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

**OFFICIAL AUDIT
REPORT
APRIL 30, 2010**

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INTRODUCTION

Background

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

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

The Bristol Sheriff's Office (BSO) ensures protection of the community by providing a safe and secure environment, as well as correctional and educational services at its facilities. The BSO received funding for fiscal year 2010 to operate a jail, house of correction, and any other statutorily authorized facilities and functions. There are approximately 591 employees staffing the BSO. Its facilities have an inmate capacity of 1,527 and during January 2010 it had an inmate census of 1,322 inmates. This includes state and county inmates, as well as federal detainees who are being held for United States Immigration and Customs Enforcement (ICE) and the United States Marshals Service.

The BSO is responsible for operating all aspects of the facilities, which include the house of correction and jail, women's center, and ICE detention center. These facilities are located at 400 Faunce Corner Road in North Dartmouth. The BSO also operates the Ash Street Jail & Regional Lock-up at 226 Ash Street, New Bedford. In addition, the BSO has a juvenile alternative lock-up center located at 323 Mill Street in New Bedford.

The BSO has several departments in addition to the Correctional Facility, including the Homeland Security Department, the Public Programs Department, the Community Services Department, and the Civil Process Division. The Public Programs Department offers programs that teach responsibility and encourage changes in behavior, such as drug abuse awareness and prevention of cyber bullying. The Homeland Security Department endeavors to coordinate services in the event of natural disasters or terrorist attacks. The Community Services Department provides victim services, as well as children's fingerprinting and iris scanning. The Civil Process Division delivers legal notices and court papers from all Massachusetts courts, as well as from the various courts in other states or counties.

The BSO has approximately 74 programs, including community relations programs and public safety programs. There are 52 inmate programs for education, enrichment, substance abuse treatment, violence prevention, vocational training, reintegration, and religion. There are 22 community programs for community outreach, education, public safety, public safety and support for community police departments, and victims of crime.

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

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

The serving of the civil process, in accordance with Chapter 262 of the General Laws, includes such activities as serving summonses, warrants, subpoenas, and other procedures requiring legal notification. The Civil Process Division, a separate division of the BSO, has two offices. The main office is located at 108 Court Street in New Bedford and another smaller branch is at 4 Court Street in Taunton. This division delivers legal notices and Court papers from all Massachusetts Courts, as well as from the various Courts in other states or counties. They are legally capable to serve civil process in all 20 towns within Bristol County. The services vary from small claims matters to multi-million dollar real estate attachments and major Superior Court matters. The Civil Process Division, under a Chief Deputy Sheriff, consists of approximately 13 Deputy Sheriffs on call along with nine support and clerical staff. The

division's operations as controlled by the Massachusetts General Laws are specialized. Attorneys or individual plaintiffs, under a statutory-fee structure, pay for the service. The Civil Process Division handles approximately 35,600 services per year.

Audit Scope, Objectives, and Methodology

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

The purpose of the audit was to:

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

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

- Reviewed Chapter 61 of the Acts of 2009, Chapter 102 of the Acts of 2009 and other applicable laws, rules, regulations, and policies relating to the transfer of the BSO;
- Met with the Bristol County Sheriff, County Treasurer, County Commissioner and other Sheriff's Office and county officials;
- Met with officials from the Executive Office for Administration and Finance, Office of the State Comptroller, Division of Capital Asset Management, Office of the State Treasurer, Public Employee Retirement Administration Commission, Group Insurance Commission, and other Commonwealth officials;
- Reviewed and tested payroll and personnel records transferred;
- Reviewed and verified terms and conditions of transferred employee benefits coverage for continuation and compliance as specified in Chapter 61 of the Acts of 2009;

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

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

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

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

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

Chapter 61, Section 22, of the Acts of 2009 establishes a Special Commission to investigate and study all Sheriff's Offices throughout the Commonwealth and make recommendations for possible reorganization or consolidation of operations, administration, regulation, governance, and finances, including recommending legislation. Section 22 delineates the composition of the special commission and its mission as follows:

Notwithstanding any general or special law to the contrary, there shall be a special commission to consist of 9 members: 1 of whom shall be a member of the Massachusetts Sheriffs Association; 2 of whom shall be appointed by the speaker of the house of

representatives; 1 of whom shall be appointed by the minority leader of the house of representatives; 2 of whom shall be appointed by the president of the senate; 1 of whom shall be appointed by the minority leader of the senate, and 2 of whom shall be appointed by the governor for the purpose of making an investigation and study relative to the reorganization or consolidation of sheriffs' offices, to make formal recommendations regarding such reorganization or consolidation and to recommend legislation, if any, to effectuate such recommendations relating to the reorganization, consolidation operation, administration, regulation, governance and finances of sheriffs' offices..

