



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

*Making government work better*

Official Audit Report-Issued September 30, 2011

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## Department of the State Police's Use of American Recovery and Reinvestment Act Funds For the period May 1, 2009 through November 30, 2010



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## **TABLE OF CONTENTS/EXECUTIVE SUMMARY**

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### **INTRODUCTION**

**1**

The Department of the State Police (DSP) was established in 1865 pursuant to the provisions of Chapter 22C of the Massachusetts General Laws. It is the oldest statewide law enforcement agency in the nation and currently employs approximately 2,300 sworn officers and 400 civilian employees. DSP acts as the principal law enforcement agency in the Commonwealth of Massachusetts, in partnership with local communities, providing public safety through policing directed at achieving safer roadways and reducing crime through investigations, education, and patrol services. The DSP also provides leadership and resources during natural disasters, civil disorder, and critical incidents.

During our audit period, DSP was awarded four separate grants through the American Recovery and Reinvestment Act (ARRA) totaling \$5,368,142. The grants included: two from the Department of Justice - Internet Crimes against Children (ICAC) totaling \$774,492 and National Internet Crimes against Children Data System (NIDS) totaling \$920,896; one from the Department of Homeland Security, Port Security Grant Program totaling \$672,754; and one through the Department of Education, State Fiscal Stabilization Fund Government Service Fund totaling \$3,000,000. As of November 30, 2010, a total of \$4,035,768 has been expended on these grants.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of DSP for the period May 1, 2009 through November 30, 2010. The objectives of our audit were to obtain and review a listing of the type and amount of all ARRA funds the DSP has applied for, plans to receive, or has received and expended; to review and evaluate DSP's internal controls over ARRA expenditures and determine whether ARRA funds are being expended for the intended purposes and in compliance with applicable laws, rules, and regulations; to determine whether the DSP is complying with ARRA accounting and reporting requirements as well as other grant requirements; and to ensure that DSP has identified and reported the number of jobs created/retained with ARRA funds.

Based on our review we have concluded that, except for the issue addressed in the Audit Results section of this report, for the period May 1, 2009 through November 30, 2010, DSP maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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### **AUDIT RESULTS**

**4**

#### **IMPROVEMENTS NEEDED IN DOCUMENTING INTERNAL CONTROLS SPECIFIC TO THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)**

**4**

Our audit found that DSP, while updating its Internal Control Plan to address the management of ARRA funding, did not develop a risk assessment associated with the ARRA grants. According to DSP, it felt that by including additional controls specific to ARRA, it was satisfying Office of the State Comptroller guidelines and did not realize that additional risk assessments had to be performed.

## INTRODUCTION

### *Background*

The Department of the State Police (DSP) was established in 1865 pursuant to the provisions of Chapter 22C of the Massachusetts General Laws. It is the oldest statewide law enforcement agency in the nation and currently employs approximately 2,300 sworn officers and 400 civilian employees. DSP acts as the principal law enforcement agency in the Commonwealth of Massachusetts, in partnership with local communities, providing public safety through policing directed at achieving safer roadways and reducing crime through investigations, education, and patrol services.

During our audit period, DSP was awarded four separate grants through the American Recovery and Reinvestment Act (ARRA) totaling \$5,368,142. As of November 30, 2010, DSP had expended \$4,035,768. The grant awards and expenditures are depicted as follows:

<u>ARRA GRANT</u>	<u>AWARD AMOUNT</u>	<u>COST CATEGORY</u>	<u>FUNDS EXPENDED</u>
<b>State Fiscal Stabilization Fund</b>	\$3,000,000	Energy Costs	<u>\$3,000,000</u>
		Total	<u>\$3,000,000</u>
<b>Port Security Grant Program</b>	\$672,754	Administrative Expenses	\$766
		Equipment Purchases	<u>668,773</u>
		Total	<u>\$669,539</u>
<b>Internet Crimes Against Children (ICAC)</b>	\$774,492	Employee Compensation	\$203,922
		Employee Related Expenses	3,336
		Pension and Insurance Related	23,394
		Administrative Expenses	60,596
		Programmatic Operational Services	1,313
		Information Technologies	<u>\$73,668</u>
		Total	<u>\$366,229</u>
<b>National ICAC Data System (NIDS)</b>	<u>\$920,896</u>	None	<u>\$0</u>
<b>TOTAL</b>	<u>\$5,368,142</u>		<u>\$4,035,768</u>

State Fiscal Stabilization Funds were utilized to pay for vehicle fuel costs. Port Security Grant Program Funds were used to fund the purchase of two 31-foot patrol boats for the DSP Marine Unit. ICAC Funds are being used to educate personnel, purchase equipment and software, conduct reactive and proactive investigations and maintain public awareness with regard to internet sex offenders. Additionally, through Interdepartmental Service Agreements (ISA) with the Berkshire and Northwestern District Attorney's Offices, a portion of the ICAC grant (excluding Information Technologies) totaling \$294,770 is being used to fund payroll, travel and applicable indirect costs of two employees of these offices who perform child internet safety, community outreach and education. NIDS Funds will be used to assemble a diversified and qualified team to develop a research plan to identify characteristic patterns and other indicators that predict which internet sex offenders are likely to be the most dangerous.

