



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – August 25, 2015

Office of the Inspector General—
Examination of Annual Internal Control Questionnaire
For the period July 1, 2013 through June 30, 2014





Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

August 25, 2015

Glenn A. Cunha, Inspector General
Office of the Inspector General
One Ashburton Place
Boston, MA 02108

Dear Inspector General Cunha:

I am pleased to provide this limited-scope performance audit of the Office of the Inspector General. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2013 through June 30, 2014. My audit staff discussed the contents of this report with management of your office, whose comments are reflected in this report.

I would also like to express my appreciation to the Office of the Inspector General for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written over a light blue circular background.

Suzanne M. Bump
Auditor of the Commonwealth

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LIST OF ABBREVIATIONS

CFO	chief financial officer
CMR	Code of Massachusetts Regulations
COSO	Committee of Sponsoring Organizations of the Treadway Commission
ERM	enterprise risk management
GAAP	generally accepted accounting principles
ICP	internal control plan
ICQ	Internal Control Questionnaire
OIG	Office of the Inspector General
OSA	Office of the State Auditor
OSC	Office of the State Comptroller
PII	personally identifiable information

EXECUTIVE SUMMARY

Each year, the Office of the State Comptroller (OSC) issues a memorandum (Fiscal Year Update) to internal control officers, single audit liaisons, and chief fiscal officers instructing departments to complete an Internal Control Questionnaire (ICQ) designed to provide an indication of the effectiveness of the Commonwealth's internal controls. In the Representations section of the questionnaire, the department head, chief fiscal officer, and internal control officer confirm that the information entered in the questionnaire is accurate and approved.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted a limited-scope performance audit of certain information reported in the Office of the Inspector General's¹ (OIG's) ICQ for the period July 1, 2013 through June 30, 2014. The objective of our audit was to determine whether certain responses that OIG provided to OSC in its fiscal year 2014 ICQ were accurate.

Below is a summary of our finding and our recommendations, with links to each page listed.

Finding 1 Page 7	OIG's 2014 ICQ had inaccurate responses on the subjects of its internal control plan (ICP) and risk assessment. In addition, OIG did not certify the accuracy of the responses on its ICQ before submitting it to OSC.
Recommendations Page 10	<ol style="list-style-type: none">1. OIG should take the measures necessary to address the issues we identified during our audit and should ensure that it adheres to all of OSC's requirements for developing an ICP and accurately reporting information about its ICP and risk assessment on its ICQ. It should also retain a printed, approver-signed copy of its certification of its ICQ representations.2. If necessary, OIG should request guidance from OSC on these matters.

1. Generally accepted government auditing standards require that organizations be free from organizational impairments to independence with respect to the entities they audit. In accordance with Chapter 12A, Section 2, of the General Laws, the Inspector General is appointed by a majority vote of the Attorney General, State Auditor, and Governor. Additionally, pursuant to Chapter 12A, Section 3, of the General Laws, State Auditor Suzanne M. Bump serves on the eight-member Inspector General Council along with the Attorney General; the Secretary of Public Safety; the State Comptroller; and four other members appointed separately by the Attorney General, State Auditor, and Governor. This disclosure is made for informational purposes only, and this circumstance did not interfere with our ability to perform our audit work and report the results thereof impartially.

OVERVIEW OF AUDITED ENTITY

The Office of the Inspector General (OIG) was established in 1981 by Chapter 12A of the Massachusetts General Laws on the recommendation of the Special Committee on State and County Buildings.

According to its website, the office has “a broad mandate . . . to prevent and detect fraud, waste, and abuse in government.” Chapter 12A gives OIG subpoena power and the authority to investigate both criminal and civil violations of the law. OIG is organized into the following seven divisions: Administration and Finance; Audit, Oversight, and Investigations; the Bureau of Program Integrity; the Internal Special Audit Unit; Legal; Policy and Government; and Regulatory and Compliance.

The Inspector General is appointed by the Governor, Attorney General, and State Auditor for a maximum of two five-year terms.