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

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

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

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

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

AUDIT RESULTS

1. TRANSITION STATUS OF SHERIFF, PERSONNEL, AND PAYROLL

Sheriff Compensation

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

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

Prior to the transfer, the Sheriff received salary payments from July 1, 2009 to December 23, 2009 of \$58,287 and received no other forms of additional compensation including any longevity pay, sick, vacation, or other leave accruals maintained or transferred for the Sheriff. Moreover, the Sheriff received an increase in compensation on January 1, 2010 that increased his annual salary from \$116,574 to \$123,209. It should be noted that there was an accrual balance of sick leave (900 hours) and personal time (24 hours) transferred to the Commonwealth of Massachusetts Human Resource Compensation Management System (HR/CMS) for the Sheriff. We brought this to the attention of Bristol Sheriff's Office (BSO) officials, who took immediate corrective action and stated that this was an error and that going forward the Sheriff will have no accruals.

Personnel and Payroll

There were a total of about 522 employees at the BSO, including Civil Process Division employees, for the initial six months of fiscal year 2010. These employees were paid \$13,004,105 from July 1, 2009 to December 19, 2009 under the county system. As of December 19, 2009, these 522 BSO employees are now being paid through the HR/CMS.

Since the transition, approximately 69 other employees have been added into Commonwealth's HR/CMS payroll system. These additions came from contractual deputies, contractual teachers/education staff, the hiring of full-time employees, and a correction officer academy that ran after the payroll transition date. Therefore, the number of BSO employees currently paid through the Commonwealth's HR/CMS system is approximately 591 employees.

As part of our review of the transferred employees, we randomly selected a sample of 25 employees from the total of 591 BSO employees. We reviewed payroll information and leave balances transferred from the BSO county payroll for the period ended December 19, 2009 for comparison to the Commonwealth of Massachusetts HR/CMS payroll for the period ended January 2, 2010.

We reviewed and analyzed the listing of all employees by title, full-time or part-time status, pay rate, longevity, roll call rate of pay, education incentive, employee portion of Medicare, court-ordered deductions, retirement deductions, union dues deductions, collective bargaining agreements, and non-union and other payroll-related information to determine whether all of the payroll information was transferred properly from the county to the HR/CMS. Our testing found minor discrepancies for the selected employees. We brought this to the attention of the BSO officials, who immediately corrected these issues and indicated that they are reviewing the remaining personnel payroll records for similar occurrences.

We then reviewed the transferred employees' benefit accruals to verify the accuracy of the transition from county to the Commonwealth. We analyzed employee compensation time, personal time, sick time, and vacation time. Our testing of these accruals indicated that there were discrepancies in the County Treasurer's Office records and in the BSO payroll systems prior to the transfer. The benefit accruals that were transferred to HR/CMS came from the BSO payroll system and in numerous instances did not reconcile to the County Treasurer's Office and BSO accrual records. We brought this to the attention of the BSO Payroll Department, which did a comprehensive review of accruals for all employees. It was noted that there were over 12,800 hours of sick time, 1,700 hours of vacation time, and 45 hours of personal time that did not reconcile in the two systems. The BSO and the County Treasurer's Office were reviewing all discrepancies and anticipated that all variances would be reconciled before the end of the fiscal year.

Also, we reviewed the state rates for Group Insurance Commission (GIC) benefits and calculated percentages of health insurance costs that employees would pay depending on their bargaining unit or non-union status. Our review disclosed that all union employees' health insurance premium percentage was 5%, per union agreement, and remained as such after the transfer. Non-union employees' health insurance premium percentage was also 5% before the

transfer, but increased the state rate to 20% or 25% depending on hire date after the transfer, because these employees had no contractual agreement. We reviewed these health insurance premium percentages for the 25 employees sampled and found no discrepancies in the transfer of these benefits from the county to the Commonwealth.

Finally, we reviewed BSO policies and procedures regarding maintenance of personnel and payroll records. We reviewed a sample of BSO personnel files and found that they were in compliance with the BSO personnel policy. We also found that the payroll and personnel records for the BSO are maintained on site in the Human Resource office in fire-safe locked cabinets.

Recommendation

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

Auditee's Response

Although the County was the primary keeper of the time and leave records for BSO employees, the ANF/Human Resource Division transferred time and leave information from BSO which were basically back-up records, updated periodically for reconciliation with official County records. Had the County's primary time and leave records been used, there would not have been any discrepancy, as noted above. BSO HR Personnel immediately addressed this situation and as of March 19, 2010 the payroll records in HR/CMS have been corrected and are now accurate.

The BSO Assistant Deputy Sheriff (ADS) has been assigned to update policies and procedures that are in compliance with internal controls required due to the transfer to the State.

