



A. JOSEPH De NUCCI  
AUDITOR

## AUDITOR OF THE COMMONWEALTH

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August 21, 2008

2008-1370-30

Richard Chacon, Director  
Office for Refugees and Immigrants  
18 Tremont Street  
Boston, Massachusetts 02108

Dear Mr. Chacon:

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted an audit of the Office for Refugees and Immigrants' (ORI) credit card purchases and the corresponding controls, policies and procedures for the period July 1, 2006 to April 28, 2008. The objective of our audit was to determine whether credit card expenditures were properly authorized, justified, adequately documented and in compliance with applicable laws, rules, and regulations.

Our audit was conducted in accordance with applicable generally accepted government auditing standards for performance audits and, accordingly, included such audit tests and procedures as we considered necessary.

To achieve our audit objectives, we:

- Reviewed applicable laws, rules and regulations promulgated by the Commonwealth of Massachusetts and ORI.
- Conducted meetings with ORI personnel to ascertain the Office's credit card purchasing guidelines.
- Reviewed ORI's internal controls over credit card purchases.
- Tested credit card purchase transactions for the period July 1, 2006 to April 28, 2008 to determine whether the purchases adhered to both the Commonwealth's guidelines for credit card purchases and the agency's policies. During the period tested, ORI expended \$32,374 for credit card purchases, of which we tested 16 transactions totaling \$28,339, or approximately 88%.

Except as noted in the Attachment, we have concluded that, during the period July 1, 2006 to April 28, 2008, the Office for Refugees and Immigrants complied with applicable laws, rules, and regulations and maintained adequate management controls over credit card purchases for the areas tested.

Sincerely,

A handwritten signature in black ink, reading "A. Joseph DeNucci". The signature is written in a cursive, flowing style with some loops and flourishes.

A. JOSEPH DeNUCCI  
Auditor of the Commonwealth

**ATTACHMENT****INAPPROPRIATE CREDIT CARD USE**

Our audit disclosed that the Office for Refugees and Immigrants (ORI) used state credit cards to pay monthly parking garage fees totaling \$7,895 for the prior and current Executive Directors. One parking space was originally included in the terms of ORI's office lease, but after some years, the provision for the parking space benefit was removed from the lease. However, the prior Executive Director continued to receive this benefit by using his state credit card, or having the Chief Financial Officer use her state credit card, to pay the monthly garage fees until the Director left the agency in September 2007. The subsequent and current Executive Director continued to receive this benefit until May 2008, when the practice of using state credit cards to pay monthly parking expenses was discontinued. This type of disbursement does not comply with either the credit card use guidelines issued by the Office of the State Comptroller (OSC) or the policies and procedures established by ORI. The Office of the State Comptroller has issued the "Commonwealth's Credit Card Use Policy and Procedures" memorandum, which includes the following guidance:

*The primary goal of the Commonwealth's Credit Card Program is to simplify and expedite a Department's use of petty cash and incidental purchases under 801 CMR 21.00. The program may also be used for reimbursable travel costs and small dollar purchasing under statewide contracts.....The Commonwealth Credit Card will assist Departments in fulfilling immediate or one-time purchasing needs and dramatically shorten and simplify the payment cycle process.*

This document further states:

*The types of purchases anticipated for credit card use are "cash and carry" or items that are available for immediate delivery.*

In addition, ORI's policies and procedures state:

*All cardholders must adhere to the policy regarding credit card use as set forth by the Comptroller's Office.*

ORI's Chief Financial Officer placed further restrictions on credit card use by specifically prohibiting credit card use for personal purposes. The payment of a monthly parking fee for the Executive Director does not meet the criteria established by the OSC and ORI.

Additionally, we found that ORI did not properly report this benefit for income tax purposes. Employer paid parking, more specifically described by the Internal Revenue Service (IRS) as qualified parking, is considered a qualified transportation benefit. IRS Publication 15 –B “Employer’s Tax Guide to Fringe Benefits” defines qualified parking and states:

*Qualified parking is parking you provide to your employees on or near your business premises. It includes parking on or near the location from which your employees commute to work using mass transit, commuter highway vehicles, or carpools. It does not include parking at or near your employee’s home ...*

*If the value of a benefit for any month is more than its limit, include in the employee’s wages the amount over the limit minus any amount the employee paid for the benefit.*

The monthly limits for qualified parking were \$205 per month for 2006, \$215 per month for 2007 and \$220 per month for 2008. The parking charges paid by ORI for the former Executive Director for 2006 and 2007 were \$1,840 and \$3,680, respectively. The parking charges paid by ORI for the current Executive Director for 2007 were \$2,375. As a result, the former Executive Director’s wages for 2006 and 2007 were understated by \$1,020 and \$1,960 respectively, while the current Executive Director’s wages for 2007 were understated by \$1,300, as calculated below:

	<u>Former</u>		<u>Current</u>
	<u>Executive Director</u>		<u>Executive Director</u>
Tax Year	<u>2006</u>	<u>2007</u>	<u>2007</u>
Total Parking Payments for Tax Year	\$1,840	\$3,680	\$2,375
Total Fringe Benefit Exclusion	\$820	\$1,720	\$1,075
Net Amount of Unreported Wages	\$1,020	\$1,960	\$1,300

### **Recommendation**

The Office for Refugees and Immigrants should ensure that the wage and tax statements (Form W-2) are reissued for the former Executive Director for tax years 2006 and 2007 and the current Executive Director for tax year 2007. ORI should also make certain that the 2008 wage and tax statement for the current Executive Director includes the taxable portion of the parking fringe benefit.

### **Auditee’s Response**

In its response, the ORI indicated that it agreed with the issues contained in our report.