



# The Commonwealth of Massachusetts

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**INDEPENDENT STATE AUDITOR'S REPORT  
ON THE  
PLYMOUTH SHERIFF'S OFFICE TRANSITION TO  
THE COMMONWEALTH OF MASSACHUSETTS  
ON JANUARY 1, 2010**

**OFFICIAL AUDIT  
REPORT  
APRIL 30, 2010**

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## INTRODUCTION

### *Background*

Chapter 61 of the Acts of 2009, An Act Transferring County Sheriffs to the Commonwealth, was enacted on August 6, 2009. This Act transfers to the Commonwealth the remaining seven County Sheriff's Offices and, except where specified, all of their functions, duties, and responsibilities including assets, liabilities, and debt as of January 1, 2010. Also, Chapter 102 of the Acts of 2009, An Act Relative to Sheriffs, was enacted on September 29, 2009 "to provide for supplementing certain items in the general appropriation act and other appropriation acts for fiscal year 2010" and amended certain sections of Chapter 61 of the Acts of 2009.

Chapter 61, Section 25, of the Act requires the Office of the State Auditor (OSA) to conduct an independent audit of the assets, liabilities, and potential litigation of each of the County Sheriff's Offices (Barnstable, Bristol, Norfolk, Plymouth, Suffolk, Nantucket, and Dukes) transferred to the Commonwealth. The audit shall also include a review of any accounts, programs, activities, functions, and inventory of all transferred property of the Sheriff's Office. The OSA is required to file a report with the Secretary of Administration and Finance and the Chairs of the House and Senate Committees for Ways and Means no later than April 30, 2010 that includes a summary of audit results for each Sheriff's Office and the cost of each audit.

The Plymouth Sheriff's Office (PSO) ensures protection of the community by providing a safe and secure environment, as well as correctional and educational services, at its facilities. The PSO received funding for fiscal year 2010 to operate a jail, house of correction, and any other statutorily authorized facilities and functions. There are approximately 573 employees staffing the PSO. Its facilities have an original inmate capacity of 1,140 inmates (with a maximum capacity of 1,700) and during January 2010 had an average daily inmate census of 1,360 inmates. This includes 987 state and county inmates, as well as 373 federal detainees who are being held for the United States Marshals Service or for the United States Immigration and Customs Enforcement (ICE). The facilities also provide secured detention for juveniles in the custody of the Department of Youth Services.

The PSO is responsible for operating all aspects of the facilities as presently structured and has an inmate support network consisting of multiple programs. The Plymouth County Correctional

Facility is located on 38 acres of land at 24 Long Pond Road, Plymouth that is leased from the county.

The PSO has several departments in addition to the Correctional Facility, including the Bureau of Criminal Investigation, the Communication Department, the Warrant Apprehension Unit, the Field Services Division, the Community Services Division, and the Civil Process Division. The Bureau of Criminal Investigation assists local police in collecting and analyzing evidence from crime scenes; the Communication Department coordinates all fire mutual aid in the county and serves as a communication link between paramedics and local hospitals. The Warrant Apprehension Unit and the Field Services Division work with local police departments, state police, and the U.S. Marshals Service to locate and apprehend individuals staying in the county area with outstanding arrest warrants. The Community Services Division provides victim services, as well as children's fingerprinting and iris scanning. The Civil Process Division delivers legal notices and court papers from all Massachusetts courts, as well as from the various courts in other states or counties.

The PSO has approximately 22 public safety and community relations programs that provide outreach, education, public safety, and support for the community, police departments, and victims of crimes. The PSO also provides approximately 33 inmate programs through its correctional and educational services. Programs offered include educational and human service programs such as vocational training and Alcoholic Anonymous to help smooth the reintegration of inmates into society.

Civil deputies throughout the Commonwealth collect fees for their services of civil process conducted in accordance with Chapter 37, Section 11, of the Massachusetts General Laws, which states:

*Sheriffs and their deputies shall serve and execute, within their counties, all precepts lawfully issued to them and all other process required by law to be serviced by an officer. They may serve process in cases wherein a county, city, town, parish, religious society or fire or other district is a party or interested, although they are inhabitants or members thereof.*

The serving of the civil process, in accordance with Chapter 262 of the General Laws, includes such activities as serving summonses, warrants, subpoenas, and other procedures requiring legal notification. The Civil Process Division is a separate division of the PSO. The Civil Process Division is located at 22 Cottage Street, Brockton. This division delivers legal notices and Court

papers from all Massachusetts Courts, as well as from the various Courts in other states or counties. The Civil Process Division is legally capable to serve process in all 27 towns within Plymouth County. The services vary from small claims matters to multi-million dollar real estate attachments and major Superior Court matters. The PSO's Civil Process Division, under a Chief Deputy Sheriff, consists of 18 employees and also has approximately 393 Deputy Sheriffs on call along with support and clerical staff. The division's operations are controlled by the General Laws. Attorneys or individual plaintiffs, under a statutory-fee structure, pay for the service. The Civil Process Division handles approximately 35,500 services per year.

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

As authorized by Chapter 11, Section 12, of the Massachusetts General Laws and as required by Chapter 61, Section 25, of the Acts of 2009, the Office of the State Auditor conducted an independent audit of the transfer of the PSO to the Commonwealth. Our audit was conducted in accordance with applicable generally accepted government auditing standards and accordingly included such audit procedures and tests as we considered necessary under the circumstances.

The purpose of the audit was to:

- Determine whether all PSO duties, functions, and responsibilities were transferred in accordance with Chapter 61 of the Acts of 2009, including all applicable laws, regulations, and policies related to the transition to the Commonwealth;
- Determine whether all PSO assets, liabilities, and debt were transferred in accordance with Chapter 61 of the Acts of 2009; and
- Report the results of the audits to the Plymouth Sheriff, the Secretary of Administration and Finance, and the Chairs of the House and Senate Committees on Ways and Means.