2. TRANSITION STATUS OF ASSETS TRANSFERRED

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

Cash

We reviewed the status of the cash accounts that were to be transferred in accordance with the transition. The BSO County Appropriation Account, referred to as the Jail Account, was maintained by the County Treasurer as of December 31, 2009. We reviewed the status of this account on January 1, 2010 and again on March 16, 2010 and identified the cash balance was \$1,361,155, which was expected to be the final balance inclusive of all anticipated revenue and expenses. This account plus interest accrued in the amount of \$1,365,232 was deposited with the Office of the State Treasurer (OST) on March 19, 2010 as final settlement of the transfer.

The BSO also controls a significant amount and diverse group of funds that are not to be transferred to the Commonwealth. The following is a listing of all non-state cash, checking, savings, and all other bank accounts that were controlled and in the custody of the BSO as of December 31, 2009. The respective account names, purpose, and amounts of those funds are listed below as they appear after the transition date:

<u>ACCOUNT NAME</u>	<u>PURPOSE</u>	<u>BALANCE 01/01/2010</u>
Trustee Funds Account	Inmates' Commissary/Cash Accounts (included cost of care monies)	\$1,235,183
Commissary Account	Inmates' Commissary and Supplies	991,901
Work Detail-Revolving Account	Law Enforcement Deputy Details	71
Law Enforcement Collaborative	Funds received from regional lock-ups from cities and towns	2
Federal Equitable Sharing Fund	Funds received from federal forfeitures, seizures, and drug busts	397,754
Federal Equitable Sharing DMB	Funds transferred from the Federal Equitable Sharing Fund to be readily available for drug busts	8,504
South Coast Anti-Crime Team	Funds received from forfeitures, seizures, and drug busts	239
Accessories Account	Sheriff's Department logo Items	<u>4,134</u>
TOTAL		<u>\$2,637,788</u>

We also reviewed other BSO cash, checking, savings, and all other bank accounts that were still controlled and in the custody of the Bristol County Treasurer's Office and determined that several BSO accounts were not transferred as of January 1, 2010. We followed up on the status of these accounts with the Bristol County Treasurer's Office and determined that the accounts were still not transferred to the custody of the BSO as of March 16, 2010, as follows:

Fund Name	Balance
Immigration and Customs Enforcement	\$142,179
Civil Process	175,099
Law Enforcement Collaborative	52,268
Federal Equity Sharing Account	71,688
Bristol County Sheriff's Grants	324,729
Witness Fee Account	<u>4,854</u>
Total	<u>\$770,817</u>

We brought this matter to the attention of BSO officials, who stated that they were in the process of having all funds transferred over to their control, except for civil process revenue. The Civil Process Division is in the process of entering into an agreement with the County Treasurer's Office to maintain its accounts.

Accounts Receivable

The BSO maintained accounts receivable for grants that totaled \$295,717 as of January 1, 2010, as follows:

Name	Amount
ABE	\$32,415
ABE 11	3,866
Fall River Shannon	25,590
HIV	26,503
HIV	47,308
H1N1	1,150
N.E. Grassroots	1,000
Peaceworks	1,000
Perkins	10,100
SCAAP	33,198
Shannon Re-Entry	30,542
Shannon Drug	15,664
Title 1	27,633
VAWA	2,940
WSA	15,775
WSA	21,033
JALP	\$0
Total	<u>\$295,717</u>

According to BSO officials, these were the only formal accounts receivable maintained prior to the transition date of on January 1, 2010. However, as noted in this report, the County Treasurer controls these accounts with significant balances as of January 1, 2010. The BSO was aware of this, but did not maintain its own financial reporting of these accounts because they relied on the County Treasurer to do so. The BSO is currently working on setting up accounts receivable in the Office of the State Comptroller's (OSC) Massachusetts Management Accounting and Reporting System (MMARS) as part of its new responsibilities of becoming a state entity.

Property and Equipment

The BSO is situated on properties in North Dartmouth and New Bedford. These properties and the associated administrative offices were to be transferred to the Commonwealth under Chapter 61, Section 7, of the Acts of 2009, as follows:

Notwithstanding any general or special law to the contrary, all rights, title and interest in real and personal property, including those real properties improved upon through construction overseen by the division of capital asset management and maintenance and paid with commonwealth funds and which are controlled by the office of a transferred sheriff on the effective date of this act including, without limitation, all correctional facilities and other buildings and improvements, the land on which they are situated and any fixtures, wind turbines, antennae, communication towers and associated structures and other communication devices located thereon or appurtenant thereto shall be transferred to the commonwealth, except as otherwise provided in this act. This transfer of all buildings, lands, facilities, fixtures and improvements shall be subject to chapter 7 of the General Laws and the jurisdiction of the commissioner of capital asset management and maintenance as provided therein, except as otherwise provided in this act. The commonwealth shall take all necessary steps to ensure continued access, availability and service to any assets transferred to the commonwealth under this subsection to a local or regional organization that currently uses such assets.

