. Furthermore, PGC management does not maintain receipts collected by the starters for reconciliation of receipts to revenue and the GMS sales summary report at the end of each day. In calendar year 2001, 64,468 rounds of golf were played as of November 14, and 75,424 rounds were played in calendar year 2000. Subsequent to our audit MDC officials indicated that they purchased a new ID Express System (hardware and software) that integrates with its GMS in order to manage and track the play of members and control revenue.

Without an adequate and effective system of internal controls, PGC cannot be assured that all revenue is being properly collected and recorded. Chapter 647 of the Acts of 1989, which sets forth the minimum level of quality acceptable for internal control systems in operation throughout the various operations of state agencies, requires the following:

- Internal control systems of the agency are to be clearly documented and readily available for examination.
- Cash and other assets are secured and safeguarded from misuse.
- Qualified and continuous supervision should be provided.
- All transactions and other significant events are promptly recorded, documented, and classified.

The MDC has not established a comprehensive PGC internal control/operational procedures manual detailing daily revenue collection activities for tournaments and membership fees, and the MDC recognizes revenue from the golf course only when it has been deposited into the agency's clearing account. Although the MDC has an Internal Control Manual, it does not address daily operations at PGC and addresses procedures over revenue only after revenue has been deposited into the agency's clearing accounts. Furthermore, the manual was not made available to some key employees involved in the operation of PGC. Although memorandums had been sent pertaining to the recording of revenue and daily deposits, they addressed neither the detailed activities of daily receipts and recording nor pre-deposit safeguard controls. The MDC did not provide evidence that either the MDC or PGC management had documented procedures for the receipt of tournament and membership fees. The MDC also did not provide evidence of supervisory or management oversight from the MDC central office.

Written documentation of internal controls provides consistency of action and continuity. Because the MDC has not developed a policy and procedures manual that delineates an effective control program addressing all aspects of the operating cycle at PGC, there is limited assurance that revenues due PGC have been received; properly recorded, reported, and deposited; and used for their intended purpose.

***Recommendation***

The MDC should take the following corrective actions regarding internal controls over PGC membership and tournament fee revenue:

- Reconcile tournament and play fees with the number of players in the tournament.
- Ensure that the new membership card-reading device and the new ID Express System software and hardware provide the necessary transaction details to record, report, and summarize tournament and membership fees.
- Reconcile receipts for tournament play, membership play, and daily play to ensure that all revenue is collected, deposited, recorded, and reported.
- Develop an internal control system and guide to establish proper accountability and to safeguard the Commonwealth's assets. In doing so, the MDC should take the following steps:

    1. Develop and document policies and procedures for all operating cycles, including revenue collection, with an explanation of the cycle and the flow of transactions through the critical internal control points. Procedures should also address the recording and reconciliation of cash to receipts and bank deposits.

    2. Identify and compare golf management software solutions that provide controls necessary to adequately account for and control membership, tournament, and visitor activity and also allow appropriate reconciliation and reporting at the end of each day.

    3. Develop a written description of the continuous supervision to be provided at all levels to ensure that internal controls exist. The descriptions at a minimum should include the duties, responsibilities, and accountabilities assigned to each staff member, including the MDC central staff and supervisor responsibilities and the critical points at which work is approved and where the staff member's work is reviewed systematically to ensure work flows as intended. Moreover, the MDC should identify the duties and responsibilities of staff and management positions at key internal control points.

### 3. MONITORING AND MANAGEMENT OF PONKAPOAG GOLF COURSE FUNDS NEEDS IMPROVEMENT

Our review disclosed that the MDC has not adequately monitored golf course expenditures to ensure that PGC's approved spending plan was adhered to. In fiscal year 2001, $900,000 was appropriated based on retained revenue, which includes daily, tournament, and membership fees. However, near the end of the fiscal year, PGC had more than $250,000 remaining and fewer than 30 days to spend the funds, yet it had no plans for golf course improvements. As a result, PGC expensed $119,078 in equipment purchases budgeted at $18,000. Additionally, although $265,274 was budgeted for golf course improvements in the fiscal year 2001 spending plan, only $23,467 was expended.