OIG had a fiscal year 2014 budget of \$3,307,496 and has 56 full-time employees. It is located at One Ashburton Place in Boston.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a limited-scope performance audit of certain information reported in the Office of the Inspector General's (OIG's) Internal Control Questionnaire (ICQ)² for the period July 1, 2013 through June 30, 2014.

We conducted this limited-scope performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The overall objective of our audit was to determine whether OIG accurately reported certain information about its overall internal control system to the Office of the State Comptroller (OSC) in its 2014 ICQ. Accordingly, our audit focused solely on reviewing and corroborating OIG's responses to specific questions pertaining to ICQ sections that we determined to be significant to the agency's overall internal control system. Below is a list of the relevant areas, indicating the conclusion we reached regarding each area and, if applicable, where each one is discussed in this report.

Objective	Conclusion
1. In its 2014 ICQ, did OIG give accurate responses in the following areas?	
a. internal control plan (ICP)	No; see Findings 1a , 1b , and 1c
b. capital-asset inventory, for both generally accepted accounting principles (GAAP) and non-GAAP assets	Yes
c. personally identifiable information (PII)	Yes
d. audits and findings (reporting variances, losses, shortages, or thefts of funds or property immediately to OSA; see Appendix A)	Yes

2. Each year, the Office of the State Comptroller issues a memorandum (Fiscal Year Update) to internal control officers, single audit liaisons, and chief fiscal officers instructing departments to complete an Internal Control Questionnaire designed to provide an indication of the effectiveness of the Commonwealth's internal controls. In the Representations section of the questionnaire, the department head, chief fiscal officer, and internal control officer confirm that the information entered in the questionnaire is accurate and approved.

In the course of our audit, we also determined that OIG submitted the 2014 ICQ to OSC without certifying the accuracy of its responses in accordance with OSC instructions (Finding 1d).

Our analysis of the information in the ICQ was limited to determining whether agency documentation adequately supported selected responses submitted by OIG in its ICQ for the audit period and was not designed to detect all weaknesses in the agency's internal control system or all instances of inaccurate information reported by OIG in the ICQ. Further, our audit did not include tests of internal controls to determine their effectiveness as part of audit risk assessment procedures, because in our judgment, such testing was not significant within the context of our audit objectives or necessary to determine the accuracy and reliability of ICQ responses. Our understanding of internal controls and management activities at OIG was based on our interviews and document reviews. Our audit was limited to what we considered appropriate when determining the cause of inaccurate ICQ responses.

In order to achieve our objectives, we performed the following audit procedures:

- We reviewed the instructions for completing the fiscal year 2014 ICQ distributed by OSC to all state departments (Appendix B).
- We reviewed the OSC Internal Control Guide, dated September 2007, to obtain an understanding of the requirements for preparing an ICP.
- We reviewed Chapter 93H, Section 3, of the General Laws, and Massachusetts Executive Order 504, to obtain an understanding of the requirements pertaining to the safeguarding and security of confidential and personal information and to notifying appropriate parties of breaches.
- We reviewed Chapter 93I of the General Laws to obtain an understanding of the requirements pertaining to the disposal and destruction of electronic and hardcopy data records.
- We interviewed the director of OSC's Quality Assurance Bureau to obtain an understanding of OSC's role in the ICQ process and to obtain and review any departmental quality assurance reviews³ conducted by OSC for OIG.
- We interviewed OIG's chief financial officer (CFO) to gain an understanding of the office's ICQ process and requested and obtained documentation to support the responses on its ICQ for the 12 questions we selected for review.

3. According to OSC, the primary objective of the quality assurance reviews is to validate (through examination of transactions, supporting referenced documentation, and query results) that internal controls provide reasonable assurance that Commonwealth departments adhere to Massachusetts finance law and the policies and procedures issued by OSC. The quality assurance review encompasses the following areas: internal controls, security, employee and payroll status, and various accounting transactions. The internal control review determines whether the department has a readily available updated ICP.