We were able to verify that, prior to the transfer, 115 blueprints identifying such items as the Bristol County Jail structure, fire alarm risers, lightning protection systems, kitchens, roofs, the interior of the modular housing units, and the support facilities were sent to and accepted by the Division of Capital Asset Management (DCAM). However, we found that there has yet to be any values placed on these properties for inventory and valuation purposes. DCAM officials indicated that they are still evaluating and initiating the process of the transfer of the real property.

Inventory

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

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

The BSO's inventory policies and procedures state, in part:

Each piece of equipment purchased or obtained that has a value over \$100.00 shall be subject to this annual inventory. These items shall be given an Inventory Barcode Number, and the asset's name, manufacturer, value, location and operating condition and shall be among the descriptions recorded in the BCSO Inventory Collection Program.

We reviewed the inventory system maintained by the BSO for compliance with its inventory policy and Chapter 61. We selected 20 items to determine whether they could be located,

were tagged for identification, and were referenced in the BSO inventory database. Our review of inventory disclosed that the majority of items reviewed either were not tagged, not in the locations where they were supposed to be, or not able to be located at all. Moreover, we found that the majority of the items that should be annually reviewed in accordance with BSO policies and procedures had not been updated since the early to mid-2000s. The value of the inventory according to information in the database provided is \$1,596,199. However, approximately 1,400 of the 10,670 inventory items listed have no value assessed to them.

We discussed the inventory with BSO officials, who stated that they were aware that the BSO's inventory database was outdated. They indicated that, because of a lack of funding, it has been difficult to devote resources to this function but that they have been working on updating the inventory database. The officials stated that they are not sure whether they will be able to send a complete and updated inventory listing to the Executive Office for Administration and Finance (EOAF) within the time frame required by Chapter 61, Section 23, but are working towards updating the BSO inventory database to be in compliance with all applicable Commonwealth rules and regulations in the near future.

The BSO's inventory policies and procedures appeared complete for BSO purposes before the transfer. However, with the transition from the county to the Commonwealth, additional inventory responsibilities and directives will need to be updated to ensure compliance with state laws, rules, and regulations. BSO officials indicated that they are cognizant of this, are in the process of updating BSO policies and procedures, and expect to be able to have fully updated policies and procedures by the end of fiscal year 2010.

Contracts

BSO officials indicated that they have only one income-generating contract that is being transferred to the Commonwealth. The contract is with Evercom Systems, Inc., which is the BSO's telephone provider. The BSO receives approximately \$15,000 monthly from Evercom Systems, Inc., on a commission account, which helps cover two employee positions monthly. For the first six months of fiscal year 2010, the BSO received \$91,704 through this contract.

Recommendation

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

Auditee's Response***RE INVENTORY:***

The BSO has implemented new inventory policy and procedures, to be effective on May 1, 2010, as follows:

Each division/department of BSO shall be responsible for the maintenance of a listing of all furnishings, equipment, and machinery assigned to that division/department. The inventory list shall be updated annually and shall include:

- *Inventory number*
- *Location, condition*
- *Date of purchase or receipt*
- *Value, if any*

Any movement, reassignment, or disposal of inventoried equipment prior to disposal shall be immediately reported to the division head, which shall update the inventory list to reflect the action.

The Chief of Staff will assign a BSO employee to maintain a computerized listing of all inventories as submitted by divisions. The assigned employee shall periodically inspect all of the divisions of the BSO to assure the accuracy of applicable inventory records. Deficiencies shall be noted and brought to the attention of the division head for corrective action.

RE CONTRACTS:

A retained revenue account is currently being addressed and will be utilized for the payment of wages for two (2) employees directly associated with the BSO communications system.

3. TRANSITION STATUS OF LIABILITIES AND LITIGATION

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

Accounts Payable

Prior to the transfer, all invoices were sent for payment to the Bristol County Treasurer's Office, which recorded all financial transactions. However, prior to and after the transfer, the BSO did maintain an in-house accounts payable system. Accordingly, the Bristol County Treasurer's Office was unable to process all invoices prior to December 31, 2009, and these invoices were sent back to the BSO for payment, as instructed by the OSC. The BSO has outstanding payables in the amount of \$86,360 due to numerous vendors for goods or services rendered prior to the transfer. In addition, the BSO and relevant state agencies, including the OSC and the OST, were still in the process of transferring the balance of any of these funds for BSO use. As of March 19, 2010, the BSO was still waiting for the OSC to set up the proper accounts to enable payment of these obligations.