Our audit consisted of, but was not limited to, the following procedures:

- Reviewed Chapter 61 of the Acts of 2009, Chapter 102 of the Acts of 2009, and other applicable laws, rules, regulations, and policies relating to the transfer of the PSO;
- Met with the Plymouth Sheriff, County Treasurer, County Commissioner, and other Sheriff's Office and county officials;
- Met with officials from the Executive Office for Administration and Finance, Office of the State Comptroller, Division of Capital Asset Management, Office of the State Treasurer,

Public Employee Retirement Administration Commission, Group Insurance Commission, and other Commonwealth officials;

- Reviewed and tested payroll and personnel records transferred;
- Reviewed and verified terms and conditions of transferred employee benefits coverage for continuation and compliance as specified in Chapter 61 of the Acts of 2009;
- Obtained listings and reviewed applicable policies and procedures for the processing and authorization of expenses, accounts payable, liabilities, leases, contracts, and pending litigation;
- Obtained listing of all cash and investment accounts as of January 1, 2010 to determine the status of all accounts;
- Obtained listings of accounts receivable as of January 1, 2010 to determine their comprehensiveness and accuracy;
- Identified revenue streams and status of retained revenue accounts as of January 1, 2010;
- Obtained listing of property, equipment, and inventory as of January 1, 2010 to determine its comprehensiveness and accuracy;
- Reviewed and analyzed fiscal year 2010 spending plans and budget projections;
- Reviewed and analyzed fiscal year 2010 appropriation and other accounts established in the Massachusetts Management Accounting and Reporting System (MMARS) as of January 1, 2010;
- Determined the nature, extent, and status of civil processing functions and other programs and activities as of January 1, 2010;
- Determined the establishment and activity status of the mandated Deeds Excise Fund as of January 1, 2010;
- Reviewed functions and activities related to the transition of employees to the Group Insurance Commission and State Retirement System.

Our audit of the PSO should not be construed to be an audit within the strict standards and guidelines adhered to by the Office of the State Auditor and promulgated by the Comptroller General of the United States in Government Auditing Standards January 2007 Revision, which discusses under the heading “General Standards” (Section 3.10) certain scope impairments, as follows:

*Audit organizations must be free from external impairments to independence. Factors external to the audit organization may restrict the work or interfere with auditors' ability to form independent and objective opinions, findings, and conclusions. External impairments to independence occur when the auditors are deterred from acting objectively and exercising professional skepticism by pressures, actual or perceived, from management and employees of the audited entity or oversight organizations. For example, under the following conditions, auditors may not have complete freedom to make an independent and objective judgment, thereby adversely affecting the audit:...*

*c. unreasonable restrictions on the time allowed to complete an audit or issue the report;*

Because of the PSO transition date of January 1, 2010 and the legislatively mandated OSA reporting deadline of April 30, 2010, it was not reasonable or feasible to conduct an extensive audit of the transfer of the County Sheriff's Offices. The PSO was conducting its regular business and transitioning to the Commonwealth at the same time that our audit was in progress, and the many changes and extensive activities required for this transition were still ongoing as the audit was being conducted. Because of the time constraints we did not have the timely availability of financial records and information. Prior to the January 1, 2010 transition, the County Treasurer processed PSO payrolls and bills. After the transition, Sheriff's Office staff was responsible for processing financial data and paying bills through the Commonwealth's Massachusetts Management Accounting and Reporting System (MMARS) and using the Commonwealth's Human Resource/Compensation Management System (HR/CMS) to prepare its payroll. This transition required PSO staff to learn how to use two financial reporting and processing systems, populate the systems' databases, and continuously enter data to encumber funds and pay PSO obligations. The effect on our transition audit was that current financial data was not available in a timely manner because the financial data had not been entered into MMARS. The learning curve associated with utilizing two information systems is quite steep and requires additional time by all parties involved. As of mid-March 2010, a number of MMARS accounts were still being established and MMARS data fields were in the process of being populated. However, our review determined that the PSO's bi-weekly payroll was being accurately processed and that bills were in the process of being paid. Therefore, our audit approach was to determine the status of the PSO transition to the Commonwealth, identify and report any issues preventing compliance with Chapter 61 of the Acts of 2009 and all other applicable legislation related to the transition, and make recommendations for improvements or corrective action.

Chapter 61, Section 22, of the Acts of 2009 establishes a Special Commission to investigate and study all Sheriff's Offices throughout the Commonwealth and make recommendations for possible

reorganization or consolidation of operations, administration, regulation, governance, and finances, including recommending legislation. Section 22 delineates the composition of the special commission and its mission as follows:

*Notwithstanding any general or special law to the contrary, there shall be a special commission to consist of 9 members: 1 of whom shall be a member of the Massachusetts Sheriffs Association; 2 of whom shall be appointed by the speaker of the house of representatives; 1 of whom shall be appointed by the minority leader of the house of representatives; 2 of whom shall be appointed by the president of the senate; 1 of whom shall be appointed by the minority leader of the senate, and 2 of whom shall be appointed by the governor for the purpose of making an investigation and study relative to the reorganization or consolidation of sheriffs' offices, to make formal recommendations regarding such reorganization or consolidation and to recommend legislation, if any, to effectuate such recommendations relating to the reorganization, consolidation operation, administration, regulation, governance and finances of sheriffs' offices...*

*The commission, as part of its review, analysis and study and in making such recommendations regarding the reorganization, consolidation, operation, administration, regulation, governance and finances of sheriffs' offices, shall focus on and consider the following issues, proposals and impacts:*

- (1) the possible consolidation, elimination or realignment of certain sheriffs' offices and the potential costs savings and other efficiencies that may be achieved by eliminating, consolidating and realigning certain sheriffs offices to achieve pay parity;*
- (2) any constitutional, statutory or regulatory changes or amendments that may be required in order to effectuate any such consolidation or reorganization;*
- (3) the reallocation of duties and responsibilities of sheriffs' office as a consequence of any such consolidation or reorganization;*
- (4) the best management practices including, but not limited to, administrative procedures, payroll systems, software updates, sheriff's ability to negotiate cost effective contracts and the current use of civil process funds, including the amount of civil process funds collected by each county sheriff and the actual disposition of said funds currently, and, in the event of consolidation, realignment, elimination or reorganization, the collection and use of civil process fees in the future;*
- (5) the consideration of any other issues, studies, proposals or impacts that, in the judgment of the commission, may be relevant, pertinent or material to the study, analysis and review of the commission; and*
- (6) The need for appropriate placements and services for female detainees and prisoners, including pre-release services, job placement services, family connection services and re-entry opportunities; provided however, the review shall consider the need and present adequacy of placement of female prisoners and detainees in each county and provided further, that all departments, divisions, commissions, public bodies, authorities, boards, bureaus or agencies of the commonwealth shall cooperate with the commission for the purpose of providing information or professional expertise and skill relevant to the responsibilities of the commission subject to considerations of privilege or the public records law.*



*The commission shall submit a copy of its final report of its findings resulting from its study, review, analysis and consideration, including legislative recommendations, if any, to the governor, president of the senate, speaker of the house of representatives, the chairs of the house and senate committees on ways and means and the chairs of the joint committee on state administration and regulatory oversight and the clerks of the senate and house of representatives not later than December 31, 2010.*

The OSA has conducted numerous audits of the seven Sheriff's Offices previously transferred to the Commonwealth prior to the enactment of Chapter 61. Our audits have disclosed instances of inconsistencies amongst the Sheriff's Offices regarding their financial operations and the application of various conflicting laws, rules, and regulations and have made recommendations to address these issues. Our recommendations in this audit, where appropriate, will also be directed to the Secretary for Administration and Finance and Chairs of the House and Senate Committees on Ways and Means, the Legislature, and the Special Commission for its consideration and use during its study and investigation for the reorganization and consolidation of Sheriff's Offices throughout the Commonwealth in the future.

