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INDEPENDENT STATE AUDITOR'S REPORT

ON CERTAIN ACTIVITIES OF THE

IRVING A. GLAVIN REGIONAL CENTER

JULY 1, 1999 TO DECEMBER 31, 2001

OFFICIAL AUDIT
REPORT
OCTOBER 9, 2002

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The Irving A. Glavin Regional Center (Center) is operated by the Department of Mental Retardation pursuant to Chapter 123B of the Massachusetts General Laws. The Center provides support, housing options, training, and services to mentally retarded persons of all ages throughout central Massachusetts. The objectives of the Center include promoting optimum development of the mentally retarded, preventing costly long-term institutionalization of these individuals, and providing assistance to agencies and professionals assigned to the care of these individuals.

Our audit was initiated as a result of a Chapter 647 report filed by the Center. The purpose of our review was to determine the internal control weaknesses that contributed to the alleged thefts of appropriated state funds totaling \$19,230 by a former employee of the Center. The former employee was able to fraudulently pay personal utility bills and make unallowable purchases through the Center's payment system. Chapter 647 requires the Office of the State Auditor to determine the internal control weaknesses that contributed to or caused an unaccounted-for variance, loss, shortage, or theft of property; identify the internal control policies and procedures that need modifications; make recommendations that address the correction of the condition found; and report the matter to appropriate management and law enforcement officials.

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In accordance with Chapter 647 of the Acts of 1989, management at the Center reported to the Office of the State Auditor a series of alleged fraudulent transactions totaling \$15,148 that occurred during the period October 25, 2000 to September 18, 2001. Based upon our review, we determined that the alleged fraudulent transactions actually totaled \$19,230 (see Appendix III). We found that the Center was not following established internal controls over agency funds. Specifically, the Center did not ensure that financial duties were segregated, which enabled a single employee to make purchases, receive invoices in the mail, prepare and enter payment vouchers, and circumvent the approval process. As a result, a former clerk was able to fraudulently use \$7,423 of the Center's funds to pay for her personal utility bills and personal equipment purchases.

In addition, we noted that the Center did not adequately safeguard spare (unassigned) business credit cards. Specifically, 47 spare Wal-Mart credit cards were not adequately secured, which enabled the former clerk to make fraudulent purchases totaling \$11,807. The Center establishes credit card accounts with selected vendors to facilitate and expedite daily routine operating expenses for the Center's community homes, as well as for necessary business office expenses. We also found that the

Center was unaware that the clerk had in her possession a Wal-Mart credit card when she was suspended on August 27, 2001, allowing her the opportunity to make additional fraudulent purchases after that date. In response to our audit, the Center indicated that it has instituted internal control measures to ensure that duties are segregated in the purchasing, preparation and payment, and approval process. Also, the Center indicated that it has amended its guidelines for credit cards to include measures to safeguard unassigned business credit cards.

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INTRODUCTION

Background

The Irving A. Glavin Regional Center (Center) is operated by the Department of Mental Retardation (DMR) as authorized under Chapter 123B of the Massachusetts General Laws. The Center, which is located in Shrewsbury, also houses DMR's Regional II Office, which serves all of Worcester County. The Center provides support, housing options, training, and services to retarded persons of all ages throughout central Massachusetts. The objectives of the Center are to provide mentally retarded persons with a range of high-quality training programs that serve three functions:

- Assist in promoting optimum development.
- Help to prevent problems that could otherwise result in costly long-term institutionalization.
- Assist agencies and professionals in developing skills necessary for training persons assigned to their care.

In order to reach these stated objectives, the Center has developed six specific goals:

- Provide training and consultation to support programs and services for retarded persons of all ages throughout central Massachusetts;
- Serve as a resource for families, area programs, and other providers in the surrounding community;
- Provide an array of services aimed at preventing the unnecessary institutionalization of retarded persons (i.e., to develop alternatives to institutionalization);
- Promote the goal of family living for mentally retarded persons;
- Offer programs aimed at enabling families and other providers of services to develop and carry out effective developmental plans for retarded persons;
- Promote the philosophy that retarded persons can and should have a normal role in their families, their communities, and in society.

As of December 2001, the Center was serving 541 consumers who reside at 25 community homes at the Irving A. Glavin Center, the Monson Developmental Center, and the Templeton Developmental Center. DMR Region II expenditures totaled \$104,059,535 in fiscal year 2001 and \$111,129,120 in fiscal year 2002.