Furthermore, in 1983 the MDC was awarded a $500,000 capital outlay appropriation for expenses related to a study, preparation of plans, and installation of sub-drainage for four holes on the golf course. The MDC did not award a contract for the work until August 1992, nine years after the award. Two additional appropriations, the Ponkapoag Recreational Fund (No. 2440-4420) consisting of $131,606 and the MDC Facilities Improvement Program (No. 2440-8952) consisting of $42,361, supplemented the capital outlay. As of December 2001, 18 years after the initial appropriation, drainage problems have yet to be corrected, although $673,967 has been expended.

The MDC also has not developed a detailed maintenance plan as recommended in the 1997 Resource Management Plan (RMP), a collaborative project of the MDC and other state and local organizations to identify drainage, irrigation system, and other needed improvements for the operation and maintenance of PGC. We observed the conditions of the golf course and facilities and found that they need extensive improvements regarding drainage, irrigation, and maintenance. Without a needs assessment, appropriate estimates for improvements, effective planning and follow-through, and efficient allocation of revenues, the MDC cannot be assured that revenues and appropriated funds are being utilized for their intended purpose. Furthermore, these shortcomings significantly limit the use of the course and inhibit PGC's ability to achieve standards comparable to those of similar golf courses. (See Appendix I.)

Our review of the financial management of PGC funds disclosed the following:

### a. No Internal Controls and Procedures for Monitoring Expenditure Authorization

The MDC has not established written internal controls and procedures to ensure that PGC expenditures are processed according to the approved authorization. The MDC can incur expenses in excess of revenue up to $900,000. Chapter 159, Section 2, of the Acts of 2000 states, in part:

> *For the purpose of accommodating discrepancies between the receipt of revenue and related expenditures, said commission may incur expenses and the comptroller may certify for payment amounts not to exceed the lower of this authorization or estimate as reported in the state accounting system.*

All expenditures for the PGC are initiated at the MDC Recreation Division. An encumbrance document is prepared by the Recreation Division Business Office, and items are purchased after it is determined that funds are available. When the item is received, a payment voucher is prepared by the clerk and approved by the Division Director. It is then sent to the Finance Division for input into the Massachusetts Management Accounting and Reporting System (MMARS) for payment. If funds are not available at that time, the document is returned to the Recreation Division with a note citing insufficient funds. The payment document is then held/not processed until funds are made available. The retained revenue account allows the MDC to incur expenses to accommodate the timing difference between revenue received and the expenditure of funds. Chapter 159 allows the expenditure of funds to exceed the balance in the account, providing the Office of the State Comptroller certifies the payment.

Therefore, the MDC could have initiated the expenditure of funds needed to upgrade the condition of the golf course during the year in a more timely manner. However, it expended funds only after they became available. Doing so resulted in an excess of more than $250,000 at the end of the fiscal year, with fewer than 30 days to spend the funds. Because there were no planned projects to improve the course, $119,078 of the excess funds were used for equipment purchases, originally budgeted at $18,000. Additionally, golf course improvements in the fiscal year 2001 spending plan were budgeted and approved for $265,274, yet only $23,467 was actually expensed; of that amount, $18,367 was used for supplementing the study and plans discussed in the next section (on the capital outlay appropriation).

MDC management representatives stated that they did not consider it good business to incur expenses prior to collecting revenue to cover expenses.

**b. Inadequate Management of Capital-Outlay Funds**

Our audit of the capital-outlay appropriation for improvements to PGC found that the MDC has not effectively and efficiently managed the improvements. In 1983, the MDC received $500,000 for a study, preparation of plans, and installation of a sub-drainage system for four holes on the golf course. The MDC did not award a contract for the work until August 1992, nine years after the funds became available. An additional $173,967 was expended from the Ponkapoag Recreation Fund ($131,606) and the MDC Facilities Improvement Program account ($42,361) to supplement improvements to the golf course. In addition, further review revealed that the MDC had made two amendments to the project that increased its cost and a third amendment that modified the project's scope to include a study of the golf course to determine the need for irrigation. The studies were completed in December 2001, at a final cost of $673,967; however, none of the actual work, and only the design and planning, had been completed. As of December 31, 2001, 18 years after the initial appropriation for drainage improvement, the problems had yet to be corrected. Flooding remains a major reason for the poor conditions and decline in play, yet the capital-outlay appropriation funds have been depleted.