- We interviewed OIG's CFO and the information-technology liaison / operations manager to determine whether OIG had any instances of variances, losses, shortages, or thefts of funds or property in order to determine compliance with Chapter 647 of the Acts of 1989's requirement of reporting to OSA.
- We reviewed the fiscal year 2014 ICQ and selected questions pertaining to (1) the ICP, (2) Chapter 647 requirements, (3) capital-asset inventory (GAAP and non-GAAP), and (4) PII. We selected these areas using a risk-based approach and prior OSA reports that noted inconsistencies with departmental supporting documentation and agency ICQ responses submitted to OSC. Accordingly, we selected the following ICQ questions:
 - Does the department have an ICP that documents its internal control systems, procedures, and operating cycles, covering the objectives of all department activity?
 - Is the ICP based on the guidelines issued by OSC?
 - Has the department conducted an organization-wide risk assessment that includes the risk of fraud?
 - Has the department updated its ICP within the past year?
 - Does the department require that all instances of unaccounted-for variances, losses, shortages, or thefts of funds be immediately reported to OSA?
 - Does the department have singular tangible and/or intangible capital assets with a useful life of more than one year?
 - Does the department take an annual physical inventory of tangible and intangible capital assets, including additions, disposals, and assets no longer in service?
 - Are there procedures that encompass all phases of the inventory process—acquisition, recording, tagging, assignment/custody, monitoring, replacement, and disposal—as well as the assignment of the roles of responsibility to personnel?
 - Are information-system and data-security policies included as part of the department's internal controls?
 - Is the department complying with Chapter 93H, Section 3, of the General Laws, and Executive Order 504, regarding notification of data breaches?
 - Are stored personal data, both electronic and hardcopy, secured and properly disposed of in accordance with Chapter 93I of the General Laws and in compliance with the Secretary of State's record-conservation requirements?
 - Are sensitive data, as defined in law and policy, secured and restricted to access for job-related purposes?

To determine whether the responses that OIG provided to OSC for the above 12 questions were accurate, we performed the following procedures:

- We requested and reviewed the OIG ICP to determine whether it complied with OSC requirements.
- We requested and reviewed any department-wide risk assessments conducted by OIG.
- We conducted interviews with OIG managers to determine the procedures used to prepare and update the ICP and conduct an annual capital-asset inventory.
- We requested and reviewed OIG's policies and procedures for PII to determine whether policies were in place and addressed the provisions of (1) Chapter 93H, Section 3, of the General Laws, and Executive Order 504, regarding notification of data breaches and (2) Chapter 93I of the General Laws regarding storing electronic and hardcopy personal data.
- We requested documentation for the last annual inventory conducted by OIG.
- We requested and reviewed all documentation available to support OIG's certification of the accuracy of its responses on the fiscal year 2014 ICQ.

In addition, we assessed the data reliability of OSC's PartnerNet, the electronic data source used for our analysis, by extracting copies of the ICQ using our secured system access and comparing their data to the ICQ data on the source-copy ICQ on file at OIG during our subsequent interviews with management. ICQ questions are answered entirely with a "Yes," "No," or "N/A" checkmark. By tracing the extracted data to the source documents, we determined that the information was accurate, complete, and sufficiently reliable for the purposes of this audit.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. Information reported regarding internal controls was inaccurate or unsupported by documentation.

Some of the information that the Office of the Inspector General (OIG) reported in its Internal Control Questionnaire (ICQ) to the Office of the State Comptroller (OSC) for fiscal year 2014 was inaccurate or not supported by documentation. Specifically, although OIG indicated that it was complying with OSC guidelines in all of the areas we reviewed, its internal control plan (ICP) was not based on guidelines issued by OSC, and it could not document that it had conducted an organization-wide risk assessment. In addition, OIG had not certified that the representations reported to OSC in this ICQ were accurate and complete.

Without establishing an ICP in accordance with OSC guidelines, OIG may not be able to achieve its mission and objectives effectively; efficiently; and in compliance with applicable laws, rules, and regulations. Further, inaccurate information in the ICQ prevents OSC from effectively assessing the adequacy of OIG's internal control system for the purposes of financial reporting.

The problems we found are detailed in the sections below.

a. Contrary to what its ICQ indicated, OIG's ICP did not include all department activity.