Our audit was initiated as a result of a Chapter 647 report filed by the Center with the Office of the State Auditor (OSA). The Center's report indicated that there was a series of fraudulent transactions totaling \$15,148 that occurred during the period October 25, 2000 to September 18, 2001 when a former employee allegedly submitted personal utility bills along with unallowable personal purchases from various vendors into the Center's accounting system for payment. However, after the completion of our review, we determined the alleged thefts actually totaled \$19,230.

Chapter 647 requires the OSA to determine the internal control weaknesses that contributed to or caused an unaccounted-for variance, loss, shortage, or theft of property; identify the internal control policies and procedures that need modification; make recommendations that address the correction of the condition found; and report the matter to appropriate management and law enforcement officials.

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the General Laws and Chapter 647 of the Acts of 1989, we have conducted an examination of certain activities of the Center's purchasing and payment system for the period July 1, 1999 through December 31, 2001. Our review was conducted in accordance with applicable generally accepted government auditing standards for performance audits issued by the Comptroller General of the United States. The Center's financial activity and its compliance with applicable laws and regulations are the responsibility of its management.

The purpose of our review was to determine the internal control weaknesses that contributed to the alleged theft of appropriated state funds by payment of personal utility bills and personal

purchases made through the Center's business office. In addition, through audit testing we attempted to attest to the dollar amount and extent of the alleged thefts.

To accomplish our objectives, we:

- Studied and evaluated management controls and the flow of transactions through the Center's administrative and accounting system.
- Reviewed and evaluated controls over payment vouchers and credit card expenditures.
- Examined the conditions that surrounded the alleged thefts that were reported in the Chapter 647 reports.
- Interviewed various Center personnel involved with purchasing and expenditure payment processing.

In addition, we worked in conjunction with the Worcester County District Attorney's Office and the Shrewsbury Police Department in determining the extent of the alleged fraudulent transactions. The Worcester County District Attorney's Office is currently prosecuting this case. The final disposition of this matter is pending in Worcester Superior Court. DMR has notified the Massachusetts Retirement Board of the alleged thefts at the Center and has requested that the clerk's retirement funds be frozen until a determination is made. The Center has filed a claim with DMR's bonding company. The bonding company has accepted the Center's claim. The claim of \$19,230 less the \$10,000 deductible will be paid to the Center.

AUDIT RESULTS**INADEQUATE INTERNAL CONTROLS RESULTED IN FRAUDULENT PAYMENTS TOTALING \$19,230**

In accordance with Chapter 647 of the Acts of 1989, management at the Irving A. Glavin Regional Center (Center) reported to the Office of the State Auditor (OSA) a series of alleged fraudulent transactions totaling \$15,148 that occurred during the period October 25, 2000 to September 18, 2001. Based on our review, we determined that the alleged fraudulent transactions actually totaled \$19,230, including unauthorized payment vouchers totaling \$7,423 for personal utility bill payments and merchandise purchases and unauthorized credit card payments totaling \$11,807 for electronic equipment and other merchandise.

a. Inadequate Segregation of Duties in the Purchasing and Payment Cycle Resulted in Unauthorized Payment Voucher Purchases Totaling \$7,423

We found that the Center was not following established internal controls over agency funds. Specifically, the Center did not ensure that financial duties were adequately segregated, allowing one employee to make purchases, receive vendor invoices in the mail, prepare and enter payment vouchers, and circumvent the approval process. As a result, a former clerk at the Center was able to misappropriate \$7,423 of the Center's funds for personal utility payments and equipment purchases.

According to Generally Accepted Accounting Principles (GAAP), it is management's responsibility to establish adequate controls over all aspects of an entity's operations. GAAP identifies segregation of duties as a primary principle in any internal control plan. The fundamental premise of segregated duties is that an individual should not be in a position to initiate, review, undertake, and approve the same transaction. The Department of Mental Retardation (DMR), as required by Chapter 647 of the Acts of 1989, prepared an Internal Control Plan for the Center's use, establishing control measures necessary for the adequate segregation of duties over the payment process. Chapter I, Section 3, of DMR's Internal Control Plan, states, in part:

Individuals responsible for data entry of encumbrances and payment vouchers should not be responsible for preparing or approving these documents. . . .

Individuals responsible for acknowledging the receipt of goods or services should not also be responsible for purchasing or payment activities.