Potential Litigation

According to BSO officials, there are nine cases in active litigation at the BSO and no contingent liabilities have been recorded. Six of these cases involve former or current employees bringing discrimination suits against the BSO either at Bristol Superior Court or through the Massachusetts Commission Against Discrimination. There are also two pending cases between the BSO and the National Correctional Employee Union in regards to the right of K-9 officers to unionize and challenging the right of the GIC to bring union members under its control. Additionally, there is a construction case arising out of the creation of the Immigration Control Enforcement (ICE) Detention Center at the BSO filed at the Worcester Superior Court. The final outcome and potential financial impact it may have on the BSO and the Commonwealth has not yet been determined.

Contracts and Leases

As of the date of transfer, the BSO had two leases and 14 contracts in place. The leases are for two Ikon photocopiers (model IR 8070 and model IR 5000). The IR 8070 model lease

has a remaining liability through June 30, 2010 of \$3,436 and the IR 5000 model lease has a liability for the same time frame of \$855. The five-year lease agreement for the IR 8070 ends on February 6, 2012, and the five-year lease for the IR 5000 model ends on November 12, 2013.

The contracts entered into by the BSO are for a wide range of services, with some based on usage and others on a fixed price. The following details the contractor, the amounts paid prior to the transfer, and the liability remaining after the transfer for fiscal year 2010:

Contractor Name	Paid 7/1/09 through 12/31/09	Liability 1/1/10 to 6/30/10
Buckley Energy	Rate/Usage Based	Rate/Usage Based
Direct Energy	Rate/Usage Based	Rate/Usage Based
Pepco Energy	Rate/Usage Based	Rate/Usage Based
Noonan Bros.	Rate/Usage Based	Rate/Usage Based
Food/Supplies	Rate/Usage Based	Rate/Usage Based
Clothing	Rate/Usage Based	Rate/Usage Based
Terminix	\$1,000	\$1,400
CPS Medical Svcs.	\$2,467,394	\$2,627,035
Frade's Disposal	\$36,824	\$37,000
Somerset Uniform	\$7,589	\$5,000
Pride Technologies	\$57,298	\$51,005
Southcoast EAP	\$71,013	\$99,418
Valley Comm. Systems	-	\$361,718
MA SOPS	\$256,500	\$276,075

Recommendation

The BSO needs to develop and institute policies, procedures, and internal controls to properly process the accounts payable and pending litigation in compliance with Massachusetts laws and regulations. These policies, procedures, and internal controls should be developed so that exposure to the Commonwealth against any financial loss is minimized and to ensure that there is transparency in the processing of transactions. This process should function daily and at fiscal year-end in order to guarantee that the BSO is in compliance with the OSC closing instructions for proper Commonwealth financial reporting

purposes at year-end. These policies and procedures should be referenced in the BSO's ICP. (See Audit Result No. 6.)

Auditee's Response

RE ACCOUNTS PAYABLE:

All outstanding payables delayed due to the transfer from County to State have been paid by the BSO.

RE CONTRACTS & LEASES:

Currently working with A&F and OSC to identify and establish encumbrances where required and applicable.

4. TRANSITION STATUS OF ACCOUNTS, PROGRAMS, OR OTHER ACTIVITIES

Status of BSO Reporting in MMARS

As of March 16, 2010, the BSO had encountered difficulties in establishing and processing transactions into MMARS for its General Maintenance Appropriation, Retained Revenue Appropriation, Federal Revenue, Grants, Fixed Assets, and Trust accounts. However, the BSO has been able to begin entering substantial expenditure transactions into MMARS. As of April 1, 2010 a total of 215 expenditure transactions in the amount of \$1,868,577 were entered into and processed through MMARS. Our audit disclosed that the establishment, functioning, and daily transaction processing needed for effective MMARS accounting and reporting was a difficult task for BSO personnel. However, the BSO has been making consistent progress in this area. Prior to the transfer, the County Treasurer's Office and employees from other county departments handled most of the fiscal transactions related to the BSO. Therefore, BSO employees have by the necessity of the transition assumed additional duties and responsibilities not previously performed but are diligently adapting and acclimating to a new accounting system. BSO employees received and are continuing to receive OSC MMARS training and daily assistance for transitioning BSO operations. In addition, mentoring personnel from other Sheriff's Offices previously transitioned from county government to the Commonwealth are also assisting the BSO, as needed. BSO officials anticipate that the use of this system will be fully operational in the coming months.