The Audit Results section of this report outlines the status of the transition of the PSO.

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## AUDIT RESULTS

### 1. TRANSITION STATUS OF SHERIFF, PERSONNEL, AND PAYROLL

#### *Sheriff Compensation*

The elected Plymouth Sheriff's annual salary as of January 1, 2010 is \$123,209 in compliance with Chapter 61 of the Acts of 2009, Section 1, An Act Transferring County Sheriffs to the Commonwealth, which states, in part:

*The sheriffs of the counties of Barnstable, Bristol, Norfolk, Plymouth and Suffolk and of the former counties of Berkshire, Essex, Franklin, Hampden, Hampshire, Middlesex and Worcester shall each receive a salary of \$123,209.*

Prior to the transfer, the Sheriff received salary payments from July 1, 2009 through December 23, 2009 of \$61,370 and received no other forms of additional compensation, including any longevity pay, sick, vacation, or other leave accruals maintained or transferred for the Sheriff. Moreover, the Sheriff received an increase in compensation on January 1, 2010 that increased his annual salary from \$122,741 to \$123,209.

#### *Personnel and Payroll*

There were a total of 573 employees at the Plymouth Sheriff's Office (PSO) for the initial six months of fiscal year 2010. Of these employees, 555 were paid a total of \$15,564,171 through the county payroll system from July 1, 2009 to December 23, 2009, including 16 employees paid through grant funding totaling \$173,011. Additionally, there were 18 employees (six full-time, 12 part-time) hired under the Civil Process Division who were paid a total of \$735,771 under a separate county payroll.

As of December 24, 2009, 560 PSO employees, including grant-funded and full-time Civil Process employees, are now paid through the Commonwealth of Massachusetts Human Resource/Compensation Management System (HR/CMS). The 12 part-time Civil Process Division employees and deputies are not on HR/CMS but still on payrolls processed by an outside payroll vendor and paid from Civil Process fee revenue. Moreover, it was noted that another employee at the PSO was no longer on the payroll as part of a worker's compensation settlement agreement. Therefore, the total number of employees at the PSO decreased to 572 employees during the transfer.

As part of our review of the transferred employees, we randomly selected a sample of 25 employees from the total of 572 PSO employees. We reviewed payroll information and leave balances transferred from the PSO county payroll for the period ended December 23, 2009 for comparison to the Commonwealth of Massachusetts HR/CMS payroll for the period ended January 2, 2010.

We reviewed and analyzed the listing of all employees by title, full-time or part-time status, pay rate, longevity, roll call rate of pay, education incentive, employee portion of Medicare, court-ordered deductions, retirement deductions, union dues deductions, collective bargaining agreements, and non-union and other payroll-related information to determine whether all of the payroll information was transferred properly from the county to the HR/CMS. Our testing of title, full-time or part-time status, pay rate, court-ordered deductions, union dues, bargaining agreement, and non-union or other payroll elements tested correct 100% of the time. However, we did find minor payroll errors in longevity pay (4% error rate), roll call (72% error rate), and Medicare deductions (8% error rate). We brought this to the attention of PSO officials, who immediately corrected these issues and indicated that they are reviewing the remaining personnel payroll records for similar occurrences.

We then reviewed the transferred employees benefit accruals to verify the accuracy of the transition from the county to the Commonwealth. We analyzed employee compensation time, personal time, sick time, and vacation time. Our testing of personal time and vacation time indicated 100% accuracy; however, we did find minor errors in sick time (8% error rate) and compensatory time (36% error rate) records. We brought this to the attention of PSO officials, who took immediate corrective action and indicated that they are reviewing the remaining personnel payroll records for similar occurrences.

Finally, we reviewed the state contribution for Group Insurance Commission (GIC) benefits and calculated percentages of health insurance costs that employees would pay depending on their bargaining unit or non-union status. We were able to verify that the union employees, whose collective bargaining agreement stipulated a 10% premium contribution for health care insurance, had an error rate of 4%. Specifically, the insurance contribution premium percentage of one union employee in our sample increased from 10% to 25% after the transfer. Because of this discrepancy, we expanded our review of health insurance premium contribution

percentages by reviewing all PSO health care deductions and initially found that 15 union employees were paying more than the maximum premium amount stipulated for union employees. This review was cursory and would not necessarily include all union employees paying an additional premium percentage. We discussed this discrepancy with the Human Resource Assistant, who indicated that the PSO filled out a discrepancy report for one employee for reimbursement of any additional funds paid in error for health insurance. According to the Human Resource Assistant, additional discrepancy reports will be filed after a complete review of health insurance premiums is conducted. Upon review, the PSO demonstrated to our satisfaction that the 15 employees in question were being properly assessed.

The payroll and personnel records for the PSO are currently maintained on site at the PSO's administrative offices.

### ***Recommendation***

The internal control policies and procedures for the payroll and personnel function established by Plymouth County allowed for a smooth transfer of these functions to the Commonwealth. Policies, procedures, and internal controls for these functions should now be instituted and developed in compliance with Massachusetts laws and regulations. Moreover, these policies and procedures should be referenced in the PSO's Internal Control Plan (ICP) for the protection and accountability of the PSO's personnel and payroll functions against the threat of loss, waste, fraud, and misuse. (See Audit Result No. 6.)

### ***Auditee's Response***

*We reviewed the employee contributions for GIC benefits and found that 1 employee was overpaying his premium for health care. The error was fixed and reimbursement should be forthcoming to the employee.*

*After review, we and the Auditor's Office are in agreement that the additional 14 employees mentioned in the draft audit report are not paying an additional premium percentage. The variance was due to the additional cost of the Catastrophic Illness Coverage, which is entirely paid by the employee. Therefore there was and is no variance.*

## **2. TRANSITION STATUS OF ASSETS TRANSFERRED**

We determined the status of assets such as cash, accounts receivable, property and equipment, and inventory at the PSO that were being transferred to the Commonwealth in accordance with Chapter 61 of the Acts of 2009, as follows:

***Cash***

The PSO controlled a significant amount and diverse group of funds at the time of the transfer.