Without a needs assessment, appropriate estimates for improvements, effective planning and follow-through, and an efficient allocation of revenues, the MDC cannot be assured that appropriated funds and revenues are being used for their intended purpose. Furthermore, these planning and management shortcomings significantly limit the use of the course and inhibit PGC's ability to achieve standards comparable to those of similar golf courses. Subsequent to our audit, Chapter 236, Section 2, of the Acts of 2002 provided additional funding of $12 million for the renovation and reconstruction of the Leo J. Martin and Ponkapoag golf courses. The law requires the MDC to develop and submit to the House and Senate committees on Ways and Means a comprehensive plan for the regular and professional maintenance and operation of the golf courses. This is a further indication that a needs assessment and detailed maintenance plan should be developed in order to adequately identify the costs associated with the reconstruction of the Ponkapoag golf course.

#### c. Lack of a Detailed Maintenance Plan

In December 1997, a Resource Management Plan (RMP) was prepared for the MDC for the 2,812-acre MDC property within the Fowl Meadow and Ponkapoag Bog Area of Critical Environmental Concern (ACEC), located primarily in the communities of Canton, Randolph, and Milton. The area, which includes PGC, was designated as an ACEC in 1992 by the Secretary of Environmental Affairs. As a result, under the Massachusetts Environmental Policy Act (301 CMR 11.00) and Areas of Critical Environmental Concern (301 CMR 12.00), it is subject to a higher level of both resource protection and scrutiny for any proposed projects or activities.

The RMP proposed projects and recommended improvements designed to improve the overall condition of the course, in addition to the planned drainage and irrigation improvement. The RMP also cited a detailed review performed by the MDC in 1994 to assess the condition and playability of the two courses to determine what improvements would be required. That report had indicated that design modifications were necessary for tee boxes, cart paths, stream crossings, and landscaping along the fairways and approaches to the greens. The report also recommended that the MDC work closely with the golf course Superintendent to identify landscaping issues and prepare a plan to implement improvements.

The PGC is in poor condition and needs extensive improvements to the landscaping and facilities. Play at the golf course has steadily declined. Although we requested play summary reports from 1998 to the current period, the MDC provided round-of-play summary reports only for calendar years 2000 and 2001. There were 75,424 rounds played in 2000, and 64,468 rounds in 2001 (as of November 14, 2001), a decline in play of approximately 10,956 rounds. A November 14, 1997 report by Sasaki Associates, Inc., prepared for the MDC regarding PGC, noted that in 1993 the number of rounds played was 107,023, or a decrease of 42,555 rounds from 1993 to 2001.

As required by the Legislature, the MDC does submit a spending plan for funding general budget items such as payroll, maintenance, equipment, and improvements; however, that spending plan does not refer to improvements. Nevertheless, despite the recommendation of the RMP, the MDC did not conduct a needs assessment, prepare a cost analysis, or develop a written plan for improvements to the golf course.

MDC officials indicated that in September of 2001 they hired an experienced greenskeeper who has made substantial improvements to the maintenance of the golf course, which has drawn more players to the course and thus increased revenues.

### d. Inaccurate Recording of Labor Costs

Our review disclosed that the MDC inaccurately recorded labor costs and inadequately controlled personnel transfers to and from PGC. We found variances between the Paycheck Earnings Report of the State Comptroller's Payroll Cost Reporting System (PCRS) and selected weekly time logs maintained by the MDC. Salaries and associated costs paid from the PRF amounted to $289,070 in fiscal year 2001.

We reviewed payroll records of 33 individuals assigned to the golf course for the two-week pay period ended July 14, 2001. We determined that nine employees, including the manager assigned to the golf course, were paid from other MDC appropriations. We also identified that four employees charged to the appropriation were working in areas other than the golf course. We found that the variances were the result of employee transfers made by division heads of the MDC without formal written notification to Human Resources and the Payroll Department, which consequently did not make the necessary changes to reflect the proper funding source for the labor costs. Further review disclosed that in its Internal Control Manual the MDC does not have written internal control policies and procedures that address the transfer of employees among divisions.