Budgetary Status and Spending Plans

We obtained the budgets and spending plans for the BSO for fiscal year 2010 that were submitted to EOAF on November 20, 2009. The projected spending plan submitted to EOAF was for the six months remaining after the transition in fiscal year 2010 from January 1, 2010 to June 30, 2010, as follows:

Projected Spending for Fiscal Year 2010		
Code	Description	Amount
AA	STATE EMPLOYEE COMPENSATION	\$11,442,737
BB	EMPLOYEE RELATED EXPENSES	0
CC	SPECIAL EMPLOYEE/ CONTRACTED EMPLOYEES AND SERVICES	0
DD	PENSION AND INSURANCE-RELATED EXPENDITURES	157,910
EE	ADMINISTRATIVE EXPENSES	92,825
FF	FACILITY OPERATIONAL SUPPLIES AND RELATED EXPENSES	1,072,227
GG	ENERGY COSTS AND SPACE RENTAL EXPENSES	1,229,608
HH	CONSULTANT SERVICE CONTRACTS	100,250
JJ	OPERATIONAL SERVICES	4,700
KK	EQUIPMENT PURCHASE	800
LL	EQUIPMENT TAX EXEMPT LEASE-PURCHASE, LEASE AND RENTAL MAINTENANCE AND REPAIR	36,000
MM	PURCHASED CLIENT HUMAN AND SOCIAL SERVICES AND NON-HUMAN SERVICES PROGRAMS	359,011
NN	CONSTRUCTION AND IMPROVEMENTS OF BUILDINGS AND MAINTENANCE OF INFRASTRUCTURE AND LAND ACQUISITION	114,830
PP	GRANTS AND SUBSIDIES	0
RR	ENTITLEMENT PROGRAMS	3,062,500
SS	DEBT PAYMENT	0
TT	LOANS AND SPECIAL PAYMENTS	0
UU	INFORMATION TECHNOLOGY EXPENSES	92,500
	NOT SUBJECT TO SUBSIDIARY CONTROL	0
TOTAL		<u>\$17,765,898</u>

BSO officials indicated that they encountered several issues when preparing this spending plan, including limited access to the database to make changes, and that they were not

confident that the figures provided were representative of the remaining spending in fiscal year 2010. Moreover, when the BSO submitted the spending plan to EOAF on November 20, 2009, they noted these issues in their correspondence. However, as of March 31, 2010, EOAF had not consulted or contacted the BSO in regard to its submittal.

BSO officials provided us with their own budgetary spending plan that they indicated was more representative of the BSO's fiscal year 2010 revenue and expenses. According to this plan, the projected revenue from BSO operations will total \$48,074,610, as follows:

Fiscal Year 2010 Budgeted Revenue	
Description	Amount
State Appropriation (8910-0000 and 1599-7092)	\$34,124,838
State County Correction Fund	287,512
Maintenance of Effort	461,970
Deeds Excise	1,338,329
Federal Inmates - INS, U.S. Marshals	6,500,000
FY09 Shortfall	4,335,438
Commissary	551,523
SCAAP	300,000
Other	<u>175,000</u>
Total	<u>\$48,074,610</u>

The BSO's projected expenditures will total \$48,074,610 for fiscal year 2010, as detailed in the following:

Projected Spending for Fiscal Year 2010		
Group	Description	Amount
Group I	Personnel and Related Services	\$22,827,499
Group II	Contractual Services	8,068,400
Group III	Supplies and Materials	2,317,600
Group IV	Current Obligations (includes FY09 Shortfall)	14,808,111
Group V	Equipment	<u>53,000</u>
	TOTAL	<u>\$48,074,610</u>

The County Government Finance Review Board (CGFRB) specifically earmarked \$12,346,175 for Employee Health Insurance (\$3,625,761), Pension (\$4,384,976), and FY 09 Shortfall (\$4,335,438). Therefore, the actual FY 2010 state operating budget for BSO is \$35,728,435 and the CGFRB supplemented this with the additional \$12,346,175, for a total BSO budget of \$48,074,610.

Regarding the current state of the BSO's budget and spending plans, the BSO's Chief of Staff stated, in part:

In the spring of 2009 the Bristol County Sheriff's Office was advised by the County Government Finance Review Board that the seven remaining County sheriffs would be transferred to the state effective July 1, 2009. The sheriffs were told that effective July 1 the state would assume the cost for employee health insurance and pension costs.

Furthermore, automobile, building and public employee liability insurance; \$334,018.00 after refund from company when transfer took place; would be covered by the state as per the provisions of MGL 258. However, the transfer was delayed for six months and became effective January 1, 2010. The sheriffs were told that the current carrier for employee health insurance would not change until February 1, 2010 and that the sheriffs would be given the funding necessary to cover the seven month cost for health insurance as well as funding for employee pension costs.

Unfortunately the employee health insurance was under funded by approximately \$2,227,024.00 and the three insurance lines were not funded at all. This resulted in a potential shortfall in the FY2010 budget of \$2,561,042.00. The under funding of these line items was brought to the attention of the Chairperson of CGFRB [the state County Government Finance Review Board] on July 15, 2009. Written notice was sent to the secretary of ANF [EOAF] dated August 10, 2009. Written correspondence [was sent] to the Chairperson and member of CGFRB dated November 28, 2009. And written correspondence [was sent] to the Budget Director dated February 1, 2010. In November we received an additional \$912,785.00, which was applied to employee health insurance.

