



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

*Making government work better*

Official Audit Report – Issued February 8, 2012

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## Hampden District Attorney's Office

For the period July 1, 2010 through June 30, 2011



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The Hampden District Attorney's Office (HDA) was established under the provisions of Chapter 12, Section 13, of the Massachusetts General Laws, which provides for the administration of criminal law and the defense of civil actions brought against the Commonwealth in accordance with Chapter 258 of the General Laws (claims and indemnity procedures for the Commonwealth, its municipalities, counties and districts, and the officers and employees thereof). As of June 30, 2011, the HDA had a total of 133 employees, including prosecutors/assistant district attorneys and administrative and program staff employees, who represent and serve approximately 461,228 citizens of the Commonwealth in criminal and civil proceedings, within a jurisdiction of 23 cities and towns in the geographic areas of Hampden County. To carry out its functions and responsibilities, the HDA maintains administrative offices in Chicopee, Holyoke, Westfield, and Palmer.

In accordance with Chapter 11, Section 12, of the General Laws, and in consideration of the election of a new District Attorney, the Office of State Auditor conducted an audit of the status of financial activities, accounts, and functions and the related systems and control environment of the HDA as of the transition date of January 5, 2011, which included a review of transactions prior to and subsequent to the transition date for fiscal year 2011. The purpose of our review was to inform the new District Attorney of the status of fiscal and administrative operations as of the date he assumed office, to enhance the transition from the prior administration, and to identify systems and internal accounting controls needing corrective action and improvement. In addition, our audit focused on issues that were identified in our prior audit (No. 2009-1259-3S).

As a result of our audit of the status of financial activities, accounts, and functions of the HDA for the period July 1, 2010 through June 30, 2011, we have identified certain operations of the prior administration that need improvements in the areas of fiscal and administrative internal controls and have made recommendations intended to assist the new administration in implementing changes to its internal control structure and fiscal and administrative operations to ensure that they are adequate and that the HDA is run in an economical, effective, and efficient manner and in compliance with all applicable laws, rules, and regulations, as discussed below.

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Our prior audit report (No. 2009-1259-3S), which examined financial and management controls over certain operations of the HDA for the period July 1, 2007 through September 30, 2008, noted that the HDA needed to update its Internal Control Plan (ICP) to comply with the Office of the State Comptroller's (OSC) guidelines and Chapter 647 of the Acts of 1989. Our follow-up review found that although the prior administration made some progress in updating its ICP, further improvements and enhancements were still needed to comply with OSC guidelines and Chapter 647.

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We found that the prior administration of the HDA was not in full compliance with OSC regulations and its own internal control policies regarding the accounting and full reporting of non-GAAP (Generally Accepted Accounting Principles) fixed assets equipment and other inventory. It is the policy of the HDA to maintain a perpetual inventory of all GAAP and non-GAAP fixed assets in accordance with the policies, rules and regulations promulgated by the OSC. Although the prior administration of the HDA maintained a listing of the HDA's non-GAAP fixed asset inventory, the listing was not up to date and did not contain all the required information for the HDA to be in full compliance with OSC regulations. In addition, there is no evidence to substantiate that an annual inventory of equipment was performed or reconciled to agency records as required by the OSC.

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Our audit found that the HDA had not effectively implemented adequate internal controls over its payroll functions. Although the HDA had documented internal control policies over its payroll, we found that these policies were not always followed. Our review of payroll procedures from July 1, 2010 through June 30, 2011 determined that the HDA lacked proper approvals and support for employees requesting vacation, personal, and compensatory time off. Consequently, the HDA was not in full compliance with its own internal control policies and procedures.

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Our audit found that the prior administration of the HDA was not in full compliance with Chapter 94C, Section 47, of the General Laws, the Commonwealth's State Forfeiture Law. Specifically, the prior administration of the HDA did not distribute the correct amount of court-ordered forfeited funds to the law enforcement agency responsible for the seizure of these funds. Chapter 94C, Section 47 requires that any court-ordered forfeitures be distributed equally between the District Attorney or Attorney General and the law enforcement agency responsible for the seizure.