Moreover, the Office of the State Comptroller's (OSC) Internal Control Guide for Managers, Section 1, Chapter I, states, in part:

Adequate internal controls allow management to delegate responsibilities to subordinate staff and contractors with reasonable assurance that what they expect to happen, actually does. Managers must develop internal controls for each activity for which they are responsible. The internal controls exercised over individual activities, when taken collectively, become the internal controls of the program or administrative function of which they are part. . . .

No system of internal control functions properly without the knowledge and support of management at all levels.

Contrary to the above criteria, the Center did not ensure that duties relative to the payment process at the Center were adequately segregated, enabling a clerk complete control over the purchasing, processing, and payment cycle.

On August 27, 2001, officials at the Center were notified by a utility company of a questionable telephone account number. Specifically, the telephone company was unclear on how to apply the Center's recent payment. Upon review, the Center realized this payment was for an employee's (a clerk) personal telephone bill and later found three additional personal utility payments, bringing the total unauthorized personal payments to \$1,242. Later that day (August 27, 2001), the Center indefinitely suspended the clerk and notified the local police department, the Worcester County District Attorney's Office, and the Office of the State Auditor of this theft.

On September 19, 2001, the clerk was arrested on unrelated criminal charges. The local police department notified the Center that, at the time of her arrest, the clerk had in her possession original authorized payment vouchers from the Center, unused purchase orders, and a Wal-Mart credit card issued in the name of the Center. Upon the Center's further review, it was determined that the clerk had fraudulently purchased various merchandise totaling \$2,465 from a local store (Spags), made another personal utility payment bringing the total utilities to \$1,514, and fraudulently expended \$11,169 with the stolen credit card. In November 2001, at our entrance conference, the Center provided us a Chapter 647 theft report totaling \$15,148.

During the period July 1, 1999 to September 30, 2001, the Center expended over \$2,414,106 on utility bills. We reviewed all utility payments, attempting to match the account numbers from the reported theft to items paid during this period. Our analysis of the Center's utility payments did not disclose any additional charges for the account numbers that the clerk used for payment of her personal expenses. Additionally, we reviewed 100% of the purchases made at Spag's for the period July 1, 2000 to September 30, 2001, totaling \$43,984. Our review disclosed additional questionable purchases of \$3,444, which we discussed with Center officials. In aggregate, a total of 15 Spag's transactions totaling \$5,909 were fraudulent.

The Center is currently working with the local police department and the Worcester County District Attorney's Office. DMR has notified the Massachusetts Retirement Board of the alleged thefts at the Center and has requested that the clerk's retirement funds be frozen until a determination is made. Additionally, the Center has filed a claim with DMR's bonding company.

The Center's lack of management oversight at the business office resulted in certain internal controls not being adhered to. This created an environment that allowed an individual to circumvent established procedures and perpetrate fraudulent activities resulting in theft.

Recommendation

The Irving A. Glavin Regional Center should adhere to the internal control guidelines promulgated by GAAP, DMR, and the OSC. Specifically, segregation of duties should be a key element in the purchasing and payment cycle. Individuals who are allowed to make purchases should not be allowed to participate in the bill payment process. Additionally, the Center should ensure that the individual who prepares the payment vouchers is not the same individual who enters the payment vouchers into the Commonwealth's payment system, and all payment vouchers should be reviewed and approved by management. In addition, management should conduct periodic reviews of the internal controls and adherence to them.

Auditee's Response

Region II has reorganized its Business Offices. At the time of the audit, the Region had three (3) distinct Business Offices, one located at each Facility in the Region, those being the Glavin Regional Center in Shrewsbury, the Monson Developmental Center in Palmer and the Templeton Developmental Center in Baldwinville. Region II now has one Business Office and it is housed at the Monson Developmental Center. . . .

[The organizational chart for the Region II] Business Office . . . clearly delineates the segregation of duties among the staff. . . . The duties are distinct and those staff that prepare the Payment Vouchers (PV's) are not the same staff that data enter them for payment. Purchasing Staff do not enter vouchers for payment.

The Region II Policy for purchasing and payments is . . . currently operational in the Region. This policy gives us another layer of review and hopefully would detect any fraudulent purchases made by staff at retail stores since the actual register tape is to be reviewed by the authorized staff person prior to the paperwork being submitted for payment.