The account names, purpose, and amounts are listed below as of January 1, 2010:

Account Name	Purpose	Reconciled Balance 01/01/2010
Inmate Canteen Account	Telephone/Commissary Commissions	\$7,710
Community Relief Fund	Mutual Aid	3,694
Inmate Account	Deposits to Inmate Accounts	411,987
Federal Sharing Proceeds	Government	755
Master Account	Inmates	522
Plymouth County Correction	Visitor Lockers	3,114
Inmate Canteen Savings	Inmates	217,835
Inmate Account	Deposits to Inmate Accounts	2,725
Inmate Canteen Fund	Telephone/Commissary Commissions	9,596
Civil Process Account	Receipts of Both Civil Process and Detail Programs	124,290
Civil Process Escrow Account	Funds Held in Escrow	156,494
Civil Process Witness and Registry Fee Account	Civil Process Revolving for Witness and Registry Fees	1,149
Civil Process - Petty Cash	To Replenish Petty Cash as Needed	173
Total		<u>\$940,044</u>

***Accounts Receivable***

There were no accounts receivable on the accounts of record at the PSO as of January 1, 2010. However, according to the County Treasurer, approximately \$187,305 is still being held by the county for PSO use as of March 18, 2010 and is to be remitted to the Commonwealth once all accounts are settled.

***Property and Equipment***

The Plymouth County Correctional Facility is located on 38 acres of land that is leased from Plymouth County. The Plymouth County Correctional Facilities Corporation (PCCFC) constructed the facility in 1994 after obtaining funding for the construction project by issuing bonds. Chapter 61, Section 8, of the Acts of 2009 requires that the Commonwealth refinance any outstanding bonds of the PCCFC, which is then to be dissolved. Before the PCCFC is dissolved, any funds held in trust by the County Treasurer will be disbursed in accordance with the Trust Agreement; any remaining PCCFC reserves held by the County Treasurer will be transferred to the PSO and held in the Facilities Maintenance Trust Fund. This trust fund is to be used for maintenance, repairs, and replacements of the PSO's facilities, subject to approval by the Division of Capital Asset Management (DCAM).

The PSO has transferred a listing of buildings and submitted a preventive maintenance listing to DCAM. Although some of the buildings were constructed at a cost of \$82,223,000, none of the buildings on the listing contained a valuation amount. DCAM is required to assign a value to the listing of buildings that the PSO submitted. During the first two weeks of January 2010, DCAM was surveying the property of the PSO. It should be noted that Plymouth County officials are insisting that the property known as the farm will stay with the county and not be transferred to the Commonwealth. County officials believe that a lease agreement will be forthcoming between Plymouth County, DCAM, and the PSO, to that effect.

***Inventory***

Chapter 61, Section 23, of the Acts of 2009 states the following:

*Not less than 90 days after the effective date of this act, a sheriff transferred under this act shall provide to the secretary of administration and finance a detailed inventory of all property in the sheriff's possession which shall include, but not be limited to, vehicles, weapons, office supplies and other equipment.*

We reviewed the PSO's compliance with this regulation and found that the PSO's inventory listing was incomplete and did not yet assign values to the items listed. PSO staff has been researching items on the listing for a value and have set a goal of completing this inventory

listing with values by the end of fiscal year 2010. The PSO indicated that the inventory listing (without dollar values) should be finished within 90 days (March 31, 2010) of the transfer.

Our test of items listed on the PSO's inventory listing found that 100% of the assets reviewed could be located and were tagged and/or traced to the PSO inventory list. However, the PSO could not ensure that all items transferred from the county appear on this listing.

The PSO has policies and procedures relative to assets and inventories. We reviewed these policies, and they appeared complete for PSO purposes before the transfer. However, with the transition from county to the Commonwealth, additional inventory responsibilities and directives to ensure compliance with state rules, regulations, and systems will need to be included in its policies and procedures. The PSO indicated that it is in the process of updating its policies and procedures and expects to have fully updated policies and procedures by the end of fiscal year 2010.

#### ***Recommendation***

The PSO needs to develop and institute policies, procedures, and internal controls to safeguard the transferred assets and inventory in compliance with Massachusetts laws, rules, and regulations. These policies, procedures, and internal controls should include provisions for processing and monitoring cash control activities; establishing accounts receivable practices, including oversight activities; processing and monitoring inventories of property and equipment, including performing periodic physical inventory counts; and developing equipment replacement planning steps for the custody, protection, and accountability of these assets against the threat of loss, waste, fraud, and misuse. These policies and procedures should be referenced in the PSO's ICP. (See Audit Result No. 6.)

#### ***Auditee's Response***

*The inventory process was completed by March 31, 2010 and we are waiting for instructions from the Executive Office of Administration and Finance (ANF) as to whom and how we should forward the information.*

### **3. TRANSITION STATUS OF LIABILITIES AND LITIGATION**

As part of our review, we reviewed the status of accounts payable, potential litigation, and contracts and leases that were being transferred to the Commonwealth as required by Chapter 61 of the Acts of 2009, as follows:

***Accounts Payable***

Prior to the transfer, all invoices were sent to the Plymouth County Treasurer for payment. The PSO and the County Treasurer did not maintain an accounts payable listing. Instead, the PSO would submit invoices for payment without a summary listing to the County Treasurer, who would then process the invoices for payment. Our audit disclosed that there was \$2,700,000 in unpaid invoices dating back to August 2009 due to a lack of available funding. The Commonwealth of Massachusetts Executive Office for Administration and Finance (EOAF) subsequently made additional funding available at the end of calendar year 2009, which enabled the County Treasurer to process these invoices. As of March 18, 2010, the County Treasurer was still in the process of paying invoices, and there were approximately \$15,000 in unpaid expenses dating back prior to December 31, 2009. However, according to the County Treasurer there is now sufficient funding to pay off all invoices prior to the transfer, and the balance of funds, estimated to be \$165,000, will be remitted to the Commonwealth for redistribution to the PSO. However, the PSO and relevant state agencies including the Office of the State Comptroller (OSC) and the Office of the State Treasurer (OST) were still in the process of transferring these funds for PSO use.