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Our audit found that the HDA had not effectively maintained adequate supporting documentation for its administrative and operational expenses. Our review determined that although the HDA had documented internal control policies and procedures regarding its administrative and operational areas, these policies and procedures were not always followed. Our review of office expenditures made from July 1, 2010 through June 30, 2011 revealed that the HDA lacked supporting documentation for nine of 18 expenditures tested. In addition, one of the nine expenditures that had supporting documentation lacked proper supervisory approval. Consequently, the HDA was not in compliance with its own internal control policies and procedures as well as OSC regulation 815 Code of Massachusetts Regulations 10.03, and there is no evidence to support the purpose of these expenditures.

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## INTRODUCTION

### *Background*

The Hampden District Attorney's Office (HDA) was established under the provisions of Chapter 12, Section 13, of the Massachusetts General Laws, which provides for the administration of criminal law and the defense of civil actions brought against the Commonwealth in accordance with Chapter 258 of the General Laws (claims and indemnity procedures for the Commonwealth, its municipalities, counties and districts, and the officers and employees thereof). As of June 30, 2011 the HDA had a total of 133 employees, including prosecutors/assistant district attorneys and administrative and program staff employees, who represent and serve approximately 461,228 citizens of the Commonwealth in criminal and civil proceedings, within a jurisdiction of 23 cities and towns in the geographic areas of Hampden County. To carry out its functions and responsibilities, the HDA maintains administrative offices in Springfield and has satellite offices in Chicopee, Holyoke, Westfield, and Palmer.

For fiscal year 2011, the HDA received state maintenance appropriations totaling \$7,623,079 to fund its administrative operations. In addition, the HDA received \$323,713 in special state appropriations and funding from other sources to support various programs, including state police overtime for investigations, crisis and violence intervention, protection of elders and persons with other disabilities, sexual abuse intervention network, consumer protection, violence against women prevention, and other programs.

Pursuant to the HDA's mission of the administration of the criminal laws of the Commonwealth, during the period July 1, 2010 through June 30, 2011 the HDA deposited \$807,986 in court-awarded forfeited funds with the Office of the State Treasurer. Each case must be fully adjudicated before the asset is considered forfeited. These funds may be used for many purposes as set forth in Chapter 94C, Section 47, of the General Laws, such as defraying the costs of protracted investigations, providing the HDA with technical equipment or expertise, providing matching funds to obtain federal grants, or such other law enforcement purposes as the District Attorney deems appropriate. The District Attorney may also expend up to 10% of the funds for drug rehabilitation, drug education, and other anti-drug or neighborhood crime watch programs that further law enforcement purposes.

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

In accordance with Chapter 11, Section 12, of the General Laws, and in consideration of the election of a new District Attorney, the Office of the State Auditor conducted an audit of the status of financial activities, accounts, and functions and the related systems and control environment of the HDA as of the transition date of January 5, 2011, which included a review of transactions prior to and subsequent to the transition date for fiscal year 2011. We conducted this performance audit in accordance with applicable 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 purpose of our review was to inform the new District Attorney of the status of fiscal and administrative operations as of the date he assumed office, to enhance the transition from the prior administration to the new administration, and to identify systems and internal accounting and administrative controls, needing corrective action and improvement. In addition, our audit focused on issues that were identified in our prior audit (No. 2009-1259-3S). The recommendations in the report are intended to assist the new administration in implementing its internal control structure to ensure that it is adequate to minimize errors, losses, shortages, or illegal acts from occurring.

The objectives of our audit were to:

- Review and examine fiscal operations to determine the status of HDA accounts, activities, and records.
- Review and examine fiscal year 2011 spending from July 1, 2010 through June 30, 2011 and perform a comparison of budget to actual expenditures to determine the sufficiency of funds to meet the HDA's obligations for the remainder of the fiscal year.
- Review the HDA's Internal Control Plan to determine whether it is up-to-date, suitable and designed and implemented to safeguard Commonwealth assets, and in compliance with the Office of the State Comptroller's Internal Control Guide for Departments and Chapter 647 of the Acts of 1989.
- Review inventory controls over supplies and equipment to determine their adequacy.
- Identify annual costs by services and activities the HDA performs.