The Business Office has also instituted a system whereby all PV's entered are reviewed the following day. This post audit of our invoices allows us to review the previous day's activity and determine if a payment has been made erroneously or fraudulently.

Finally, the Regional Operations Manager will make periodic reviews of the Business Office and determine if these guidelines are being followed.

b. Inadequate Controls over Credit Cards Resulted in Unauthorized Purchases Totaling \$11,807

During our review period the Center had 119 business credit cards with nine vendors with which \$149,154.71 was charged, as illustrated below.

<u>VENDOR</u>	<u>NO. OF CARDS</u>	<u>NO. OF ASSIGNED CARDS</u>	<u>NO. OF SPARE CARDS</u>	<u>TOTAL EXPENDED FY 2001</u>	<u>TOTAL EXPENDED FIRST QUARTER 2002</u>
Barnes & Noble	2	2	0	\$ 103.64	-
Borders Books	2	2	0	476.01	\$ 79.95
CVS	2	2	0	108.33	-
Home Depot	4	4	0	40,127.41	12,231.24
Sears	2	2	0	13,361.46	1,497.56
Staples	4	4	0	2,146.25	857.56
Sunoco – The Fleet Card	3	3	0	2,698.56	1,086.93
Target	1	1	0	-	3,107.00
Wal-Mart	99	52	47	57,838.48	13,434.33
Totals	<u>119</u>	<u>72</u>	<u>47</u>	<u>\$116,860.14</u>	<u>\$32,294.57</u>

During our audit we reviewed the internal controls that the Center established over credit card payments and the safeguarding of spare (unassigned) credit cards. Based upon our review, we determined the Center did not establish adequate control measures, enabling an employee to make unauthorized purchases. According to the Center's Chapter 647 report, fraudulent credit card transactions totaled \$11,169. However, our review of credit card transactions detected an additional \$638 in unauthorized transactions, bringing the aggregate total to \$11,807.

The Center establishes credit card accounts with selected vendors to facilitate and expedite daily routine operating expenses for the Center's community homes, as well as for necessary business office expenses. Credit cards were assigned to employees at the community homes, and spare credit cards were placed in a desk drawer in the business office. The Center maintained an inventory listing of all assigned credit cards located in the various community homes by employee name, type of credit card, and applicable credit card account number. However, the Center did not safeguard the unassigned spare credit cards left in the business office. Specifically, 47 Wal-Mart credit cards remained in a desk drawer, which according to officials was locked, in the business office. Although the Center provided us with its written policies and procedures for credit card usage, we noted that they contained no control measures for the safeguarding of unassigned or spare credit cards.

Prudent business practices advocate that unassigned credit cards be stored in a secure place, an inventory listing of each card be maintained, and that a sign-out sheet be established to indicate which employee is authorized to make purchases with the credit card to prevent unauthorized usage. However, the Center did not adequately control these spare credit cards, did not inventory them, and did not establish a sign-out sheet when credit cards were used by employees of the business office. When questioned why the business office would need so many credit cards, Center officials stated that Wal-Mart requires all its business customers to be issued a minimum of 99 cards to establish a credit account. These officials added that, although business-related purchases are necessary, it was not necessary to retain 47 spare credit cards. When asked why the spare cards were not destroyed, the officials stated that, although they had considered doing so, they never carried out the proper action.

Because the Center did not destroy or adequately safeguard these spare (unassigned) credit cards, an employee of the business office was able to make unauthorized purchases totaling \$11,807 using two of the spare Wal-Mart credit cards held in the business office, during the period July 10, 2001 to September 18, 2001.

Moreover, the employee who made these unauthorized credit card purchases was also able to intercept the August monthly credit card bill from Wal-Mart because, as previously noted, the business office duties were inadequately segregated. Hence, the Center was unaware of the fraudulent Wal-Mart credit card purchases made by the clerk at the time she was suspended on August 27, 2001. As a result, fraudulent Wal-Mart purchases made from July 10, 2001 to August 27, 2001 totaling \$5,664 remained undetected by the Center until the clerk's arrest on September 19, 2001. Moreover, after the clerk's arrest, the Center realized that the clerk possessed a spare unassigned Wal-Mart credit card and was able to make additional fraudulent charges of \$5,505, bringing the total to \$11,169. Based upon our review of all Wal-Mart purchases, we ascertained that this clerk made \$11,807 in fraudulent purchases.