These shortcomings regarding a lack of adequate internal controls and labor costs are a violation, respectively, of Chapter 647 of the Acts of 1989 (see Audit Result No. 2 for details), and of Chapter 29, Section 2U, of the Massachusetts General Laws which states in part:

> *Revenues … shall be used, subject to appropriation, for capital improvements, equipment, and maintenance of said golf course, including the costs of personnel.*

Without written policies and procedures that address the transfer of personnel, management cannot be assured that funds are being used for their intended purposes, whereas such documentation would provide for continuity, consistency, and proper allocation of labor costs. Because the MDC did not develop written policies and procedures for the transferring of personnel within the agency, labor costs were not accurately recorded in PGC's Financial Reports on the Massachusetts Management Accounting Reporting System. Furthermore, inaccurate recording of payroll costs misleads management regarding planning, budgeting, and assessing the PGC fee schedule to determine whether fees should be increased to help fund maintenance and operation costs.

### *Recommendation*

The MDC should take immediate steps to adequately and effectively manage and monitor the receipt and expenditure of golf course funds, identify and respond to needed improvements in a timely manner, and take advantage of all resources available to accomplish these objectives. These steps should include the following:

- Developing and implementing written, expenditure-related policies and procedures that comply with the appropriation language.
- Taking advantage of the appropriation language to allocate and expend resources for needed improvements in a more timely manner.
- Reassessing the purpose and funding for the capital-outlay project and actively seeking additional methods or alternatives for completing the study, plans, and installation of sub-drainage and other work needed throughout the golf course.
- Conducting a needs assessment, preparing a cost analysis, and developing a long-range written plan for all improvements to the course as recommended in the RMP; initiating the steps to complete the improvement in a timely and efficient manner; and assigning a person to be responsible for monitoring the progress of the plan.
- Complying with Chapter 29, Section 2U, of the General Laws, which designates that all retained revenues be used for the maintenance and operation of the golf course, and complying with Chapter 647 of the Acts of 1989, which establishes standards for acceptable levels of internal control.

- Maintaining accurate labor costs at PGC and establishing proper accountability for the transferring of employees, including the development and implementation of procedures (consistent with accounting records) for the transfer of employees.

## 4. FEE STRUCTURE NOT REVIEWED TO DETERMINE IF FEES ARE ADEQUATE TO DEFRAY THE COST OF OPERATION

The MDC has not prepared a cost analysis or conducted a needs assessment for developing a feasible fee structure to support needed improvements to the golf course. The fees charged at the two Ponkapoag golf courses are considerably lower than those charged by other golf courses in the area. Consequently, PGC is not generating enough revenues to help improve the condition of the golf course. The appropriation language in the fiscal year 2001, 2002, and 2003 budgets authorizes the MDC to make adjustments to the fee structure to help defray maintenance, operation, and administration costs.

We reviewed the 18-hole fee schedules for weekdays and weekends in 2002 at six area golf courses and found that, as shown in the following table, the fees are considerably lower at PGC. Consequently, the MDC is not generating additional revenues that could be used to repair the golf courses.

**Comparison of Area Golf Fees, 2002**

| Golf Course | Weekday Fees | Weekend Fees |
|---|---|---|
| Brookmeadow (Canton) | $35 | $40 |
| Lakeville. | $34 | $39 |
| South Shore (Hingham) | $32 | $40 |
| Braintree Municipal | $30 | $37 |
| George Wright (Boston)* | $26 | $29 |
| Franklin Park (Boston)* | $25 | $30 |
| Ponkapoag | $17 | $20 |

*Non-Resident greens fees.

To estimate the potential amount of additional revenue, we assumed 80,000 rounds played annually for the two golf courses (PGC registered 107,023 rounds played in 1993 and 75,424 rounds played in 2000). Based on fee increases of $3, $5, and $7 per round, the additional revenue would total $240,000, $400,000, and $560,000, respectively.

We recognize that other variables must be considered in a complete analysis, such as tournament fees, membership discounts, senior and junior play discounts, and the need to keep rates at an affordable, reasonable rate. However, these estimates indicate potential additional funding for needed course improvements. An in-depth, comprehensive analysis of the PGC operations is necessary to fully evaluate the fee structure.

It is the MDC's responsibility, on a yearly basis, to assess the needs of the golf course, develop a plan for improvements that includes both direct and indirect costs, prepare the necessary documentation required by EOAF, and submit amendments to the fee schedule to fund the needed improvements. We found that the MDC has not been aggressive enough in assessing the need to improve conditions at the golf course or in reviewing the fee structure to determine whether it adequately addresses the costs associated with the needed improvements. As noted earlier, the RMP had recommended that the MDC develop and implement a plan of improvements. However, our review found that no such plan had been developed and implemented.