- Review selected revenue (forfeited funds), expenditure, advance, and payroll transactions to verify that these transactions are appropriately accounted for, recorded, and safeguarded in accordance with established criteria.
- Follow up on the issues contained in our prior audit of the HDA (No. 2009-1259-3S).

To accomplish our objectives, we conducted interviews with management and staff and reviewed prior audit reports, spending plans, applicable laws and regulations, and fiscal monitoring reports. We also obtained and reviewed policies and procedures, accounting records, and supporting source documents and performed tests of these records and transactions, where necessary. At the conclusion of our audit, we met with the HDA's Director of Operations, Financial Accountant, and Accounting Assistant to discuss the contents of the report.

We reviewed and examined fiscal year 2011 actual expenditures from July 1, 2010 through June 30, 2011 and compared these expenditures to budgets and other available funds for all HDA programs. As a result of this examination, we have determined the status of these funds as of the transition date and projected the availability of these funds for the remainder of the fiscal year.

As a result of our audit of the status of financial activities, accounts, and functions of the HDA, we have identified certain operations of the prior administration that need improvements in the areas of fiscal and administrative internal controls. The recommendations in our report are intended to assist the new administration in implementing changes to its internal control structure and fiscal and administrative operations to ensure that they are adequate and that the HDA is run in an economical, effective, and efficient manner and in compliance with all applicable laws, rules, and regulations for the items tested.

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## AUDIT RESULTS

### 1. PRIOR AUDIT RESULT PARTIALLY RESOLVED – INTERNAL CONTROL PLAN UPDATING AND IMPROVEMENTS STILL NEEDED

Our prior audit report (No. 2009-1259-3S), which examined financial and management controls over certain operations of the Hampden District Attorney’s Office (HDA) for the period July 1, 2007 through September 30, 2008, noted that the HDA needed to update its Internal Control Plan (ICP) to comply with the Office of the State Comptroller’s (OSC) guidelines and Chapter 647 of the Acts of 1989. Accordingly, our prior audit recommended that the HDA update its high-level summarization of internal controls; annually review its goals and objectives in light of changing economic conditions and include these within the ICP; identify events that may influence its goals and objectives; document its monitoring activities and responsibilities that may mitigate risks; and cross-reference the ICP to departmental policies and procedures.

Our follow-up review found that the prior administration of the HDA did make progress in updating its ICP. Specifically, the HDA took steps to identify which events internally and externally may have an influence over its operations and the steps needed to mitigate those risks. However, we determined that the prior HDA administration did not fully implement or address specific recommendations made in our prior audit report. Specifically, the HDA had not identified specific objectives within its mission statement that clearly identify the purpose of the HDA to help it attain its goals and sustain long-term viability. In addition, the HDA had not documented its monitoring activities and responsibilities and referenced accountability either by responsibility or employee monitoring roles within its various departments. These steps would help ensure that internal controls are implemented to mitigate fiscal and programmatic risks and are effective and function as needed.

The HDA’s Chief Financial Officer (CFO) stated that since the new District Attorney assumed elected office in January 2011, certain changes made to help improve efficiency became priorities, including a review of the ICP in effect during our audit (April 2011), after which some minor changes were made. The CFO also stated that the HDA considers it a priority to be in compliance with OSC guidelines and will make the necessary changes.

***Recommendation***

Although the prior administration made some improvements and implemented some recommendations made in our prior audit report, we recommend that the HDA continue to enhance its ICP by:

- Including within its mission statement specific objectives that clearly identify the purpose of the HDA. These objectives will help the HDA to attain its goals and sustain long-term viability.
- Documenting its monitoring activities and responsibilities, which will ensure that internal controls are implemented to mitigate fiscal and programmatic risks and are effective and function as needed. Wherever monitoring is documented within departmental policies and procedures, the HDA should cross-reference its ICP to these procedures.
- Cross-referencing the ICP to existing departmental policies and procedures utilized by the HDA to control its operation.

