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**INDEPENDENT STATE AUDITOR'S REPORT ON THE
ACTIVITIES OF THE
UNIVERSITY OF MASSACHUSETTS AT BOSTON**

**OFFICIAL AUDIT
REPORT
SEPTEMBER 2, 2003**

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The University of Massachusetts is organized pursuant to Chapter 15A of the Massachusetts General Laws (MGLs), with the purpose of providing, fostering, and supporting public higher education of the highest quality throughout the Commonwealth. Chapter 75, Section 1, of the MGLs established the University of Massachusetts, consisting of campuses to be maintained in Amherst, Boston, Dartmouth, Lowell and Worcester. The University of Massachusetts has a Board of Trustees (Board), consisting of 22 appointed members, including five students. The Board establishes University administrative policies, and each campus Chancellor is responsible for implementing the policies set by the Trustees. The University operates under the oversight of the Board of Higher Education, which is responsible for monitoring each campus to ensure that state funds support measurable performance, productivity, and results. The University of Massachusetts at Boston (UMB) is a four-year public university.

Chapter 75, Section 11 authorizes trustees to establish and manage trust funds for self-amortizing projects and student-supported or self-supporting activities. In conjunction with this authorization, the trustees have established 63 individual trust funds at UMB for different purposes. One of these trust funds is the Parking and Transportation Trust Fund (PTTF). The primary purpose of the PTTF is to operate the parking garage and to fund the campus shuttle bus service, which operates from the campus to the JFK/UMass MBTA station.

The purpose of our audit was to review and analyze the financial and management internal controls over the receipt and disbursement of funds of the PTTF. We also reviewed the PTTF to determine if funds are being utilized in accordance with the purpose of the PTTF and applicable laws, rules, and regulations.

Our review disclosed that there were adequate internal controls over revenues, however, UMB utilized some of the revenues for purposes not related to the operation and maintenance of the garage.

AUDIT RESULT

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UMB DID NOT UTILIZE ALL OF PTTF'S MONIES TO OPERATE AND MAINTAIN THE GARAGE

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Our audit disclosed that during fiscal year 2002, over \$200,000, (approximately 6.1% of total expenditures) were expended from the PTTF for purposes not related to the operation of the garage. This included the improper allocation of salaries and payment of overtime, architectural and landscaping fees, administrative charges, and questionable electricity expenses. We determined that the garage was not in good condition, and only minimal funds had been expended over a period of years for repairs. During our audit, a section of the floor collapsed, and a large section of the

garage was closed off and remains closed. On November 1, 2002 an engineering firm hired by UMB submitted their report stating that the "parking facility and access ramps are considered to be in overall poor condition". The report also stated "a lack of structural maintenance and protection, poor drainage and marginal concrete quality" has resulted in the problem. The firm has estimated the cost to rehabilitate the facility may range up to \$42 million. In response to our audit, UMB officials were in general agreement with this audit result and indicated corrective action would be taken.

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INTRODUCTION

Background

The University of Massachusetts is organized pursuant to Chapter 15A of the Massachusetts General Laws (MGL's), with the purpose of providing, fostering, and supporting public higher education of the highest quality throughout the Commonwealth. Chapter 75, Section 1 establishes the University of Massachusetts consisting of the campuses to be maintained at Amherst, Boston, Dartmouth, Lowell and Worcester. The University operates under the oversight of the Board of Higher Education, which is responsible for monitoring each campus to ensure that state funds support measurable performance, productivity, and results. The University of Massachusetts at Boston (UMB) is a four-year public university.

The University of Massachusetts has a Board of Trustees (Board), consisting of 22 appointed members, including five students. The Board establishes University administrative policies and its campus Chancellors are responsible for implementing the policies set by the Trustees. UMB's financial activity and its compliance with applicable laws and regulations are the responsibility of its management.

Section 11 authorizes trustees to establish and manage trust funds for self-amortizing projects and student-supported or self-supporting activities. In conjunction with this authorization, the trustees have established 63 individual trust funds at UMB for different purposes.