Without an analysis, assessment of direct and indirect costs, and a written plan for maintenance and improvements to the golf course, the MDC cannot amend fees to fund those costs. If the necessary improvements are not made and conditions are not improved, PGC will cease to be a viable source of recreation for the residents of the Commonwealth.

MDC officials indicated that they intend to file golf course fee increases with the Secretary of State of $5 per round and season pass increases of between $140 and $150 per pass, depending on the category. The MDC estimates that these fee increases will increase revenues by $541,000 in 2003.

***Recommendation***

The MDC should take immediate steps to develop a plan of improvements for the golf course, assess direct and indirect costs for the improvements and operation, and adjust the fee structure in a timely manner in order to defray the maintenance, operation, and administration costs of the golf course. Legislative authorization must be sought to assure that increased fee revenues are retained and can be used to improve the golf courses.

### 5. INTERNAL CONTROLS OVER PROPERTY, EQUIPMENT, AND MOTOR FUEL NEED IMPROVEMENT

Our review revealed that PGC does not conduct an annual physical inventory, keep a cumulative inventory listing of property and equipment, maintain a total value for fixed assets, or reconcile golf course property records with the MDC records of assets, reported to the Office of the State Comptroller. Furthermore, we found inadequate internal controls over approximately $6,745 in motor fuel that the golf course had purchased in fiscal year 2001.

Our review of the property and equipment listing at the golf course disclosed that 73 of the 89 inventoried items, including tractors, lawn mowers, and other lawn-maintenance equipment, were not properly tagged with property identification numbers. Also, the golf course inventory did not include fiscal year 2001 purchases, which totaled $144,138, and did not document the location, description, or value of the other assets.

Furthermore, PGC does not maintain a motor-fuel usage log or perform periodic fuel-level readings. The fuel tanks are left unsecured and unattended during daytime operations. We also found that the motor-fuel card-access system that identifies the user and amount of fuel taken had been broken for over a year but not replaced because a new system was expected to be authorized by the MDC. Therefore, neither the MDC nor the PGC management documented in detail the usage of motor fuel, even though the MDC Internal Control Manual states that inventories must be reconciled against inventory records.

Chapter 7, Section C, of the State Comptroller's Internal Control Guide for Departments states:

*C. Inventory Should Be Safeguarded*

*1. Control Objectives*

- *Once supplies, materials, and equipment are purchased, they must be safeguarded and accurately accounted for to ensure their availability and to provide accurate information regarding item quantity. In this way, you can maintain inventories at an efficient level for normal operations.*

*2. Control Activities*

*Specific activities to control inventories include:*

- *Maintain records as to:*
  - *Current inventories;*
  - *Goods received;*
  - *Goods distributed;*
  - *Equipment on hand and its location.*

- *Ensure that materials, supplies and equipment are distributed with a written receipt. The receipt should contain the following information: individuals/units receiving items, date, item type, quantities and purpose.*

- *Dispose of obsolete and damaged materials according to established policies and procedures.*

- *Coordinate inventories with the property office when you have departments with supplies, materials and equipment in several locations.*

- *All equipment should have an individual property control identification number.*

- *A complete property inventory of all property should exist, noting the current location.*

- *All inventoried equipment should be properly recorded and valued at historical cost.*

- *All property transfers and dispositions should be handled according to established procedures.*

The MDC's Internal Control Manual states, in part:

*<u>Material/Supplies Inventory</u>*

*MDC Divisions are responsible for maintaining division inventories. Inventories must be physically safeguarded in suitable storage rooms to prevent theft, pilferage, spoilage and damage. Access to storerooms is limited to appropriate personnel. Goods received are recorded on receiving documents. Receiving documentation are then forwarded to Division inventory personnel. The inventory records reflect the vendor name, encumbrance identification number, date received, number of units and unit cost. Goods returned to vendors are authorized, documented and posted to inventory records. Issuance of materials from inventory are authorized by the appropriate division official, documented and detailed on inventory records. The postings to the inventory records reflect the actual flow of inventoried goods or an appropriate accounting method such as first in first out (FIFO). A physical inventory is taken at least annually for fiscal year end reporting. If a shortage is suspected an immediate inventory is taken. All physical inventories are reviewed and approved in writing by MDC Division Directors. All physical inventory is reconciled against the inventory records. State-owned or leased computer-*