***Auditee's Response***

*The mission statement has been edited to incorporate certain specific objectives identified by the District Attorney.*

*The Hampden District Attorney office is in the process of updating the Internal Control Plan as recommended. Due to the election of a new District Attorney in late 2010, an overview of all internal policies has been undertaken and continues to evolve. Some organizational changes have occurred to facilitate goals of the administration, others are contemplated. The revised ICP will implement and reflect the monitoring activities and responsibilities to ensure that any fiscal and programmatic risks are mitigated.*

*Cross referencing of the ICP to the Personnel Policy Manual is ongoing.*

**2. EQUIPMENT INVENTORY ACCOUNTING AND REPORTING NEEDS IMPROVEMENT**

Our audit found that the prior HDA administration was not in full compliance with OSC regulations and its own internal control policies regarding the accounting and full reporting of non-Generally Accepted Accounting Principles (GAAP) fixed assets, equipment, and other inventory. Our audit disclosed that although the prior administration at the HDA maintained a listing of its non-GAAP fixed assets inventory, the listing was not up-to-date and did not contain all the required information for the HDA to be in full compliance with OSC regulations. In



addition, there is no evidence to substantiate that an annual inventory of equipment was performed or reconciled to agency records as required by the OSC.

Non-GAAP fixed assets are defined as singular assets and include such items as vehicles, equipment, furniture, electronic devices, computer software, and all electrical computer components with a useful life in excess of one year, and with an original cost of between \$1,000 and \$49,999. In addition, all buildings, roads, and other infrastructure with an original cost of less than \$99,999 are non-GAAP fixed assets. The OSC's Internal Control Guide for Commonwealth Departments, Volume II, Chapter 3, requires that fixed assets be properly accounted for and safeguarded to ensure that they are being used as intended and available for use. These guidelines require, in part, minimum standards for maintaining sound controls, as follows:

- Departments are required to properly account for all fixed-asset transactions, including the proper recording and reconciliation of a periodic inventory of all fixed assets. This physical reconciliation should be completed as of June 30 of each fiscal year.
- Non-GAAP fixed assets are composed of all buildings and other assets, including computer software, with a historical cost between \$1,000 and the GAAP fixed asset thresholds noted above. Departments must maintain an inventory of these assets, either on the Fixed Asset Subsystem in the Massachusetts Management Accounting and Reporting System or on an in-house system.
- Departments must maintain documentation of fixed assets, equipment, or other inventory in accordance with records-management requirements issued by the OSC and in accordance with records-disposal schedules issued by the Records Conservation Board.
- Inventory monitoring systems should be in place to identify all fixed assets, equipment, or other inventories categorized as GAAP fixed assets, non-GAAP fixed assets, or any other appropriate category. These items should also include the departmental location of these items.

The OSC Fixed Asset Acquisition Policy issued July 1, 2004 and revised November 1, 2006 states that non-GAAP fixed assets must be recorded in a department's inventory and reconciled at least annually. This inventory can either be electronic or on paper, as long as it records the date of purchase, amount, description, location, and disposition of an item.

The HDA's internal control policies and procedures state that the Director of Fiscal Affairs or his designee shall perform inventory counts as well as monitor the entire inventory and that the

Financial Assistant shall maintain the office inventory records, which will include the description of each item, including motor vehicles; the value of each item; the acquisition date; and where the property is located. The internal control policies and procedures also state that all noted assets will be recorded into the system with the acquisition date, all capitalized assets acquired through a lease purchase will be recorded, and the record management of the inventory will comply with the regulations of the OSC and the Records Conservation Board.