The Center notified Wal-Mart on September 20, 2001, that the Center was terminating its credit card accounts.

Recommendation

The Center should amend its current written guidelines over credit card usage to include internal control measures over the safeguarding of unassigned or spare credit cards. Specifically, unassigned credit cards should be locked and inventoried. In addition, a sign-out sheet should be established indicating the credit card number, name of the employee using the card, dates signed out and returned, and the type and amount of purchase made. Moreover, the number of spare or unassigned credit cards should be reviewed and only a minimum be maintained. Additionally, the Center should ensure that duties are adequately segregated so that individuals who make credit card purchases do not also review or reconcile the monthly credit card bills.

Auditees Response

Currently, Region II is not doing business with Wal-Mart as there is a discrepancy in the billing which we are reconciling. All Wal-Mart credit cards have been destroyed with the exception of ten (10) cards which are currently kept in a safe in our Revenue Office in the Region. There are no credit cards in the Community Homes except the Commonwealth VISA cards assigned to specific individuals. All other retail store credit cards are also kept in the safe in the Revenue Office. An inventory of these cards is kept by the Operations Manager. For the Business Office located at the Monson Developmental Center, cards are also kept in a safe with the inventory kept by the Business Manager. Credit cards have not, as yet, been assigned to our Area Offices. This will happen some time in Fiscal Year 2003.

The Region's policy regarding the use of retail store credit cards states that cards must be kept in a secure location and be inventoried daily. A sign out/sign in log is attached to the policy and is used every time a card is given to staff.

Finally, the Credit Card statements received each month are reviewed by the Business Manager to ensure that all charges are documented prior to the processing for payment.

APPENDIX I

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

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Chapter 647

THE COMMONWEALTH OF MASSACHUSETTS

In the Year One Thousand Nine Hundred and Eighty-nine

AN ACT RELATIVE TO IMPROVING THE INTERNAL CONTROLS WITHIN STATE AGENCIES.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

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

(A) Internal control systems of the agency are to be clearly documented and readily available for examination. Objectives for each of these standards are to be identified or developed for each agency activity and are to be logical, applicable and complete. Documentation of the agency's internal control systems should include (1) internal control procedures, (2) internal control accountability systems and (3), identification of the operating cycles. Documentation of the agency's internal control systems should appear in management directives, administrative policy, and accounting policies, procedures and manuals.

(B) All transactions and other significant events are to be promptly recorded, clearly documented and properly classified. Documentation of a transaction or event should include the entire process or life cycle of the transaction or event, including (1) the initiation or authorization of the transaction or event, (2) all aspects of the transaction while in process and (3), the final classification in summary records.

(C) Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority. Authorizations should be clearly communicated to managers and employees and should

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include the specific conditions and terms under which authorizations are to be made.

(D) Key duties and responsibilities including (1) authorizing, approving, and recording transactions, (2) issuing and receiving assets, (3) making payments and (4), reviewing or auditing transactions, should be assigned systematically to a number of individuals to ensure that effective checks and balances exist.

(E) Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved. The duties of the supervisor in carrying out this responsibility shall include (1) clearly communicating the duties, responsibilities and accountabilities assigned to each staff member, (2) systematically reviewing each member's work to the extent necessary and (3), approving work at critical points to ensure that work flows as intended.

(F) Access to resources and records is to be limited to authorized individuals as determined by the agency head. Restrictions on access to resources will depend upon the vulnerability of the resource and the perceived risk of loss, both of which shall be periodically assessed. The agency head shall be responsible for maintaining accountability for the custody and use of resources and shall assign qualified individuals for that purpose. Periodic comparison shall be made between the resources and the recorded accountability of the resources to reduce the risk of unauthorized use or loss and protect against waste and wrongful acts. The vulnerability and value of the agency resources shall determine the frequency of this comparison.

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

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

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by the agency management in response to an audit and (4), all actions determined by the agency management as necessary to correct or otherwise resolve matters will be addressed by the agency in their budgetary request to the general court.

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

House of Representatives, December 21, 1989.

Passed to be enacted, *George Luvaan*, Speaker.

In Senate, December 22, 1989.

Passed to be enacted, *William W. Budge*, President.

January 3, 1990.

Approved, *Richard H. Kiah* Governor.