*related equipment is tagged with inventory numbers and recorded on a detailed summary list by the MDC MIS Department. Additionally, the MIS Division maintains a software inventory to protect against loss, theft or copyright infringement.*

Because PGC does not maintain cumulative records of fixed assets as prescribed by the State Comptroller, and because it does not maintain usage logs, perform periodic fuel level readings, and limit access to supplies, it has inadequate assurance that its property, equipment, and motor fuel supplies are safeguarded against loss, theft, and misuse and that fixed-asset records maintained by the MDC and reported to the State Comptroller are accurate. MDC officials indicated that they have taken corrective action regarding the controls over inventory by maintaining a usage log and installing a lock on the fuel pump and that they have recently taken an inventory of property and equipment.

***Recommendation***

PGC should implement the necessary internal controls to reasonably ensure compliance with applicable laws, rules, and regulations. At a minimum, these controls should include the establishment and maintenance of a cumulative inventory listing of all golf course property, including their value, and an annual physical inventory and a reconciliation of PGC and MDC records to ensure accurate reporting. Internal controls should be established to include methods to safeguard motor fuel from unauthorized use. PGC management should establish a motor-fuel usage log, perform motor fuel tank readings, and establish a reconciliation process between the usage log and motor-fuel readings. PGC should also designate an individual to be responsible for restricting access to fuel supplies and to monitor usage.

# APPENDIX I

## Ponkapoag Golf Course Actual Versus Budgeted Expenses
## Fiscal Year 2001 (July 1, 2000 to June 30, 2001)

| Account Subsidiary | Description | Budgeted | Actual | Variance |
|---|---|---|---|---|
| AA | Salaries | $323,488 | $221,233 | $(102,255) |
| BB | Employee-Related Expenses | 100 | 300 | 200 |
| DD | Pension and Insurance (1) | 19,289 | 60,089 | 40,800 |
| EE | Administrative Expenses | 13,725 | 8,327 | (5,398) |
| FF | Facility Operational Supplies and Related Expenses | 174,039 | 182,889 | 8,850 |
| GG | Energy | 68,500 | 69,884 | 1,384 |
| HH | Consultant Services | 0 | 2,117 | 2,117 |
| JJ | Operational Services (2) | 3,800 | 12,632 | 8,832 |
| KK | Equipment, Telephone/Lease (3) | 18,135 | 144,138 | 126,003 |
| LL | Rental and Repair (4) | 13,650 | 41,241 | 27,591 |
| NN | Construction Improvements to Buildings and Maintenance (5) | 265,274 | 23,467 | (241,807) |
| | Total | $900,000 | $766,317 | $(133,683) |
| | Actual Revenues | $898,476 | $766,317 | $(132,159) |

# APPENDIX II

## Metropolitan District Commission Schedule of Revenue and Expenses, July 1, 2000 to June 30, 2001

| | | |
|---|---|---|
| Revenues | | |
| Golf Course Revenue (Used for Maintenance and Operation) | | $898,476 |
| Expenditures | | |
| Salaries and Related Expenses | $289,070 | |
| Facility Operational Supplies and Related Expenses | 252,773 | |
| Consultant and Operational Service | 14,749 | |
| Equipment, Office, Rental, and Repair | 185,379 | |
| Construction Improvement to Buildings, Maintenance | 23,467 | |
| Fringe Benefits | 53,095 | |
| Total Expenditures | | $818,533 |
| Excess of Revenue over Expenditures | | $ 79,943 |
| Fund Balance (Deficit) July 1, 2000 | | $(100,051) |
| Fund Balance (Deficit) June 30, 2001 | | $ (20,108) |

# APPENDIX III

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

H 5

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**

H 5

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**

H 5

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 Keverian, Speaker.

In Senate, December 22, 1989.

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

January 3, 1990.

Approved,

Michael S. Dukakis Governor.

# APPENDIX IV

## 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 DeNUCCI
Auditor of the Commonwealth

MARTIN J. BENISON
State Comptroller