To date we have not received any funding to address the under funding for the required Automobile, Building or Public employee Liability Insurance which totals \$334,018.00.

Because of the above listed shortfall, which was not the result of poor financial management by the Bristol County Sheriff's Office but rather the result of ANF not providing the needed funds to cover mandatory costs during the six-month delay in transferring the seven sheriffs, we have been forced to take the following action(s).

- *Implemented a hiring freeze for the entire fiscal year;*

- *Suspended the department wide building and grounds maintenance program;*
- *Only emergency building maintenance requests are being addressed.*
- *Vehicle maintenance program suspended. Only critical repairs are being performed.*

Because of these actions we have been able to positively address and reduce the under funding. We will continue in our efforts to address and resolve issues resulting from the deficiencies. Of particular concern to us, however, is the impact that a hiring freeze may have on increased overtime and the financial consequences inherent in an unprogrammed increase in overtime costs.

We will continue to explore any and all avenues available to us to finish the year with a balanced budget.

The BSO is currently in the process of reviewing all sources of revenue and expenses in an effort to balance its budget. Through cuts in expenditures before the close of the fiscal year, BSO officials feel that they will be able to significantly reduce this deficit and will continue to explore all avenues available to finish the year with a balanced budget.

Sheriff's Office Locally Held Funds

The BSO controls and maintains significant amount and diverse group of funds that by statute will not be transferred to the Commonwealth and recorded in MMARS but are to remain with the BSO. These funds include Inmate Canteen, Inmate Accounts, Community Relief, Civil Process, and Federal Sharing Proceeds accounts. The Senior Administrative Clerk in Finance is responsible for reconciling the Inmate Commissary/Cash accounts. Authorization for these accounts is the shared responsibility of the Sheriff, the Chief Financial Officer (CFO), the Superintendent of Security and Operations, the Assistant Superintendent III to the Jail and Detention, the Assistant Deputy Superintendent for Finance (ADS), the Director of Purchasing, and the Assistant for Finance Administration. The Purchasing Clerk is responsible for the reconciliation of the Inmate Commissary and Supplies account. Authorization for this account is the shared responsibility of the Sheriff, the CFO, the Assistant Superintendent III to the Jail and Detention, the ADS, the Director of Purchasing, the Assistant for Finance Administration, and the Purchasing Clerk.

The ADS is responsible for reconciling the Work Detail-Revolving Account and the Accessories Account. Authorization for the Work Detail-Revolving Account is the

responsibility of the Sheriff, the CFO, and the ADS. Authorization for the Accessories Account is the responsibility of the Sheriff, the CFO, the ADS, and the head of ADS/Human Resources. The ADS is responsible for reconciling the Law Enforcement Collaborative Account, the Federal Equitable Sharing Fund, the Federal Equitable Sharing DBM, and the South Coast Anti-Crime Team Account. Authorization for the Law Enforcement Collaborative and the Federal Equitable Sharing Fund is the shared responsibility of the Sheriff, the CFO, the ADS, and the Assistant for Finance Administration. Authorization for the Federal Equitable Sharing Fund is the shared responsibility of the Sheriff, the CFO, the ADS, the Assistant for Finance Administration, and the ADS Administrative Assistant to Chief of Law Enforcement. Authorization for the South Coast Anti-Crime Team Account is the shared responsibility of the BSO's Task Force Chief and local Police Chiefs. Reconciliations are prepared monthly for the accounts to the bank statements.

Recommendation

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

5. TRANSITION STATUS OF REVENUES TRANSFERRED

Deeds Excise Fund

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

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

We verified with the Bristol County Register of Deeds that the correct percentage of deeds excise was remitted to the Commonwealth and to the Deed Excise Fund after the transfer. We found that in January 2010 the Deed Excise Fund was sent 10.625% of deeds excise collected and that the remainder was remitted to the Commonwealth in accordance with Chapter 61. The total deeds excise recorded for January 2010 was \$208,944, with \$22,200 sent to the County Deeds Excise Fund. This amount reconciled with the amounts recorded by the County Treasurer.

Grant Income

The BSO has significant grant income that is used for various programs and activities at the BSO. The following is a listing of BSO grants and the revenue generated in the first six months of fiscal year 2010 (as of January 1, 2010):

Grant Type	Revenue Received as of 01/01/2010
ABE	\$32,415
ABEII	3,866
Fall River Shannon	25,590
HIV	26,503
HIV	47,308
H1N1	1,150
N. E. Grassroots	1,000
Peaceworks	1,000
Perkins	10,100
SCAAP	33,198
Shannon Re-entry	30,542
Shannon Drug	15,664
Title 1	27,633
VAWA	2,940
WSA	15,775
WSA	<u>21,033</u>
TOTAL	<u>\$295,717</u>

Civil Process Revenue

For the period July 1, 2009 to December 31, 2009, the Civil Process Division had revenue of \$929,644 and expenses of \$876,237, resulting in a profit of \$53,407.