***Potential Litigation***

There are several cases in active litigation at the PSO, and no contingent liabilities have been established and recorded. These cases include a lawsuit at Plymouth Superior Court involving the Association of County Employees (ACE) seeking to prevent the transfer of employee union health insurance benefits from the county to Commonwealth Group Insurance Commission (GIC). In addition, there are two lawsuits at the Massachusetts Commission Against Discrimination (MCAD) involving employees, one of which Plymouth County has lost with a judgment for approximately \$120,000, but has appealed, the other of which was dismissed due to lack of probable cause, but the plaintiff is appealing. Moreover, there are three lawsuits pending at the United States District Court that involve either PSO inmates or employees. Finally, there are two cases pending at the Division of Labor Relations involving bargaining agreements. The potential financial impact that these cases may have on the PSO and the Commonwealth has not been determined.



***Contracts and Leases***

As of the date of transition, the PSO had approximately seven leases in place. Specifically, there are two leases for office equipment, one for equipping vehicles for lights, and four lease agreements covering 22 vehicles. As of January 1, 2010, the yearly lease obligation for the PSO was \$176,200, and the remaining future lease obligations were approximately \$344,280.

Also, in addition to these leases, the PSO had six inmate betterment contracts and 58 contracts for jail operations. These inmate betterment contracts cover a wide range of services, including training, counseling, and various supply contracts, and the jail operations contracts included waste disposal, medical services, and various supply and service contracts. These contracts are utilized and expenditures incurred dependent upon the level of usage and services as delivered.

***Recommendation***

The PSO needs to develop and institute policies, procedures, and internal controls to properly process the accounts payable and pending litigation in compliance with Massachusetts laws and regulations. These policies, procedures, and internal controls should be developed so that exposure to the Commonwealth against any undue financial loss is minimized and to ensure that there is transparency in the processing of transactions. This process should function daily and at fiscal year-end in order to guarantee that the PSO is in compliance with the closing instructions of the OSC for proper Commonwealth financial recording and reporting purposes at year-end. These policies and procedures should be referenced in the PSO's ICP. (See Audit Result No. 6.)

***Auditee's Response***

See Additional Auditee's Response.

**4. TRANSITION STATUS OF ACCOUNTS, PROGRAMS, OR OTHER ACTIVITIES*****Status of PSO Reporting in the Massachusetts Management Accounting and Reporting System (MMARS)***

As of March 16, 2010, the PSO had encountered difficulties in establishing and processing transactions into MMARS for its General Maintenance Appropriation, Retained Revenue Appropriation, Federal Revenue, Grants, Fixed Assets, and Trust accounts. However, the PSO has been able to begin entering substantial expenditure transactions into MMARS. As of March 16, 2010 a total of 199 expenditure transactions, excluding payroll expenditures, in the amount

of \$536,847 were entered into and processed through MMARS. Our audit disclosed that the establishment, functioning, and daily transaction processing needed for effective MMARS reporting was a difficult task for PSO personnel. However, the PSO has been consistently improving. Prior to the transfer, the County Treasurer's Office and employees from other county departments handled most of the accounting and other fiscal transactions related to the PSO. Therefore, the PSO employees have by the necessity of the transition assumed additional duties and responsibilities not previously performed but are diligently adapting and acclimating to a new accounting system. Employees of the PSO received and are continuing to receive OSC MMARS training and daily assistance for transitioning PSO operations. In addition, mentoring personnel from other Sheriff's Offices previously transitioned from county government to the Commonwealth are also assisting the PSO, as needed. PSO officials anticipated that the use of this system will be fully operational in the coming months.

***Budgetary Status and Spending Plans***

We obtained the budgets and spending plans for the PSO for fiscal year 2010 and fiscal year 2011 that were submitted to EOAF on February 8, 2010 and were in place as of January 1, 2010. The projected spending totaled \$40,296,674, as detailed in the following:

Projected Spending for Fiscal Year 2010		
Code	Description	Amount
AA	STATE EMPLOYEE COMPENSATION	\$ 15,489,377
BB	EMPLOYEE-RELATED EXPENSES	34,489
CC	SPECIAL EMPLOYEE/ CONTRACTED EMPLOYEES AND SERVICES	131,024
DD	PENSION AND INSURANCE-RELATED EXPENDITURES	10,051,060
EE	ADMINISTRATIVE EXPENSES	330,378
FF	FACILITY OPERATIONAL SUPPLIES AND RELATED EXPENSES	800,223
GG	ENERGY COSTS AND SPACE RENTAL EXPENSES	3,085,500
HH	CONSULTANT SERVICE CONTRACTS	17,800
JJ	OPERATIONAL SERVICES	2,261,053
KK	EQUIPMENT PURCHASE	37,000
LL	EQUIPMENT TAX EXEMPT LEASE-PURCHASE, LEASE AND RENTAL	

	MAINTENANCE AND REPAIR	384,055
MM	PURCHASED CLIENT HUMAN AND SOCIAL SERVICES AND NON-HUMAN SERVICES PROGRAMS	0
NN	CONSTRUCTION AND IMPROVEMENTS OF BUILDINGS AND MAINTENANCE OF INFRASTRUCTURE AND LAND ACQUISITION	293,725
PP	GRANTS AND SUBSIDIES	269,873
RR	ENTITLEMENT PROGRAMS	1,441,345
SS	DEBT PAYMENT	5,120,216
TT	LOANS AND SPECIAL PAYMENTS	\$ 0
UU	INFORMATION TECHNOLOGY EXPENSES	549,556
	NOT SUBJECT TO SUBSIDIARY CONTROL	0
	TOTAL	<u>\$40,296,674</u>

We contacted the PSO Director of Finance about the current state of the budget and whether sufficient funding exists to cover expenses for the remainder of fiscal year 2010. He stated that for the period of January 1, 2010 through June 30, 2010, the PSO is projecting a deficit of slightly over \$2 million. The main reason for this deficit is that the federal revenue budgeted amount of \$16 million for fiscal year 2010 is not going to be met. The PSO has diligently attempted to generate the budgeted amount of federal revenue, but is still projecting a shortfall of over \$1.4 million in federal revenue. The PSO is currently in the process of reviewing all sources of revenue and expenses in an effort to balance its budget. Through cuts in expenditures before the close of the fiscal year, PSO officials feel that they will be able to significantly reduce this deficit and will continue to explore all avenues available in an effort to finish the year with a balanced budget.