Our audit disclosed that the HDA did maintain a computerized listing of non-GAAP fixed asset inventory that included inventory control numbers, item descriptions, and locations of inventory items. However, the computerized listing was not complete and did not contain all the attributes and field data for each item of inventory. Specifically, the present listing does not include identifying features such as historical cost data, serial numbers, and make and model numbers of many of the items on the listing. Accordingly, the listing does not adequately provide management with a sound and reliable mechanism to control and monitor fixed assets. Further, this inventory listing does not provide a basis for valuation of the total inventory for replacement and disposal purposes as equipment becomes obsolete and unusable. Because data was not entered or was not complete in all fields, many items on the listing cannot be readily traced or referenced to detailed records of purchase invoices or source-funding accounts to verify when, from whom, and at what cost the items were purchased.

During our audit testing, we tested 35 items from their location to the inventory list and tested 35 items from the inventory list to their location. Our tests disclosed the following conditions:

- The HDA's inventory listing included 869 items. The list did not identify the purchase price on 534 (61%) of all items listed. In addition, 407 (47%) of the items did not have historical cost recorded as required by OSC regulations, including a Toshiba TV/VCR, a Dell OptiPlex desktop computer, and a DVD/CD duplicator.
- During our test of inventory items from their location to the inventory list, we identified discrepancies with five items or 14% of the items selected. We found that four of the items from location were not included on the inventory list, and one item did not have a state property tag. These included such items as a copier, a DVD player, and a VCR.
- In our review of 35 inventory items selected from the list to location, we were unable to locate five or 14% of these items. Included were such items as Dell OptiPlex desktop computers and an Olympus digital camera.

- We found no evidence that annual inventories or reconciliations were performed against internal records or that any discrepancies were noted. Moreover, there was no indication that a procedure was in place to rectify inventory discrepancies.
- The HDA's policies and procedures for purchasing and inventory do not contain directives pertaining to relocating and moving items through multiple locations.

In regard to these conditions, the Financial Accountant, who is the individual responsible for recording and managing the inventory, stated that the HDA was in the process of performing the annual inventory count but was temporarily delayed due to building damage from a recent severe tornado. These conditions severely damaged the administrative offices, and the HDA had to relocate to a new office space.

As a result of these conditions, the prior administration did not effectively control its assets in compliance with OSC regulations and its own internal control policies and procedures. Moreover, unless corrected, these internal control deficiencies will continue to expose the non-GAAP fixed asset inventory of the new HDA administration to potential loss, theft, or misuse.

### ***Recommendation***

To properly control and maintain its non-GAAP fixed asset inventory and ensure compliance with OSC regulations and its own internal control policies and procedures, the HDA should:

- Update the master listing to include the historical cost and purchase date of each item (inventory recording documents should be compared to purchase orders and sales invoices for agreement to ensure that a value is given to all items on the inventory list).
- Review the master inventory list and record the serial numbers, make, and model for each item.
- Establish policies and procedures for performing annual inventories and reconciling inventory records to the HDA's accounting records.
- Establish policies and procedures for transferring non-GAAP items from one location to another (this will provide an audit trail for the agency's non-GAAP fixed assets).
- Use the OSC's Internal Control Guide and Fixed Asset Acquisition Policy as a reference to update the HDA's policies.

***Auditee's Response***

*A complete update of the HDA master inventory list is underway. Once completed, it will be maintained with all the information required by OSC regulations. A policy will be implemented to require annual inventory reconciliation and to require that location changes of inventoried equipment be documented with the finance office.*

**3. INTERNAL CONTROLS OVER EMPLOYEE LEAVE REQUESTS NOT EFFECTIVELY IMPLEMENTED**

Our audit found that the HDA had not effectively implemented adequate internal controls over its payroll functions. Specifically, although the HDA had documented internal control policies over its payroll, we found that these policies were not always followed. Our review of payroll procedures from July 1, 2010 through June 30, 2011 determined that, contrary to its own internal control policies and procedures, the HDA lacked proper approvals and support for employees requesting vacation, personal, and compensatory time off.

During our audit, we reviewed the payroll records of 16 HDA employees covering two pay periods, during which there were 14 instances of employees receiving vacation, personal, or compensatory leave pay. We found that 11 of these 14 instances lacked proper approval or a completed leave request form, contrary to HDA policies and procedures.