APPENDIX II

Chapter 647 Awareness Letter from the State Auditor and the State Comptroller



The Commonwealth of Massachusetts

Office of the State Auditor
State House
Boston, MA 02133

Office of the Comptroller
One Ashburton Place
Boston, MA 02108

September 19, 2000

Legislative Leadership
Judicial Branch Administrators
Elected Officials
Secretariats
Department Heads

The State Auditor and the Comptroller are both committed to departmental improvements in the Internal Control structure of the Commonwealth. A good system of controls, as you know, assists management in meeting objectives while avoiding serious problems. Chapter 647 of the Acts of 1989, *An Act Relative To Improving Internal Controls Within State Agencies*, establishes acceptable Internal Control systems for state government operations and constitutes the criteria against which we will evaluate internal controls. With the passage of this law, we began a campaign to educate all department staff on the significant role of internal controls in department operations.

In the past few years, departments have made significant progress in the area of internal controls. Every department has certified that they have documented internal controls in the form of an Internal Control Plan. In Fiscal Year 2001, we are focusing our Internal Control Campaign on the review of department risk assessments, as documented within the departments' internal control plans. Internal control plans must, of course, include all aspects of a department's business, programmatic operations as well as financial.

A major requirement of Chapter 647 is that "an official, equivalent in title or rank to an assistant or deputy to the department head, shall be responsible for the evaluation of the effectiveness of the department's internal controls and establish and implement changes necessary to ensure the continued integrity of the system". This official, whom we refer to as the Internal Control Officer, is responsible for ensuring that the plan is evaluated annually or more often as conditions warrant.

During this annual Statewide Single Audit, we continue with our review of the Commonwealth's internal controls. We analyze and evaluate information obtained during the audit process in our continuing effort to educate agencies regarding both the need for internal controls and the risks of not having adequate internal controls in place.

Chapter 647 Awareness Letter from the State Auditor and the State Comptroller

To assist departments with this effort, we provide the following support activities:

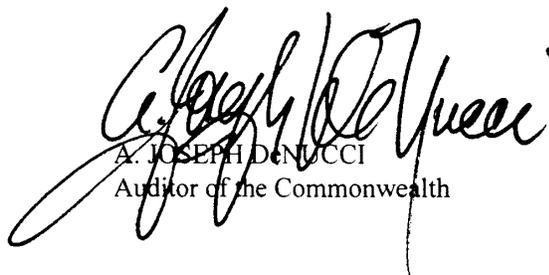
- ◆ The Office of the Comptroller offers departments free monthly training on internal controls. These classes are listed in the *OSC Training Bulletin*.
- ◆ The Office of the Comptroller provided a new document entitled the *Internal Control Guide for Managers* on the Office of the Comptroller's Web page: <http://www.osc.state.ma.us/>. Part II of the guide will be available shortly and will replace the current *Internal Control Guide for Departments*, currently available on the Web.
- ◆ Upon request, the Office of the Comptroller provides assistance to departments in the process of redefining or reviewing their internal control plans.
- ◆ As part of the Statewide Single Audit, auditors will review and comment upon departments' internal control plans, risk assessments, and the reporting level of the Internal Control Officers.
- ◆ We have updated and automated the Internal Control Questionnaire (ICQ) for easier submission. These changes to the ICQ will enable OSA and OSC to evaluate department internal controls and monitor their progress.

Chapter 647 also requires that "all unaccounted for variances, losses, shortages, or thefts of funds or property be immediately reported to the Office of the State Auditor" (OSA). The OSA is required to determine the amount involved and the internal control weaknesses that contributed to or caused the condition, make recommendations for corrective action, and make referrals to appropriate law enforcement officials. In order to comply with this law instances must be reported on the *Report on Unaccounted for Variances, Losses, Shortages, or Thefts of Funds or Property* and be submitted to the OSA. Reporting forms can be obtained by contacting the Auditor's office, Room 1819, McCormack State Office Building, or Web Site:

<http://www.magnet.state.ma.us/sao/>.

In conjunction with the above requirement, please note that management is responsible for financial records and systems and must inform, disclose and make representations to the auditors with regards to their management of funds, account activities, programs and systems.

The Offices of the State Comptroller and the State Auditor are committed to the goal of improving the Internal Control structure of the Commonwealth. Thank you for your cooperation and attention on this worthwhile task. Please do not hesitate to call upon the staff of either office for assistance.