#### ***Sheriff's Office Locally Held Funds***

The PSO controls and maintains a significant amount of and diverse group of funds that are by statute not being transferred to the Commonwealth and into MMARS but are to remain with the PSO. These funds include Inmate Canteen, Inmate Accounts, Community Relief, Civil Process, and Federal Sharing Proceeds funds. The Director of Finance is currently responsible for reconciling Inmate Canteen Funds, Community Relief Fund, Inmate Account Funds, Federal Sharing Proceeds, Plymouth County Correction, and Inmate Canteen Savings on a monthly

basis. Authorization for the Inmate Canteen, Plymouth County Correction, Inmate Canteen Savings, and Inmate Accounts is the shared responsibility of the Director of Finance, Budget Administrator, and Program Director. Authorization for the Community Relief Fund, Inmate Account, Federal Sharing Proceeds, and Inmate Canteen Fund is the shared responsibility of the Director of Finance, Budget Administrator and Executive Assistant. Authorization for the Inmate Accounts is the shared responsibility of the Finance Director, Superintendent of Jail, and Assistant Superintendent of Jail.

The Levy and Attachment Clerk is currently responsible for reconciling Civil Process and Civil Process Escrow Accounts on a daily basis. The Administrative Clerk for Civil Process is currently responsible for reconciling Civil Process Witness and Registry Fee Account. Authorization for the Civil Process Account is the responsibility of the Assistant Superintendent. Authorization for Civil Process Escrow and Civil Process Witness and Registry Fee Accounts is the responsibility of the Sheriff, Special Sheriff, and Deputy Director of Civil Process.

### ***Recommendation***

Policies, procedures, and internal controls for these MMARS activities, budgetary processes, and locally controlled assets should be instituted and developed in compliance with Massachusetts laws and regulations. These policies and procedures should be developed for the custody, protection, and accountability of the maintenance appropriation, retained revenue, grants, and trusts established and set up in MMARS to prevent loss, waste, fraud, and misuse. These policies and procedures should be developed to ensure that exposure to the Commonwealth against any financial loss is minimized and that there is transparency in the processing of transactions. This process should function daily and at fiscal year-end in order to ensure that the PSO is in compliance with the OSC's closing instructions for the relevant items and for proper financial reporting on the Commonwealth's books at year-end. These policies and procedures should, once developed, be referenced in the PSO's ICP. (See Audit Result No. 6.)

### ***Auditee's Response***

*The budget for FY10, provided by ANF, called for us to generate \$16 million in Federal Retained Revenue. We met with representatives from ANF, prior to the start of FY10 and informed them that we would not be able to generate \$16 million. They understood and helped us address the problem in the first half of FY10. The same*

*problem exists in the second half of FY10 and is the reason we are looking at a deficit of \$1.5 million for FY10.*

*The FY11 State Budget Recommendation again calls for us to generate \$16 million in Federal Retained Revenue in FY11. If anything, the prospects of us generating this amount are even dimmer for FY11, than was the case for FY10.*

*We house ICE (Immigration and Customs Enforcement) inmates and US Marshal inmates (inmates charged with criminal federal offenses).*

*The philosophy of ICE has changed and they are now focusing more on the criminal illegal immigrants.*

*The US Marshal's Office now has an electronic designation system that cuts the wait time for sending out sentenced prisoners from 3 months to about 3 days. Consequently, this has seriously cut our US Marshal inmate count.*

*We are constantly marketing for Federal inmates, but the most we can expect to generate in FY10 is \$13 million.*

*Our Federal inmate population has decreased by 48 in the last 3 weeks. It is doubtful we will even come close to the \$13 million in FY11.*

## **5. TRANSITION STATUS OF REVENUES TRANSFERRED**

### ***Deeds Excise Fund***

Chapter 61, Section 2, of the Acts of 2009, which amends Chapter 64D, Section 11 to 13 of the General Laws states the following in regard to the Deeds Excise Fund:

*Section 11. There shall be established upon the books of each county of a transferred sheriff... a fund, maintained separate and apart from all other funds and accounts of each county, to be known as the Deeds Excise Fund... On the first day of each month, 10.625 per cent of the taxes collected in the county of a transferred sheriff under this chapter shall be transmitted to the Deeds Excise Fund for each county; provided, however, that in any county in which its minimum obligation, established by the secretary of administration and finance in 2009, is insufficient in any given fiscal year to satisfy the unfunded county pension liabilities and other benefit liabilities of retired employees of the sheriff's office as determined by the secretary of administration and finance in consultation with appropriate county officials and county treasurers, beginning in fiscal year 2011, the county shall retain 13.625 per cent of the taxes collected in such county and transferred to the Deeds Excise Fund to satisfy the unfunded county pension liabilities....*

We verified with the Plymouth County Register of Deeds that the correct percentage of deeds excise was remitted to the Commonwealth and to the Deeds Excise Fund after the transfer. We found that in January 2010 the Deeds Excise Fund was sent 10.625% of deeds excise collected, and the remainder was remitted to the Commonwealth in accordance with Chapter 61. The

total deeds excise recorded for January was \$814,220, with \$86,511 sent to the County Deeds Excise Fund. This amount reconciled with the amounts recorded by the County Treasurer.

***Grant Income***

The PSO has significant grant income that is used for various programs and activities at the PSO. The following is a listing of grants, start dates, end dates, funding type, and money that is available:

Contract Start Date	Contract End Date	Funding Source	Funding Type	Contract Stated Amount	Balance 1/1/2010
9/1/2009	6/30/2010	Department of Elementary and Secondary Education	Federal	\$90,169	\$43,346
9/1/2009	6/30/2010	Department of Elementary and Secondary Education	Federal	\$431,972	\$304,157
4/15/2009	4/30/2010	Executive Office of Public Safety and Security	State	\$33,384	\$11,674
9/1/2009	6/30/2010	Executive Office of Public Safety and Security	Federal Competitive Grant	\$10,100	Not on file
7/1/2009	6/30/2010	Department of Elementary and Secondary Education	Federal	\$116,121	\$102,448
7/1/2007	6/30/2012	Department of Public Health	State	\$85,500 (Per year for 5years)	\$46,928
7/1/2009	6/30/2010	Homeland Security Grant - through Homeland Security & Municipal Services Fiduciary for the Southeast Regional Homeland Security Advisory Council	Federal	\$32,969	0
9/1/2009	6/30/2010	State 911 Department	State	\$1,743,750	\$1,743,750
7/1/2009	6/30/2010	Department of Public Health	State	\$56,200	\$56,200
1/1/2010	12/31/2010	Executive Office of Public Safety and Security	State	<u>\$28,000</u>	<u>\$16,326</u>
		<b>Totals</b>		<b>\$2,628,165</b>	<b>\$2,324,829</b>

***Civil Process Revenue***

The Civil Process Division had revenue of \$1,377,534 for the period July 1, 2009 to February 27, 2010. Expenses for this time period were approximately \$1,233,613. As of February 27, 2010, the Civil Process Division's net profit was approximately \$143,921.

