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**INDEPENDENT STATE AUDITOR'S REPORT
ON PAYROLL ACTIVITIES OF THE
MASSACHUSETTS COMMISSION FOR THE DEAF
AND HARD OF HEARING
JULY 1, 2007 THROUGH JANUARY 31, 2008**

**OFFICIAL AUDIT
REPORT
JULY 18, 2008**

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The Massachusetts Commission for the Deaf and Hard of Hearing (MCDHH), within the Executive Office of Health and Human Services, was established under the authority of Chapter 6, Section 192, of the Massachusetts General Laws. MCDHH is the principal agency in the Commonwealth on behalf of people of all ages who are deaf and hard of hearing. MCDHH is mandated to promulgate and coordinate public policy; deliver technical assistance and resources for other state agencies as needed; and provide or ensure provision of direct specialized services, including, but not limited to, case management, interpreter services, technology services (including telecommunication and assistive listening devices), independent living services, information services, and such other services as it determines are needed. The MCDHH is also mandated to increase public awareness, determine the need and quality of existing services, recommend new services as needed, and make recommendations to the Governor. The mission of MCDHH is to enable deaf and hard-of-hearing individuals to have equal access to information, services, education, and opportunities, enabling each deaf and hard of hearing individual to live productively and independently.

MCDHH had 70 employees with payroll costs of \$1,790,392 during the audit period.

We conducted an audit of MCDHH payroll expenditures for the period July 1, 2007 through January 31, 2008 to determine whether (1) payroll expenditures were properly authorized, paid in a timely manner, complied with rules and regulations, and were appropriately recorded, reconciled, and within budget; (2) the MCDHH was complying with procedures established in the Office of the State Comptroller's Payroll Policies and Procedures Manual and applicable laws and regulations; and (3) MCDHH personnel were complying with MCDHH internal policies and procedures.

Our review determined that, during the period July 1, 2007 through January 31, 2008, the MCDHH maintained its payroll records according to prescribed requirements and complied with applicable laws, rules, and regulations for those areas reviewed.

INTRODUCTION

Background

The Massachusetts Commission for the Deaf and Hard of Hearing (MCDHH), within the Executive Office of Health and Human Services, was established under the authority of Chapter 6, Section 192, of the Massachusetts General Laws. MCDHH is the principal agency in the Commonwealth on behalf of people of all ages who are deaf and hard of hearing. MCDHH is mandated to promulgate and coordinate public policy; deliver technical assistance and resources for other state agencies as needed; and provide or ensure provision of direct specialized services, including, but not limited to, case management, interpreter services, technology services (including telecommunication and assistive listening devices), independent living services, information services, and such other services as it determines are needed. The MCDHH is also mandated to increase public awareness, determine the need and quality of existing services, recommend new services as needed, and make recommendations to the Governor.

The mission of MCDHH is to enable deaf and hard of hearing individuals to have equal access to information, services, education, and opportunities, enabling each deaf and hard of hearing individual to live productively and independently.

The MCDHH organizational structure includes its executive office and three regional offices responsible for specific geographical areas that, when combined, cover the entire Commonwealth, as follows:

- Executive Office (Dorchester)
- Southeastern Massachusetts Regional Office (Plymouth)
- Western Massachusetts Regional Office (Springfield)
- Central Massachusetts Regional Office (Worcester)

MCDHH had 70 employees with payroll costs of \$1,790,392 during the audit period.

Commonwealth Personnel/Payroll System

Pursuant to Chapter 7A of the General Laws, the Office of the State Comptroller (OSC) has the responsibility for establishing the Commonwealth's accounting system and has full authority to prescribe the requisite forms and books of account, including the classification and accounting of payroll expenditures. The OSC is authorized to approve any payroll system used in the

Commonwealth to ensure that the statewide system is capable of recording, reporting, classifying, summarizing, and transmitting accurate and timely payroll data to the Commonwealth's accounting system, the Massachusetts Management Accounting and Reporting System (MMARS). Additionally, the payroll system approved by the OSC must meet all state and federal financial laws and regulations. The OSC manages the Commonwealth's payroll system, and Office of the State Treasurer disburses all deductions and payments.