Specifically, during the pay period December 5, 2010 through December 18, 2010, we identified eight instances in which employees received vacation, personal, or compensatory leave pay. Our review found that there were three instances in which no leave request form was completed or submitted for supervisory approval. In addition, we found that five email requests were submitted instead of official leave request forms and that there was no supervisory approval for four of the five email requests. Our review of the same 16 employees for the period May 22, 2011 through June 4, 2011 identified six instances in which employees received leave pay for using vacation, personal or compensatory time. Of these six instances we found three instances in which email requests were submitted instead of official leave request forms. Further review found that these email requests for leave time did not have evidence of supervisory approval.

The HDA's Financial Accountant stated that the new administration is reviewing the leave policy as part of the HDA's overall update of the employee personnel manual and internal control plan and that the HDA is in the process of developing a policy that will ensure control of the approval process but be appropriate given the various work locations of staff.

***Recommendation***

The HDA should review its policies and procedures and implement monitoring procedures over all areas of its internal controls, including its Personnel Policy Manual. In particular, the HDA should state in its manual that when requesting vacation, personal, or compensatory leave, all employees without exception should use the official HDA leave request form, which should be signed and approved by the employee's supervisor.

***Auditee's Response***

*The policies and procedures have been reviewed. The Personnel Policy Manual was revised to reflect this recommendation on August 1, 2011. An email was issued to all staff restating the proper procedures to be followed in this matter.*

**4. NONCOMPLIANCE WITH STATE FORFEITURE LAW**

Our audit found that the prior administration at the HDA was not totally in compliance with Chapter 94C, Section 47, of the General Laws, the State Forfeiture Law. Specifically, the HDA did not distribute the correct amount of court-ordered forfeited funds to the law enforcement agency responsible for the seizure of these funds. We also found that, once the HDA issues a check to the responsible law enforcement agency, there is no monitoring or signed approval verifying the accuracy of the amount to be distributed. As a result, there is inadequate assurance that potential errors are promptly identified and corrected.

According to Chapter 94C, Section 47, of the General Laws, the following property shall be subject to forfeiture to the Commonwealth, which shall retain all property rights thereof:

*(5) All moneys, negotiable instruments, securities or other things of value furnished or intended to be furnished or intended to be furnished by any person in exchange for a controlled substance in violation of this chapter, all proceeds traceable to such an exchange, including real estate and any other thing of value, and all monies, negotiable instruments, and securities used or intended to be used to facilitate any violation of any provision of section thirty-two, thirty two-A, thirty-two B, thirty-two C, thirty-two D, thirty-two E, thirty-two F, thirty-two G, thirty-two I, thirty-two J, or forty.*

Chapter 94C, Section 47 also requires the Office of the State Treasurer to establish a separate law enforcement trust fund for each District Attorney and the Attorney General. All such funds and proceeds received by any District Attorney or Attorney General are to be deposited in such a trust fund and be expended without further appropriation to defray the costs of protracted investigations, to provide additional technical equipment or expertise, to provide matching funds

to obtain federal grants, or to accomplish such other law enforcement purposes as the District Attorney or the Attorney General deems appropriate.

Chapter 94C, Section 47 also requires that any court-ordered forfeitures be distributed equally between the District Attorney or Attorney General and the law enforcement agency responsible for the seizure, as follows:

*The final order of the court shall provide that said monies and the proceeds of any such sale shall be distributed equally between the prosecuting district attorney or attorney general and the city, town or state police department involved in the seizure.*

During our transition audit, we found that the HDA had received and deposited \$807,986 in court-ordered forfeitures. Our review of forfeiture cases determined that during July 2010, the prior administration of the HDA received and deposited \$18,702 in court-ordered forfeitures from a local law enforcement agency. Our analysis of these transactions determined that the prior administration had distributed \$7,351 to the law enforcement agency responsible for the seizure of funds. However, according to the State Forfeiture Law, the distribution of court-ordered forfeited funds is to be made equally between the District Attorney and the law enforcement agency responsible for the seizure. As a result, our analysis determined that the local law enforcement agency was due an additional \$2,000 from the prior administration of the HDA. We brought this to the attention of the CFO, who indicated that the HDA would contact the law enforcement agency in question and verify any amounts owed.