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

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of DSP for the period May 1, 2009 through November 30, 2010. The objectives of our audit were to obtain and review a listing of the type and amount of all ARRA funds the DSP has applied for, plans to receive, or has received and expended; to review and evaluate DSP's internal controls over ARRA expenditures and determine whether ARRA funds are being expended for the intended purposes and in compliance with applicable laws, rules, and regulations; to determine whether the DSP is complying with ARRA accounting and reporting requirements as well as other grant requirements; and to ensure that DSP has identified and reported the number of jobs created/retained with ARRA funds.

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

To achieve our audit objectives, we conducted the following audit procedures:

- Reviewed the Internal Control Plan (ICP) established by the DSP to ensure that the ICP has been updated to include ARRA-specific risk assessments and related internal controls.

- Obtained and reviewed a listing of all ARRA grants applied for and awarded.
- Tested payroll expenses by reviewing all time sheets for two employees for accuracy and supervisory review to ensure compliance with applicable Massachusetts laws, rules, and regulations.
- Compared overtime payroll data for appropriateness and approval documentation.
- Tested internal controls over ARRA expenditures and determined whether ARRA funds are being expended for the intended purposes and in compliance with applicable laws, rules, and regulations.
- Reviewed recordkeeping procedures to determine whether the expenditure of ARRA funds is properly authorized, supported by adequate documentation, and accounted for separately within DSP's accounting records.
- Reviewed ARRA reports and supporting documentation to ensure that DSP was in compliance with reporting requirements including identifying the number of jobs created/retained.
- Reviewed additional financial and progress reports required by the funding agencies or the Commonwealth to ensure compliance with the grant awards.

Based on our review we have concluded that, except for the issue addressed in the Audit Results section of this report, for the period May 1, 2009 through November 30, 2010, DSP maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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## AUDIT RESULTS

### **IMPROVEMENTS NEEDED IN DOCUMENTING INTERNAL CONTROLS SPECIFIC TO THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)**

Our audit found that DSP, while updating its Internal Control Plan (ICP) to address the management of ARRA funding, did not develop a risk assessment associated with the ARRA grants. In accordance with the Office of the State Comptroller's (OSC) Guidelines issued in September of 2007, each state department is required to develop an ICP that should be reviewed and updated as conditions warrant, but at least annually. OSC defines an ICP as a high-level summary supported by lower level policy and procedures. One of the components in developing an ICP is a risk assessment, which is a process to identify and analyze factors that may affect the achievement of a goal. A well-developed risk assessment enables management to better identify and mitigate gaps in the department's business controls.

To address the management of ARRA funds, OSC developed an additional guide entitled ARRA Internal Control Guidance, which states the following:

*Each department has a system of internal controls consisting of an Internal Control Plan that summarizes objectives, risks, controls, and a detailed set of control activities that mitigate risk. Each component of the internal control system must be updated to include coverage of ARRA funds.*

We found that DSP had developed an ICP that included identified risks associated with the DSP's primary activities and goals. Although DSP has updated this ICP to include additional control and monitoring activities for ARRA as required by the OSC, it has not fully identified and documented the specific risks associated with managing ARRA funds. According to DSP, it felt that by including additional controls specific to ARRA, it was satisfying OSC guidelines and did not realize that additional risk assessments had to be performed. Without the additional risk assessments, DSP and the Commonwealth cannot be assured that all potential risks have been considered and controls to minimize potential risks have been fully developed and implemented.

#### ***Recommendation***

We recommend that DSP update its ICP to include risk assessments associated with ARRA grants and ensure that proper controls are in place to eliminate or reduce those identified risks.

***Auditee's Response***

The Chief Administrative Officer of DPS responded, in part:

*I am pleased to report that the single audit finding concerning the Agency's failure to update its Internal Control Plan's risk assessment by including coverage of ARRA funds has been reconciled. The Plan has been posted to the Department's official internal document repository and is available for all employees to view.*