Our audit consisted of a review of the financial activities of one of these trust funds, the Parking and Transportation Trust Fund (PTTF). The PTTF was established by the University's Board of Trustees on November 7, 1973. The primary purpose of the PTTF is to operate the parking garage and to fund a shuttle bus service, which operates from the campus to the JFK/UMass MBTA station. The PTTF is administered by the office of the Vice Chancellor for Administration and Finance. The garage has two levels and is located underneath the main campus buildings. The garage and open area lots have parking spaces to accommodate 2,398 vehicles. Effective January 1, 2003 all students, faculty and staff are charged a fee of \$5.00 per day (a \$1.00 increase), however multi-park passes are available at significantly less rates. The

garage was opened in 1974. In fiscal year 2002, UMB expanded the parking capacity by constructing an outdoor lot using \$286,000 from the PTTF. Shuttle bus service to and from UMB to the JFK/UMass MBTA station is a service provided at no cost to all persons traveling to and from UMB. The service is provided by a private vendor at an annual cost of \$1,096,000 to UMB and is funded from the PTTF.

Audit Scope, Objectives, and Methodology

As authorized by Chapter 11, Section 12, of the Massachusetts General Laws, the OSA conducted an audit of the Parking and Transportation Trust Fund (PTTF). The scope of our audit was to review the controls established and the transactions accomplished to account for funds received into and disbursed from PTTF monies. Our audit was conducted in accordance with applicable generally accepted government auditing standards.

The purpose of our audit was to review and analyze the financial and management internal controls over the receipt and disbursement of the PTTF. We also reviewed the PTTF to determine if funds are being utilized in accordance with the purpose of the fund and applicable laws, rules, and regulations. We also reviewed expenditure transactions, including salaries and overtime paid, to ensure that these transactions were authorized, appropriately accounted for, and were necessary to the operation of the garage and the shuttle bus services.

To accomplish our objectives, we obtained and reviewed certain financial data from UMB officials. This included revenue and expenditure summaries for fiscal years 2001 and 2002 and detailed listings reflecting all expenditure transactions for both years. We selected 17 vendors' payments to test and we obtained and reviewed the related invoices and other supporting documents. As part of our expenditure review, we examined selected regular salary and overtime payments made to various employees and student interns. We also reviewed the revenue controls established by UMB to collect, deposit and account for parking garage and parking lot fees. As part of our review, we examined revenue reports and related documents used to account for revenues received. At the start of our review, we also performed a physical (non-technical) inspection of the garage to identify its overall condition.

We interviewed the Director of Auxiliary Services, the Manager of the Parking and Transportation Department, the Controller, the Budget Director and various staff officers and employees during our audit.

Our review disclosed that there were adequate internal controls over revenues; however, UMB utilized some of the revenues for purposes not related to the operation and maintenance of the garage.

AUDIT RESULT

UMB DID NOT UTILIZE ALL OF PTTF'S MONIES TO OPERATE AND MAINTAIN THE GARAGE

During fiscal year 2002, over \$200,000 was expended from the PTTF for purposes not related to the operation of the garage. This represents approximately 6.1% of total funds expended in that year.

PTTF parking fee revenues totaled \$2,795,126 in fiscal year 2002 and \$2,603,589 in fiscal year 2001. To account for these funds, UMB has established four cost centers with a different account number for each. These cost centers and the purpose of each is as follows:

- Operations – Established to account for the normal operating costs of the fund. Reflects all PTTF revenues, direct operating expenditures, and an allocation of administrative costs for administrative services provided by accounting, budget, personnel, etc.
- We were advised that the other three cost centers i.e. Facilities, Public Safety, and Central Stores were established to reflect the costs of support for the PTTF from each of these departments.

The total revenues and the total expenditures reflected within each cost center for fiscal years 2001 and 2002 and a fiscal year 2002 transfer of funds is summarized as follows:

	Fiscal Year 2001	Fiscal Year 2002	Increase (Decrease)
Expenditures per Cost Center:			
Operations	\$2,398,923	\$3,014,959	\$616,036
Facilities	61,223	139,169	77,946
Public Safety	48,778	116,404	67,626
Central Stores	<u>25,900</u>	<u>154</u>	<u>(25,746)</u>
	\$2,534,824	\$3,270,686	\$735,862
Revenues	<u>2,603,589</u>	<u>2,795,126</u>	<u>191,537</u>
	\$ 68,765	\$ (475,560)	\$(544,325)
Transfer out to Current Unrestricted Funds	-	<u>(5,047)</u>	<u>(5,047)</u>
Surplus (Deficit)	<u>\$ 68,765</u>	<u>\$(480,607)</u>	<u>\$(549,372)</u>

As indicated above, the PTTF had a deficit of \$480,607 in fiscal year 2002 following a surplus of \$68,765 in fiscal year 2001. This resulted in fund balances of \$569,768 as of June 30, 2001 and \$89,161 as of June 30, 2002. For the most part, the change from a surplus to a deficit was attributable to the expenditure of over \$286,000 in fiscal year 2002 to construct an outside parking area to accommodate 355 vehicles. In addition, the shuttle bus service cost had

escalated over \$246,000 when the contract for this service was re-bid. Both of these costs were charged to the operations cost center.