### ***Recommendation***

The HDA should contact the law enforcement agency in question, verify the correct amount to be distributed, and remit all funds owed. In addition, the HDA should institute procedures to verify that the correct amount of forfeited funds is distributed equally between the HDA and law enforcement agencies responsible for the seizure of funds in compliance with Chapter 94C, Section 47, of the General Laws.

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

*The HDA corrected the oversight discovered in the audit on August 3, 2011 by the issuance of a check to the Springfield Police Department representing its one half share of the forfeiture proceeds in question. Procedures are in effect that verify distribution of the proper amount of funds between the HDA and other law enforcement agencies. This instance is believed to be an oversight.*

## 5. INADEQUATE SUPPORTING DOCUMENTATION FOR ADMINISTRATIVE EXPENSES

Our transition audit found that the HDA had not effectively maintained adequate supporting documentation for its administrative and operational expenses. Specifically, we found that although the HDA had documented internal control policies and procedures regarding its administrative and operational areas, these policies and procedures were not always followed. Our review of HDA expenditures made during the period July 1, 2010 through June 30, 2011 revealed that nine of 18 expenditures tested lacked supporting documentation. Moreover, one of the nine expenditures that had supporting documentation lacked proper supervisory approval.

The HDA's Internal Control Guide states that the Financial Unit must keep and maintain all financial records in accordance with OSC rules and regulations and that financial transactions and backup documentation are to be filed by vendor and appropriate accounts. In addition, 815 Code of Massachusetts Regulations (CMR) 10.03, which is promulgated by the OSC and is applicable to all state departments, including agencies, subdivisions, offices, boards, commissions, or institutions within the executive, judicial, and legislative branches, states the following regarding the management of records for bills, vouchers, and contracts:

*(1) Department Maintenance of Record Copies. Departments shall maintain the Record Copy of the following documents in accordance with 815 CMR 10.00 and any policies and procedures issued by the Office of the Comptroller:*

*(a) all bills and Vouchers on which money has been paid or will be paid from the Treasury upon the certificate of the Comptroller or warrant of the Governor; and*

*(b) all contracts under which money may be payable from the Treasury.*

*(2) Repository of Record Copies. Departments shall maintain Record copies of the documents identified under 815 CMR 10.03(1) at:*

*(a) a central Department location, or*

*(b) if the Department maintains Record Copies at multiple locations, the Department shall maintain a centralized list of the repository location of all Record Copies.*

During our audit, we selected and reviewed documentation relative to 18 transactions totaling \$17,931 made during the audit period. We found that during the prior (July 1, 2010 through January 4, 2011) and current (January 5, 2011 to present) administrations, the HDA had not effectively maintained supporting documentation for nine of these transactions totaling \$9,602.

Accordingly, there is no evidence to support the purpose of these expenditures. These transactions included expenditures for such items as administrative and office supplies, information technology equipment, and advances for individuals to attend law enforcement conferences. Missing documentation included invoices, packing slips, bills, work orders, or any other supporting documents that could substantiate the validity of these transactions. In addition, we found one transaction in the amount of \$1,000 that had the required supporting documentation but did not have proper supervisory approval, contrary to the HDA's internal control policies and procedures.

HDA officials did not explain why they were unable to provide us with the necessary documentation for the expenditures in question. However, just prior to our transition audit, the HDA had experienced damage to its administrative offices due to a severe tornado and was forced to move to another location.

***Recommendation***

The HDA should take steps to review and comply with its own internal control policies and procedures as well as 815 CMR 10:03 by ensuring that all supporting documentation regarding expenditures is readily available for review. In addition, the HDA should monitor all expenditures to ensure that all proper supervisory approvals are in place.

***Auditee's Response***

*The office has reviewed its internal control policies in this regard. Some of the missing documentation referenced in the report and the inability of staff to promptly locate supporting documentation is attributable to the havoc created by the tornado itself and the resulting disorganization caused by the emergency relocation of our Finance office.*