In the Internal Control Plans section of the fiscal year 2014 ICQ, departments were asked, "Does the department have an internal control plan that documents its internal control systems, procedures, and operating cycles, covering the objectives of all department activity?" In its ICQ, OIG answered "yes," but our analysis indicated that it did not fully document the internal control systems, procedures, and operating cycles of all departmental activities. Instead, OIG's ICP was limited to activities related to its Administration and Finance division; it did not include activities related to any of OIG's other six divisions.

b. Contrary to what its ICQ indicated, OIG's ICP was not based on guidelines issued by OSC.

In the Internal Control Plans section of the fiscal year 2014 ICQ, departments were asked, "Is the internal control plan based on guidelines issued by the Comptroller's Office?" In its ICQ, OIG answered "yes," but its ICP was not fully compliant with these guidelines. Specifically, it did not

consider or adequately identify six of the eight components of enterprise risk management (ERM): Internal Environment, Risk Assessment, Risk Response, Control Activities, Information and Communication, and Monitoring.

c. Contrary to what its ICQ indicated, OIG had not conducted an organization-wide risk assessment including the risk of fraud.

In the Internal Control Plans section of the fiscal year 2014 ICQ, departments were asked, "Has the Department conducted an organization-wide risk assessment that includes the consideration of fraud?" In its ICQ, OIG answered "yes," but the office provided no evidence that its risk assessment was the result of an organization-wide assessment (including all seven of its divisions) and an update of the previous fiscal year. Although the risk assessment we were given contained a general description of identified risks, excerpted from the OIG's General Personnel Policies Manual, it did not assign identified risks to specific OIG divisions, assess risks in terms of impact and likelihood, or state how management intended to respond to identified risks (e.g., avoid, accept, reduce, or share them). Including all the risk assessment attributes is important because they enable management to focus its attention on the most important entity risks and to manage risks within defined tolerance thresholds.

d. OIG submitted its 2014 ICQ without certifying the accuracy of its responses as required by OSC instructions.

OIG's department head, chief fiscal officer, and internal control officer did not certify that they had read and approved each statement presented on the ICQ. If this step is not conducted, there is no assurance that OIG's management has reviewed the ICQ and ensured that the information that the office is providing to OSC is complete and accurate.

Authoritative Guidance

The ICQ is a document designed by OSC that is sent to departments each year requesting information and department representations on their internal controls over 12 areas: management oversight, accounting system controls, budget controls, revenue, procurement and contract management, invoices and payments, payroll and personnel, investments held by the Commonwealth, material and supply inventory, capital-asset inventory, federal funds, and information-technology security and personal data. According to OSC's "Instructions for Completing the FY2014 Internal Control Questionnaire" (Appendix B), each state department must print the ICQ's Representations section; ensure that the

department head, chief fiscal officer, and internal control officer review the final ICQ and sign the section to confirm its accuracy; and file the signed copy. The purpose of the ICQ is to provide an indication of the effectiveness of the Commonwealth's internal controls. External auditors use department ICP and ICQ responses, along with other procedures, to render an opinion on the internal controls of the Commonwealth as a whole.

In its document *Enterprise Risk Management—Integrated Framework*, or COSO II, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines ERM as “a process, effected by the entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage the risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.” To comply with OSC's internal control guidelines, an ICP must contain information on the eight components of ERM: Internal Environment, Objective Setting, Event Identification, Risk Assessment, Risk Response, Control Activities, Information and Communication, and Monitoring. COSO guidance states that all components of an internal control system must be present and functioning properly and operating together in an integrated manner in order to be effective. In addition, OSC's Internal Control Guide requires ICPs to include a risk assessment. Lastly, OIG should update its ICP as often as changes in management, level of risk, program scope, and other conditions warrant, but at least annually.

Reasons for Inaccurate or Unsupported Information

OIG's chief financial officer (CFO) stated that she had reviewed the OSC Internal Control Guide and considered the ICP sufficient and compliant with OSC's requirements at the time it was completed.