A. JOSEPH D. NUCCI
Auditor of the Commonwealth



MARTIN J. BENISON
State Comptroller

APPENDIX III

Glavin Regional Center Schedule of Alleged Thefts

<u>DATE</u>	<u>VENDOR</u>	<u>AMOUNT</u>	<u>ITEMS PURCHASED</u>
7/10/2001	WalMart	\$ 495.84	VHS-C CAMC, 19" CTV, misc
7/12/2001	WalMart	\$ 309.66	Cigs, PPD Phone Cards, Phone, misc
7/15/2001	WalMart	\$ 442.40	Sanyo 31" CTV, misc
7/16/2001	WalMart	\$ 523.38	Sony
7/17/2001	WalMart	\$ 393.75	Pan. VHS-C
7/21/2001	WalMart	\$ 80.15	misc
7/27/2001	WalMart	\$ 209.85	CD Player
7/28/2001	WalMart	\$ 138.18	Pellet guns, ammo
7/29/2001	WalMart	\$ 471.45	10000 BTU Grill
8/7/2001	WalMart	\$ 279.11	misc
8/22/2001	WalMart	\$ 523.38	Sony
8/23/2001	WalMart	\$ 361.41	Emerson 19" CTV, 5CD Player, misc
8/24/2001	WalMart	\$ 216.71	PPD Cell Card, misc auto supplies
8/25/2001	WalMart	\$ 503.12	5 DVD/CD Stereo, misc
8/26/2001	WalMart	\$ 566.67	Pan. Home Theater, misc
8/27/2001	WalMart	\$ 627.90	Computer
9/5/2001	WalMart	\$ 524.97	Pan. Home Theater
9/6/2001	WalMart	\$ 676.38	Digital Camera, PPD Cell Card
9/7/2001	WalMart	\$ 240.14	PhotoSmart, misc
9/7/2001	WalMart	\$ 524.86	Digital Camera
9/8/2001	WalMart	\$ 573.35	Digital Camera, misc
9/9/2001	WalMart	\$ 733.95	1/2 Carat Diamond Ring
9/11/2001	WalMart	\$ 495.57	Misc Stereo Equipment
9/12/2001	WalMart	\$ 627.90	Computer
9/13/2001	WalMart	\$ 628.95	Sanyo 35" CTV
9/18/2001	WalMart	\$ 638.26	Stereo Equipment
	TOTAL WALMART	\$ 11,807.29	
<u>DATE</u>	<u>VENDOR</u>	<u>AMOUNT</u>	<u>ITEMS PURCHASED</u>
5/7/2001	Spag's	\$ 350.44	3 CD Recorders, misc
5/16/2001	Spag's	\$ 369.99	18V Hammer Drill Recip Saw Kit
6/5/2001	Spag's	\$ 398.00	2 DVD Players
6/18/2001	Spag's	\$ 369.99	Cordless Sawzall Saw
6/20/2001	Spag's	\$ 349.00	CD Player
7/1/2001	Spag's	\$ 419.99	32" Stereo CTV
7/3/2001	Spag's	\$ 200.78	DVD Player, misc
7/11/2001	Spag's	\$ 399.98	2 DVD Players
7/30/2002	Spag's	\$ 749.98	Rotary Hammer, 14.4V Drill & Saw Kit
8/8/2001	Spag's	\$ 650.03	DVD Player, Cordless Saw
8/9/2001	Spag's	\$ 323.54	Mitre Saw, misc
8/13/2001	Spag's	\$ 499.99	Demolition Hammer
8/19/2001	Spag's	\$ 406.96	Pressure Washer & Supplies
8/24/2001	Spag's	\$ 420.78	Electronics, misc
	TOTAL SPAG'S	\$ 5,909.45	

Glavin Regional Center Schedule of Alleged Thefts

<u>DATE</u>	<u>VENDOR</u>	<u>AMOUNT</u>
8/7/2001	NE Telephone	\$ 249.89
8/7/2001	NE Telephone	\$ 249.90
10/25/2000	NE Telephone	\$ 271.63
	TOTAL NE TELE	\$ 771.42
<u>DATE</u>	<u>VENDOR</u>	<u>AMOUNT</u>
8/21/2001	Mass Electric	\$ 371.31
8/21/2001	Mass Electric	\$ 370.81
	TOTAL MASS ELEC	\$ 742.12
	<u>TOTAL</u>	\$ 19,230.28