Federal Revenue

Federal revenue received from the BSO for the first six months of fiscal year 2010 totaled \$3,824,750. The federal revenue received was for federal inmates placed under the care of the BSO through contracts with ICE and the United States Marshals Service.

The amount of federal revenue received for the first six months of fiscal year 2010 represents 59% of the budgeted amount of federal revenue for fiscal year 2010 of \$6,500,000.

Recommendation

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

Auditee's Response

Retained revenue accounts have been established as of April 13, 2010 by ANF.

6. TRANSITION STATUS OF OTHER AREAS***Employee Benefits***

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

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

The BSO has contractual collective bargaining agreements with the National Association of Government Employees (NAGE), the Massachusetts Correction Federated Union (MCOFU), and the National Correctional Employees Union (NCEU). The MCOFU and NCEU agreements have an effective date of July 1, 2009 through June 30, 2012. The NAGE agreements (Unit A - Ad tech and Unit C - Maintenance and Food Service) have an effective date of July 1, 2008 through June 30, 2011. Therefore, the rights of all employees continue to be governed by the terms of these collective bargaining agreements, in accordance with Chapter 61, Section 14.

We reviewed the terms and conditions of all BSO contracts entered into by the various union employees at the BSO. We noted that, in accordance with the terms of the agreement, the union employees are entitled to specific amounts related to the various

benefits, including but not limited to shift differentials; overtime; roll call; holidays; and vacation, sick, personal, and bereavement leave. Also, as part of the terms of the contract, and as required by the statute, the BSO, and now the Commonwealth, must contribute 95% of the costs of the union employees' primary health insurance plan. As part of our testing, we were able to verify that union employees continued with all benefits governed by the terms of their collective bargaining agreements. Conversely, non-union BSO employees were transitioned over to the Commonwealth at the established Commonwealth share of 80% (75% if hired after June 30, 2003), consistent with other state employees.

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

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

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

Everyone in an organization has responsibility for internal control.

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

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

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

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

All operating departments in Massachusetts state government are required to develop and document departmental internal controls, which must be prioritized and summarized into a departmental internal control plan based on a risk assessment. Responsibility for the department internal control plan resides with the department's Internal Control Officer (ICO). The role of the ICO, as stated in Chapter 647 of the Acts of 1989, is described as follows: "...an official, equivalent in title or rank to an assistant or deputy to the department head, whose responsibility...shall be to ensure that the agency has written documentation of its internal accounting and administrative control system on file. Said official shall, annually, or more often as conditions warrant, evaluate the effectiveness of the agency's internal control system and establish and implement changes necessary to ensure the continued integrity of the system."

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

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

The BSO needs to create an ICP to be in compliance with Chapter 647 and OSC guidelines. The BSO should identify its ICP with the eight components of enterprise risk management (ERM).

For an ICP to be considered to have an effective high-level summarization of its internal controls, all eight components of the ERM must be present as described in the OSC Internal Control Guide. These components are described in the OSC Internal Control Guide as follows: Internal Environment, Objective Setting, Event Identification, Risk Assessment, Risk Response, Control Activities, Information and Communication, and Monitoring.

The BSO needs to develop and fully integrate a risk assessment throughout the entire BSO to determine how the BSO's greatest risks to its mission, goals, and objectives would be identified and mitigated. Once risks are identified, the ICP should be adequately developed and cross-referenced to supporting lower-level detail (i.e., departmental policies and procedures) for most of its organizational areas to ensure that a reliable ICP is in place for the daily operation of the entire BSO. Updates and additions are needed because the BSO is such a large and complex operation with appropriations in excess of \$43 million, approximately 591 employees, and an inmate capacity of 1,411. Accordingly, the BSO needs to develop an effective ICP that addresses its entire financial and programmatic operations. Updating its ICP is important for the BSO to ensure the integrity and effectiveness of its internal control system and enhance its ability to respond to changes while maintaining the system's effectiveness.

Recommendation

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

The following links provide guidance to the newly transferred Sheriff's Offices regarding the development and implementation of their respective ICPs. The first link displays the OSC's most recent revision of its Internal Control Guide, incorporating the principles of Enterprise Risk

Management. The second link provides additional guidance on internal controls for departments in transition.

http://www.mass.gov/Aosc/docs/business_functions/bf_int_cntrl/Internal_Control_Guide_Volume_I.doc

http://www.mass.gov/Aosc/docs/policies_procedures/internal_controls/po_ic_add_guide_dept.doc

Auditee's Response

The ADS for policy and procedures will be assigned the task of creating an Internal Control Plan in accordance with Chapter 647 of the Acts of 1989. The ADS shall be responsible for the creation, updating, and distribution of the ICP.