The CFO assumed that, because the risk assessment was prepared on the basis of OIG statutory responsibilities contained in Chapter 12A of the Massachusetts General Laws and Title 945 of the Code of Massachusetts Regulations (CMR), it did not need to be updated unless the statute or CMR was changed. The CFO further stated that she would seek OSC assistance to ensure compliance with OSC requirements.

She explained that she was unaware of OSC's requirement that the department head, chief fiscal officer, and internal control officer certify the responses on the ICQ by signing and dating the form and retaining a signed copy on file as confirmation of its accuracy.

Recommendations

1. OIG should take the measures necessary to address the issues we identified during our audit and should ensure that it adheres to all of OSC's requirements for developing an ICP and accurately reporting information about its ICP and risk assessment on its ICQ. It should also retain a printed, approver-signed copy of its certification of its ICQ representations.
2. If necessary, OIG should request guidance from OSC on these matters.

Auditee's Response

In its written response, OIG described the corrective actions it is taking to address our concerns:

The OIG conducts risk assessments and periodically reviews and updates the scope of the risk assessment, as it did in FY 2013 and FY 2014. In 2014, the OIG identified six risks:

- a. Failure to uphold the confidentiality provisions within enabling statute, M.G.L. c. 124A;*
- b. Failure to prevent fraud, waste and abuse;*
- c. Failure to detect fraud, waste and abuse;*
- d. Failure to protect Office assets;*
- e. Failure to ensure Office fiscal controls; and*
- f. Failure to ensure appropriate use of [certain expenditures] from the reserve fund. . . .*

The ERM elements referenced in [OSA's] report are imbedded in the OIG's practices and occur at the OIG on an ongoing, daily basis. ERM is the foundation of the OIG's institutional philosophy and is demonstrated not only in the ICP but through regular control activities demonstrated by daily management practices.

The OIG appreciates both the need for auditors to see documentation and the desire for ICPs to be in a consistent format across agencies. The OIG will revise its ICP. . . . The ICP will fully document all ERM components and illustrate more clearly that the ICP applies to all of the OIG's divisions. All of the relevant information and documentation already exists and was provided to [OSA].

Given the emphasis on the format of the ICP, the OIG acknowledges that the Office of the State Comptroller recently included a detailed template for an ICP in the new version of its Internal Control Guide, which was issued in June 2015 after [OSA] started the audit. The OIG will refer to the detailed template while updating its ICP. The new version of the Internal Control Guide may assist agencies in achieving the more unified ICP presentation that [OSA] is currently testing for.

With regard to the signature on the ICQ, the OIG submitted its ICQ after the Inspector General and senior staff had reviewed and approved it, as evidenced by supplemental information provided to [OSA] audit staff. Moreover, the Inspector General, and the CFO/Internal Control

Office both electronically certified that the statements in the ICQ were accurate. The CFO—who has signatory authority for the OIG and who is a Certified Fraud Examiner—then submitted the ICQ using her secure user ID and password.

Also, when it submitted its ICQ, the OIG followed the OSC's 2007 Internal Control Guidance, which does not require the agency to print out and sign a copy of the ICQ. The OIG appreciates [OSA] identifying the inconsistency between the OSC's Internal Control Guidance and the online ICQ instructions in this regard. The OIG will ensure that the appropriate individuals sign all paper copies of future electronic submissions. . . .

The elements of ERM—internal environment (tone at the top), objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring—are at the core of the OIG's practices. The OIG remains committed to this concept and will continue to use controls to protect assets, prevent fraud and achieve its statutory mission.

Auditor's Reply

Because our audit scope was limited and was not designed to assess the agency's internal control system or to test the effectiveness of its internal controls, we cannot attest to whether ERM components are embedded in the OIG's practices as stated above, but we can attest that we do not agree that the ERM components are demonstrated in the office's ICP. To comply with OSC's internal control guidelines and to be considered an effective high-level agency-wide summarization of an entity's risks and controls, an ICP must contain information on the eight components of ERM. We maintain that six of the eight components were not clearly documented in OIG's ICP. Further, we acknowledge that OIG gave us its operating policies and procedures, but they did not make the ERM components clear.