In analyzing the fiscal year 2002 expenditures for the other three cost centers, we were advised by UMB officials that the charges to these cost centers were not necessarily reflective of the actual support costs incurred by them, rather the charges at least in part reflected estimated support costs and the departments were allowed to expend the funds allocated to them to meet any departmental needs. We determined that one of the expenditures reflected in the Facilities Account was a \$100,000 charge for electricity. In support of this \$100,000 charge we were provided a copy of a purchase order with Boston Edison in the total amount of \$1,400,000. This purchase order covered the period of July 1, 2001 to June 30, 2002 and reflected an allocation of \$100,000 to the PTF and a second allocation of \$200,000 to another account. Our review of the \$100,000 allocation involved a physical count of lights in the garage. We found that there were some 575 light fixtures which multiplied times the electricity rate provided to us resulted in an electricity cost of \$43,270. This is the major cost for electricity in the garage and UMB did not have any other supporting documentation to justify the remaining charge of \$56,730. UMB officials indicated that the \$100,000 was an arbitrary charge, but again stated that the departments were allowed to charge any expense they deemed appropriate. It is evident that certain charges were arbitrary because in fiscal year 2001 there was no charge to the fund for electricity. In addition, UMB officials could not explain why the Facilities and Public Safety departments were each allowed to increase their expenditure levels from fiscal year 2001 to fiscal year 2002 by over 100 percent.

The transfer of \$5,047 to Current Unrestricted Funds was made to reimburse UMB's Environmental Health and Safety Department for work done by them to clean up oil drippings in certain areas of the garage.

Our analysis of salary and overtime costs disclosed that six different departments had charged salaries or overtime to PTF's operations account in fiscal year 2002. In the case of five departments, there was no benefit to the garage. These charges involved 24 employees and student interns and totaled \$117,285 as follows:

Mail Room Staff	\$ 10,060
Customer Service Staff	56,376
College Supply	2,318
Student Interns	28,119
Internal Security Officers	<u>20,412</u>
Total	<u>\$117,285</u>

The sixth department to charge salaries or overtime to the operations account was the Facilities department. In Fiscal Year 2002 they charged \$45,022 for overtime costs incurred by their personnel to maintain and repair the garage. Thus the expenses charged by this department to the PTF were actually \$184,191 (\$139,169 plus \$45,022) rather than the \$139,169 charges reflected in their cost center.

We noted that the expenditures for the Central Stores cost center decreased from \$25,900 in fiscal year 2001 to \$154 in fiscal year 2002. UMB officials indicated that costs for this department had been significantly reduced because it provides only limited support to the PTF. In reviewing this cost center we noted that \$23,981.50 of the \$25,900.00 charged in fiscal year 2001, was for refurbishing of furniture used in an office not related to the parking and transportation function and thus it should not have been charged to the PTF.

There is an administrative cost allocation to the PTF and to other Trust Funds. In fiscal year 2002 and 2001 the PTF was charged \$270,055 and \$187,135 respectively. Charges were made to all four cost centers. We were informed by UMB officials that the administrative cost allocation percentage had increased from eight percent in fiscal year 2001 to nine percent in fiscal year 2002. This along with the increase in expenditures resulted in an \$82,920 increase i.e., over 44% in the administrative cost allocation over the two fiscal years.

We also reviewed certain invoices and determined payments had been made to two different vendors for services not related to the garage. These payments totaling \$12,104 were for architectural and landscaping services.