***Federal Revenue***

Federal revenue received by PSO for the first six months of fiscal year 2010 totaled \$5,165,623. The federal revenue received was for federal inmates placed under the care of the PSO through contracts with the United States Immigration and Customs Enforcement (ICE) and from the United States Marshals Service. ICE revenue received was \$3,828,496. United States Marshals Service revenue received was \$1,337,127.

The amount of federal revenue received for the first six months of fiscal year 2010 represents only 32% of the budgeted amount of federal revenue for fiscal year 2010 of \$16,000,000. The number of federal inmates has been on a steady decline for the past year.

***Recommendation***

Policies, procedures, and internal controls for these transferred revenues should be instituted and developed in compliance with Massachusetts laws and regulations. These policies and procedures should be developed for the custody, protection, and accountability of all revenues, including Commonwealth revenue, retained revenue, grant revenue, and trust revenue, against the threat of loss, waste, fraud, and misuse. These policies and procedures should be developed so that exposure to the Commonwealth against any financial loss is minimized and to ensure that there is transparency in the processing of and accountability for revenue transactions. These policies and procedures should be referenced in the PSO's ICP. (See Audit Result No. 6.)

***Auditee's Response:***

See Additional Auditee's Response.

**6. TRANSITION STATUS OF OTHER MATTERS*****Plymouth County Correctional Facility***

The Plymouth County Correctional Facility is located on 38 acres of land that is leased from the County. The Plymouth County Correctional Facilities Corporation (PCCFC) constructed the

facility in 1992. The PCCFC obtained funding for the construction project by issuing bonds. Chapter 61, Section 8, of the Acts of 2009 requires that the Commonwealth refinance any outstanding bonds of the PCCFC; upon this action the PCCFC is then to be dissolved. Prior to refinancing and dissolving the PCCFC, any reserve funds held in trust will be disbursed in accordance with the Trust Agreement. The Repair and Replacement and Capital Improvement Account will be held by the PSO in the Facilities Maintenance Trust Fund. This trust fund is to be used for maintenance, repairs, and replacement of the PSO's facilities, subject to approval by the DCAM. Any remaining PCCFC reserves will then be transferred to the Repair and Replacement and Capital Improvement Account and held by the PSO in the Facilities Maintenance Trust Fund.

The Secretary of Administration and Finance, in consultation with the State Treasurer, is currently considering the matter of the refinancing of the bonds. The PCCFC bonds will be refinanced on either April 1 or October 1 at such time that is deemed to be in the best financial interest of the Commonwealth. According to the lease agreement, upon repayment of the PCCFC bonds the land lease between the county and the PSO will expire and a new lease will have to be negotiated.

As of the transfer date, there has not been any final decisions or actions completed in regard to the transfer of bonds and the dissolution of the PCCFC. Accordingly, reserves held by the corporation from the Repair and Replacement and Capital Improvement Account have not been transferred to the PSO's Facilities Maintenance Trust Fund.

### ***Employee Benefits***

Chapter 61, Section 14, of the Acts of 2009 states the following in regard to employee benefits:

*The rights of all employees of each office of a transferred sheriff shall continue to be governed by the terms of collective bargaining agreements, as applicable.*

The PSO has contractual collective bargaining agreements with the Association of County Employees, the Massachusetts Correction Officers Federated Union, and the National Correctional Employees Union. These agreements, bargained in good faith, all have an effective date of July 1, 2009 through June 30, 2012. Therefore, the rights of all employees continue to be



governed by the terms of these collective bargaining agreements, in accordance with Chapter 61, Section 14.

We reviewed the terms and conditions of all PSO contracts entered into by the various union employees at the PSO. We noted that, in accordance with the terms of the agreement, the union employees are entitled to specific amounts related to the various benefits, including but not limited to shift differentials; overtime; roll call; educational incentives; holidays; and vacation, sick, personal, and bereavement leave. Also, as part of the terms of the contract, and as required by the statute, the PSO, and now the Commonwealth, must contribute 90% of the costs of the union employees' primary health insurance premiums. As part of our testing, we were able to verify that union employees continued with all benefits governed by the terms of their collective bargaining agreements. Conversely, non-union PSO employees were transitioned over to the Commonwealth at the established Commonwealth share of 80% (75% if hired after June 30, 2003), consistent with other state employees.

#### ***Unfunded Pension Liability of Retired PSO Personnel***

Chapter 61, Section 2, of the Acts of 2009 states the following in regard to the unfunded pension liability:

*10.625 per cent of the taxes collected in the county of a transferred sheriff under this chapter shall be transmitted to the Deeds Excise Fund for each county; provided, however, that in any county in which its minimum obligation, established by the secretary of administration and finance in 2009, is insufficient in any given fiscal year to satisfy the unfunded county pension liabilities and other benefit liabilities of retired employees of the sheriff's office as determined by the secretary of administration and finance in consultation with appropriate county officials and county treasurers, beginning in fiscal year 2011, the county shall retain 13.625 per cent of the taxes collected in such county and transferred to the Deeds Excise Fund to satisfy the unfunded county pension liabilities and other benefit liabilities of retired employees of the sheriff's office until the minimum obligation is sufficient or until such county has paid such unfunded pension liability in full*

We met with the Plymouth County Treasurer to ascertain whether the amounts specified in this law would be sufficient to cover the liabilities of the retired PSO employees. The County Treasurer indicated that the amounts specified by law, as currently constituted, would not be sufficient to cover the retirement liability of retired PSO employees. This is because the state is leaving the liabilities of the retirees with the county, but the state is taking the current employees' contributions, which help fund this liability. The County Treasurer and the Plymouth County

Retirement Board have cautioned and warned for months that the additional 3% in Deeds Excise funds and money retained from the Maintenance of Effort (MOE) funding is inadequate to cover the liability, from the retirees, left behind by the state. The County Treasurer provided us with calculations, provided to EOAF in the spring of 2009, that showed a net positive cash flow of \$7,147,300 prior to the transfer, which the county had available to pay down its unfunded pension liability of \$71,773,628. The net result of the legislation, after the transfer of the assets and revenue stream to the Commonwealth, resulted in only a net positive cash flow of \$34,241 available for the county to pay down the unfunded liability. According to the County Treasurer, the \$34,241 would not be sufficient to pay off even the accrued interest, and the county would never be able to pay down the pension liability without increasing the contributions of the county employees or receiving state aid. Accordingly, the legislation is not revenue neutral and Plymouth County, as well as the member units, is concerned about this matter and feels that it needs to be addressed in the near future by the Legislature.