Although the OIG response indicated that a risk assessment had been performed, the office could not provide us with supporting evidence or documentation to substantiate that it had performed an agency-wide analysis of risks.

Regarding the supplemental information provided to us concerning the review and approval of the ICQ, we agree that the information noted that the ICQ was discussed with the Inspector General and senior staff; however, there was no evidence that it had been approved.

We believe that OIG's intention to implement our recommendations concerning the above matters is responsive to our concerns.

APPENDIX A

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

Notwithstanding any general or special law to the contrary, the following internal control standards shall define the minimum level of quality acceptable for internal control systems in operation throughout the various state agencies and departments and shall constitute the criteria against which such internal control systems will be evaluated. Internal control systems for the various state agencies and departments of the commonwealth shall be developed in accordance with internal control guidelines established by the office of the comptroller.

- (A) Internal control systems of the agency are to be clearly documented and readily available for examination. Objectives for each of these standards are to be identified or developed for each agency activity and are to be logical; applicable and complete. Documentation of the agency's internal control systems should include (1) internal control procedures, (2) internal control accountability systems and (3), identification of the operating cycles. Documentation of the agency's internal control systems should appear in management directives, administrative policy, and accounting policies, procedures and manuals.*
- (B) All transactions and other significant events are to be promptly recorded, clearly documented and properly classified. Documentation of a transaction or event should include the entire process or life cycle of the transaction or event, including (1) the initiation or authorization of the transaction or event, (2) all aspects of the transaction while in process and (3), the final classification in summary records.*
- (C) Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority. Authorizations should be clearly communicated to managers and employees and should include the specific conditions and terms under which authorizations are to be made.*
- (D) Key duties and responsibilities including (1) authorizing, approving, and recording transactions, (2) issuing and receiving assets, (3) making payments and (4), reviewing or auditing transactions, should be assigned systematically to a number of individuals to insure that effective checks and balances exist.*
- (E) Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved. The duties of the supervisor in carrying out this responsibility shall include (1) clearly communicating the duties, responsibilities and accountabilities assigned to each staff member, (2) systematically reviewing each member's work to the extent necessary and (3), approving work at critical points to ensure that work flows as intended.*
- (F) Access to resources and records is to be limited to authorized individuals as determined by the agency head. Restrictions on access to resources will depend upon the vulnerability of the resource and the perceived risk of loss, both of which shall be periodically assessed. The agency head shall be responsible for maintaining accountability for the custody and use of*

resources and shall assign qualified individuals for that purpose. Periodic comparison shall be made between the resources and the recorded accountability of the resources to reduce the risk of unauthorized use or loss and protect against waste and wrongful acts. The vulnerability and value of the agency resources shall determine the frequency of this comparison.

Within each agency there shall be an official, equivalent in title or rank to an assistant or deputy to the department head, whose responsibility, in addition to his regularly assigned duties, shall be to ensure that the agency has written documentation of its internal accounting and administrative control system on file. Said official shall, annually, or more often as conditions warrant, evaluate the effectiveness of the agency's internal control system and establish and implement changes necessary to ensure the continued integrity of the system. Said official shall in the performance of his duties ensure that: (1) the documentation of all internal control systems is readily available for examination by the comptroller, the secretary of administration and finance and the state auditor, (2) the results of audits and recommendations to improve departmental internal controls are promptly evaluated by the agency management, (3) timely and appropriate corrective actions are effected by the agency management in response to an audit and (4), all actions determined by the agency management as necessary to correct or otherwise resolve matters will be addressed by the agency in their budgetary request to the general court.

All unaccounted for variances, losses, shortages or thefts of funds or property shall be immediately reported to the state auditor's office, who shall review the matter to determine the amount involved which shall be reported to appropriate management and law enforcement officials. Said auditor shall also determine the internal control weakness that contributed to or caused the condition. Said auditor shall then make recommendations to the agency official overseeing the internal control system and other appropriate management officials. The recommendations of said auditor shall address the correction of the conditions found and the necessary internal control policies and procedures that must be modified. The agency oversight official and the appropriate management officials shall immediately implement policies and procedures necessary to prevent a recurrence of the problems identified.