The Commonwealth's payroll system is the Human Resources Compensation Management System (HR/CMS), which incorporates human resource/personnel and time and attendance information. It is a biweekly payroll system that supports all employees in all branches of government. HR/CMS provides enhanced functionality for state human resources and payroll administrators and ensures conformity to state and federal financial and legal requirements. HR/CMS payroll interfaces biweekly with the Commonwealth's Labor Cost Management System (LCM) for funds availability, editing and labor distribution, and then updates the Commonwealth's accounting system, MMARS.

The HR/CMS system integrates all applicable human resource data and time and attendance information each time payroll and pay calculations are run. HR/CMS has a module that integrates and reports employees' accumulated leave balances.

The OSC has established payroll policies and procedures, and each department is required to develop specific internal controls for its payroll processing. These specific internal controls are a decentralized function that is carried out on an individual department basis with both the executive and non-executive branches. Such decentralized controls include, but are not limited to, the preparation of employee time sheets, segregation of duties, review and approval procedures, new hire/termination procedures, and specific security guidelines that ensure compliance with the OSC's policies and procedures. Furthermore, as specified in the Internal Control Act (Chapter 647 of the Acts of 1989), internal procedures should ensure safeguards, validity, completeness, timeliness, authorization, and accuracy of all information processed through the payroll systems. Departments are responsible for documenting and distributing internal procedures to their staff in order to ensure compliance with these policies within their Department. Furthermore, OSC has developed many reports within HR/CMS that can be accessed through the MMARS Warehouse (a database of accounting information) to assist departments in their preparation and certification of payroll data.

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the General Laws, we conducted an audit of the MCDHH payroll expenditures for the period July 1, 2007 through January 31, 2008. The purpose of our audit was to examine the MCDHH processing of personnel and payroll transactions to determine whether transactions were properly managed, documented, reported, and recorded, and that the MCDHH complied with applicable state laws, rules, and regulations. Our audit included a review of policies and procedures over the processing of payroll transactions to determine whether the expenditures for payroll were appropriate, including proper authorizations and records for personnel actions.

Our audit was conducted in accordance with applicable generally accepted government auditing standards and included tests and procedures we considered necessary to meet our audit objectives. In order to plan our audit tests, we met with and interviewed MCDHH officials to obtain and review personnel and payroll policies and procedures.

The objectives of our audit were to (1) ensure that payroll expenditures were a) properly authorized, paid in a timely manner, complied with rules and regulations, and were appropriately recorded, reconciled, and within budget; (2) determine whether the MCDHH was complying with procedures established in the OSC's Payroll Policies and Procedures Manual and applicable laws and regulations; and (3) determine whether MCDHH personnel were complying with MCDHH internal policies and procedures.

To meet our objectives, our procedures consisted of the following:

- Interviewed MCDHH officials and staff to determine the MCDHH's personnel and payroll policies and procedures;
- Tested transactions for time and attendance, the hiring and termination of staff, salary increases, overtime and compensatory time, and contract employees;
- Examined timesheets for evidence of time worked, employee and supervisory signatures;
- Reviewed new hire authorization forms for appropriate signatures and rates of pay;
- Confirmed start dates, names, social security numbers, and tax withholding information;

- Confirmed deductions for union dues, Medicare, health insurance, deferred compensation, and retirement;
- Verified pay increases, termination dates, last payment due, and removal of terminated employees from payroll;
- Verified that leave taken was authorized and recorded in cumulative records;
- Verified that overtime and compensatory time were authorized; and
- Reviewed contracts of contract employees to determine appropriate personal information for tax reporting, scope of work, length of contract, maximum obligation, and that payments were for time spent on contract work and complied with contract terms.

Our review revealed that during the period July 1, 2007 through January 31, 2008, the MCDHH maintained its payroll records according to the prescribed requirements and complied with applicable laws, rules, and regulations for those areas reviewed and tested. Specifically, for the items tested we noted that transactions for time and attendance, hiring of new staff, terminations, salary increases, and overtime and compensatory time were supported by evidence of time worked, were appropriately signed by employees and supervisors, dates appeared to be accurate, deductions were adequately supported and authorized, and leave was accurately recorded for tax-reporting purposes. Additionally, the tested contract employee payrolls were appropriately supported and complied with contract terms.