***An Internal Control Plan Needs to Be Developed as Required by Chapter 647 of the Acts of 1989***

Because of the short timeframe and extensive work involved in the transition of the PSO's operations from the county to the Commonwealth, the PSO did not have time to develop an ICP in accordance with Chapter 647 of the Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies. Chapter 647 states, in part, "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." However, although the PSO does not have an ICP, we found that the PSO does have various comprehensive departmental policies and procedures manuals that can be used, in part, to develop its ICP. The OSC Internal Control Guide, Chapter 1, Internal Control Plan Framework, and outlines the importance of internal controls for all Commonwealth entities, as follows:

*An organization is a living entity, which changes over time. As a result, the organization's mission, goals and objectives must be regularly evaluated and periodically revised. Thus, internal control is an ongoing process known as the Internal Control Cycle. After an organization analyzes its goals and objectives to determine its risks, management must analyze these risks and evaluate the policies and procedures in the identified high-risk areas. Part of the management process includes monitoring the progress made toward meeting goals and objectives. Monitoring also helps to ensure the effectiveness of the organization's internal controls and the effectiveness of the policies and procedures.*

*Periodically, policies and procedures should be revised to mitigate risk and eliminate redundancy. They must also be communicated internally and externally, as necessary.*

*Everyone in an organization has responsibility for internal control.*

*An internal control plan is a description of how a department expects to meet its various goals and objectives various goals and objectives by using policies and procedures to minimize risk. The Commonwealth has defined the internal control plan to be a high-level summary supported by lower level policy and procedures. Each department's internal control plan will be unique; however, it should be based on the same framework – the organization's mission statement, goals and objectives, and components of internal control recommended by COSO. The plan should be reviewed and updated as conditions warrant, but at least annually.*

*Because the department's policies and procedures provide the detail for the internal control plan, it is important that they be reviewed in conjunction with the plan. It is not uncommon for the detailed policies and procedures to be modified due to changes in personnel, audit or quality assurance recommendations, etc. As these modifications occur, the department's documentation should be updated to reflect them.*

*As stated in Chapter 647 of the Acts of 1989, the department's Internal Control Officer is responsible for its internal control plan. The designated Internal Control Officer should be a senior manager, equivalent in title or rank to an assistant or deputy to the department head. It should be noted, however, that internal controls are the responsibility of every employee.*

Moreover, Chapter 3 of the OSC Guide states, in part:

*All operating departments in Massachusetts state government are required to develop and document departmental internal controls, which must be prioritized and summarized into a departmental internal control plan based on a risk assessment. Responsibility for the department internal control plan resides with the department's Internal Control Officer (ICO). The role of the ICO, as stated in Chapter 647 of the Acts of 1989, is described as follows: "...an official, equivalent in title or rank to an assistant or deputy to the department head, whose responsibility...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."*

*The Office of the Comptroller defines a department-wide risk assessment as the identification and analysis of the risks that could prevent the department from attaining its goals and objectives. This identification and analysis form the basis for determining the risk management strategy. A precondition to risk assessment is the establishment of the organization's mission and goals. A risk assessment is an integral part of an internal control plan.*

*The Office of the Comptroller defines an internal control plan as a high level department-wide summarization of the department's risks and the controls used to mitigate those risks. This high level summary must be supported by lower level detail, i.e. departmental policies and procedures.*

The PSO needs to create an ICP to be in compliance Chapter 647 and OSC guidelines. The PSO should identify its ICP with the eight components of enterprise risk management (ERM). For an ICP to be considered to have an effective high-level summarization of its internal controls, all eight components of the ERM must be present as described in the OSC Internal Control Guide. These components are described in the OSC Internal Control Guide as follows: Internal Environment, Objective Setting, Event Identification, Risk Assessment, Risk Response, Control Activities, Information and Communication, and Monitoring.

The PSO needs to develop and fully integrate a risk assessment throughout the entire PSO to determine how the PSO's greatest risks to its mission, goals, and objectives would be identified and mitigated. Once risks are identified, the ICP should be adequately developed and cross-referenced to supporting lower-level detail (i.e., departmental policies and procedures) for most of its organizational areas to ensure that a reliable ICP is in place for the daily operation of the entire PSO. Updates and additions are needed because the PSO is such a large and complex operation with appropriations in excess of \$40 million, approximately 572 employees, and a capacity of up to 1,700 inmates. Accordingly, the PSO needs to develop an effective internal control plan that addresses its complete financial and programmatic operations. Updating its ICP is important for the PSO to ensure the integrity and effectiveness of its internal control system and enhance its ability to respond to changes while maintaining the system's effectiveness.

The following links provide guidance to the newly transferred Sheriff's Offices regarding the development and implementation of their respective ICPs. The first link displays the OSC's most recent revision of its Internal Control Guide, incorporating the principles of Enterprise Risk Management. The second link provides additional guidance on internal controls for departments in transition.

[http://www.mass.gov/Aosc/docs/business\\_functions/bf\\_int\\_cntrl/Internal\\_Control\\_Guide\\_Volume\\_I.doc](http://www.mass.gov/Aosc/docs/business_functions/bf_int_cntrl/Internal_Control_Guide_Volume_I.doc)

[http://www.mass.gov/Aosc/docs/policies\\_procedures/internal\\_controls/po\\_ic\\_add\\_guide\\_dept.doc](http://www.mass.gov/Aosc/docs/policies_procedures/internal_controls/po_ic_add_guide_dept.doc)

***Recommendation***

In order to adequately safeguard assets, promote operational efficiency, and comply with Chapter 647 of the Acts of 1989, the PSO should initiate plans to work with the OSC and with other Sheriff's Offices already transferred to the Commonwealth to develop an ICP in accordance with Chapter 647 and OSC guidelines. Development of the ICP is important in order for PSO to achieve its mission and objectives efficiently, effectively, and in compliance with applicable state laws, rules, and regulations. The ICP will also provide support and guidance in the event of employee turnover and safeguard its assets against loss, waste, theft, or misuse. Furthermore, once the ICP is implemented the PSO should ensure that its internal control system is reviewed and evaluated and that any necessary changes are implemented at least annually or when conditions warrant.

***Additional Auditee's Response***

*We were aware, before the transition to the State, and we continue to be aware, during the transition, that our Policies and Procedures have to be updated to be in compliance with those applicable to a Massachusetts State Agency.*

*The Audit Recommendations, for the most part, are for us to develop and implement Policies and Procedures in compliance with Massachusetts laws and regulations.*

*We have been reviewing our Policies and Procedures for Administration, Personnel and Budget in order to update them and reflect the additional steps that we must now perform as a State Agency. We are working with previously transitioned Sheriffs' Offices to aid in this process.*