APPENDIX B

Office of the State Comptroller's Memorandum Internal Control Questionnaire and Department Representations



Martin J. Benison
Comptroller

Commonwealth of Massachusetts
Office of the Comptroller
One Ashburton Place, Room 901
Boston, Massachusetts 02108

Phone (617) 727-5000
Fax (617) 727-2163
Internet <http://www.mass.gov/osc>

Memorandum

To: Department Heads, Internal Control Officers, and Chief Fiscal Officers
From: Martin J. Benison, Comptroller
Date: April 22, 2014
Re: Internal Control Questionnaire and Department Representations: Due May 12, 2014

Comptroller Memo # FY2014-23

Executive Summary

This memo announces the FY2014 *Internal Control Questionnaire* (ICQ). The ICQ application is located on our intranet site, [Comptroller Intranet](#), under PartnerNet. See the attached *Instructions for Completing the FY2014 Internal Control Questionnaire* for details. Departments should complete the ICQ on or before May 12, 2014. Auditors, and staff from the Comptroller's Quality Assurance Bureau review ICQ responses and may contact departments to follow up on specific answers. Department management is responsible for implementing and maintaining effective internal controls based on prescribed statutes, regulations and policies. The ICQ's Representations Section confirms this for the Commonwealth.

The user must first enter PartnerNet to access the ICQ for both data entry and review. Chief Fiscal Officers, (CFOs) Single Audit Liaisons and Internal Control Officers (ICOs) already have access to both PartnerNet and the ICQ. Once these users log on to PartnerNet, they will be presented with a link to the ICQ application. Department Security Officers can request access for additional users by submitting a [PartnerNet Security Request Form](#).

The ICO, the Single Audit Liaison, and the CFO should work closely with senior management to identify appropriate staff for providing responses to every section of the ICQ. Please collect and review all responses, then enter them into the ICQ application no later than May 12, 2014. **Instructions on completing and submitting the ICQ are attached.**

The ICQ is designed to provide an indication of the effectiveness of the Commonwealth's internal controls. During the Single Audit, auditors from KPMG, as well as Comptroller staff will review the internal controls of several departments in more depth. They will also visit departments to follow-up on prior year findings, review compliance with federal and state regulations, test selected transactions, and review cash and encumbrances. The auditors use department internal control plans and ICQ responses, along with other procedures, to render an opinion on the internal controls of the Commonwealth as a whole.

Departments Using Centralized Business Units

Some departments use centralized business units to perform functions for multiple departments such as human resources, payroll, accounting, and procurement. These departments should answer the questions as if they used a contractor to perform these functions. In the comments field of each relevant section, briefly describe the arrangement.

Representations

The last section of the questionnaire is the department's certification of the accuracy of responses.

The Department Head, CFO, and ICO must read and approve each statement. Then, enter the approvers' names, official titles, and approval dates. Finally, print this section, have each person sign and date it, and keep the signed copy on file as your department's certification of the representations.

Internal controls are critical in creating an environment that is accountable to the public, while being responsive to the needs and direction of senior management. The Internal Control Act, Chapter 647 of the Acts of 1989, mandates that each department document its internal controls in accordance with guidelines established by the Office of the Comptroller – see: [Internal Control Guide](#).

The completed ICQ is due on or before **May 12, 2014**. Staff should plan to provide a copy to any auditors who visit your agency as part of the Commonwealth's Single Audit. If you have any questions, contact the Comptroller's Help Line at (617) 973-2468. Thank you in advance for your time and cooperation.

Attachments: Instructions for Completion

cc: Single Audit Liaisons,
MMARS Liaisons
Payroll Directors
General Counsels
Internal Distribution

Instructions for Completing the FY2014 Internal Control Questionnaire

The Office of the Comptroller (CTR) collects Internal Control Questionnaire (ICQ) data electronically. Please submit the completed questionnaire no later than **May 12, 2014**. Each section includes an area for optional comments at the end. The *Comments* blocks accept up to 500 characters.

ACCESS

1. The questionnaire is accessed through PartnerNet.
2. From the CTR portal, click on the [Comptroller Intranet](#) button. [PartnerNet](#) is the 3rd selection under "Applications." Select the link to access the PartnerNet login screen.
3. Log in to PartnerNet using your Commonwealth UAID and your password (if you do not have or do not know your UAID or your password, contact your department security officer for assistance).
4. If this is your first time in PartnerNet, you will be presented with the requirement of creating your own password. After successfully changing your password, the My Home link will be available. If you are already a PartnerNet user, the login procedure will have presented you with the My Home application page.
5. Once at the *My Home* page, test the *ICQ* link under the Applications heading. If nothing happens, review the error bar across the top of your screen, "*Pop-up blocked.*" You can set your browser to "*Always Allow Pop-ups from This Site*" by clicking the error bar, and selecting the "Allow" option (you need do this only on the first visit). Click the link to the ICQ application again.
6. Step 5 will bring you to your department's 2014 ICQ selection screen. Maximize your browser window.
7. Choose Fiscal Year: 2014 with the *Select* button.
8. If the text displayed does not wrap properly and you are using an Internet Explorer browser, select the Tools button on the toolbar and select "Compatibility View."
9. Data from our files was entered for the first five items of the Department Information Section. Please enter or correct information where necessary. Then continue with the rest of the questionnaire.
10. To view last year's ICQ responses, click the *Printing and Status* link located on the Top Menu Bar. A link to the 2013 ICQ is found under the heading: **Archived**.

COMPLETING QUESTIONS AND SAVING YOUR WORK. Each department must answer all questions applicable to its operations. To save a partially completed ICQ, click on the *Save and Proceed* button located at the end of each section. This will save your work and bring you directly to the following section. After your work is saved, click on the red *Exit* button located at the top of each section.

The section menu on the left navigation panel allows you to navigate between sections. However, each section must be saved (*Save and Proceed* button) before exiting or the information will be lost.

Save frequently. If you have not "saved" or otherwise interacted with the system for **three minutes**, the system will log you out. **If you did not "save" data entered before being logged out, you will lose that information.**

PRINT. After logging in, users may find it useful to print the questionnaire and distribute sections to the appropriate business area managers. Each section can be printed separately using the *Printing and Status* link (located at the top-right of the masthead). *Printing and Status* will now display the response options and check boxes. Select the *Print all Topics* checkbox to print the entire document.

STATUS. The Printing and Status page will also display the ICQ status (Complete/Incomplete) and the last user's ID.

SECTIONS OR QUESTIONS THAT DO NOT APPLY TO YOU. Not all sections or questions apply to all departments. Please do not skip a section. Enter "No" or "Not Applicable" to the first question of the section. For example: *Does the department receive or manage any federal funds?* Selecting "No" will inactivate all related questions in this section. Simply go to the next available question to continue the questionnaire. If you discover that you inactivated questions by mistake, changing the original response from "No" to "Yes" will activate all related questions.

REPRESENTATIONS. The Representations Section operates differently than other ICQ Sections. In this section, the Department Head, CFO, and Internal Control Officer confirm that the information entered into the questionnaire is accurate and approve the representations listed. After they have reviewed the representations, enter their names, official titles, and the approval dates in the appropriate fields. Print this section, have each approver sign it, and file it as your department's certification of the representations. **Do not select *Save and Submit* until you have completed the entire questionnaire, including the representations by the Department Head, CFO and Internal Control Officer.**

SUBMIT TO THE OFFICE OF THE COMPTROLLER.

When the ICQ is complete, select *Save and Submit* and click the *Done* button.

Your ICQ will not *Submit* if certain required responses are missing. These will be displayed in the navigation panel on the left. Complete the remaining questions and submit again.

After the ICQ is successfully submitted, the questionnaire will be stored in the Comptroller's ICQ database. Once submitted, your department will no longer be able to change the document. If you have accidentally or prematurely submitted the questionnaire and need to make corrections, contact the Comptroller's Help Line (617 973-2468) to unlock your questionnaire. *Save and Submit* the completed ICQ no later than May 12, 2014.