To summarize the above, our tests of fiscal year 2002 transactions disclosed questionable or inappropriate charges as follows:

Salaries and Overtime	\$117,285
Electricity expense	55,000
Architectural/Landscaping	<u>12,104</u>
	\$184,389
Administrative Charge Allocation @ 9% of \$184,389	<u>16,595</u>
	<u>\$200,984</u>

The expenditure of funds for purposes that do not benefit the PTTF is not in compliance with sound accounting practices and the intent of the Board of Trustees at the time the trust was established. Specifically, the minutes of the trustees meeting of November 7, 1973, the date on which the PTTF was established, state:

That the Board of Trustees authorizes the establishment of a Transportation and Parking Fund for the purpose of receiving income from the transportation and parking system at the University of Massachusetts at Boston, and to pay the expenses thereof in accordance with University Accounting Policy as established by the Treasurer of the University.

In the early 1990's the decision was made that the PTTF should provide resources to the UMB Facilities Operations and Public Safety Department. UMB's philosophy has been that the funds allocated to Facilities and Public Safety could be used to meet any of the needs of the department. The inclusion of non garage related expenses occurred because UMB officials recognized that there existed a pool of funds to be used as a supplement to other departments and operations of UMB.

We discussed this issue with UMB officials and in November 2002 they indicated that there have been no non-PTTF expenditures charged to the PTTF in fiscal year 2003 to date and the UMB Budget Director stated, "that effective immediately only those expenditures directly related and directly benefiting the Parking and Transportation operations will be charged to the PTTF."

As part of our audit we walked through both levels of the garage to observe its physical condition and noted the deteriorated condition of the garage. There were cracks and holes with steel rod bars visible. In certain areas it appeared that some repair work had been done, however, further work was needed in that area. On one level of the garage, we noted that a mesh net had been attached to the ceiling in several locations to catch falling concrete. Also, during our audit, one of the entrance aisles on the upper level of the garage collapsed when an

automobile was driving over it leaving a hole of approximately two feet by four feet. The concrete fell into a mesh net on the ceiling of the first floor. Following this incident, the entrance aisle and an adjoining parking area of 44,400 square feet was roped off and is no longer used. This area provided parking for 131 vehicles which can no longer be used until it is repaired. This has resulted in a significant loss of revenue, as, since the collapse of the floor in November, 2002, 131 parking spaces are no longer available to charge the \$5.00 parking fee.

Prior to the completion of our on site audit we discussed the deterioration of the garage with UMB officials. These officials were fully aware of the extent to which the garage has deteriorated and prior to our audit had initiated action to correct the situation. Specifically, early in fiscal year 2002, UMB retained the services of an engineering firm to evaluate the condition of the garage. In a report dated November 1, 2002, the engineering firm confirmed the poor condition of the garage by stating:

"Based on our assessment, the University of Massachusetts parking facility and access ramps are considered to be in overall poor condition. The survey findings recognized corrosion induced deterioration present on both the upper (G2) and lower (G1) levels of the facility. The most dominant deterioration occurs in the form of floor spalls, delaminations, failed repairs, and to a lesser extent severe surface scaling. In general, the structure has been influenced by; a lack of structural maintenance and protection; poor drainage; and marginal concrete quality, which have attributed to deterioration over time. The structure has reached a juncture where a comprehensive repair program must be considered to cost effectively extend service life."

UMB was given a preliminary estimate of up to \$42 million to rehabilitate the facility.

The lack of a formal maintenance program has led to the present state of deterioration of the garage floor areas resulting in a garage structure that requires extensive rehabilitation and in some locations may present a risk to persons using the facility.

Recommendation

We recommend that UMB:

- Perform an ongoing analysis of charges to the PTTF and disallow salary, overtime and other expense claims which do not relate to and support the purpose for which the trust was established and utilize or reserve these funds for an on-going maintenance program.

- Continue to pursue its plan to totally rehabilitate the garage.

Auditee's Response:

The University of Massachusetts Boston accepts the recommendation to perform ongoing analysis of charges to the PTTF and to disallow expenses that do not directly relate to and support the PTTF operations. While the campus originally allocated funds to the facilities and public safety departments in recognition of the costs they incurred to support garage maintenance and operations, campus administration did not require that the [PTTF] funds be spent directly on garage-related expenses. Rather, as an accommodation to the business officers managing the funds, the departments were allowed to use the [PTTF] funds as a general resource for their overall departmental needs. For FY 2003 and beyond, management will restrict the use of [PTTF] funds to expenses directly attributable to parking and transportation operations. In support of an on-going maintenance program, management has established a plan to set aside additional funds annually for maintenance functions, beyond the routine repair work.

The University of Massachusetts Boston accepts the recommendation to continue to pursue its plan to totally rehabilitate the garage. The university has taken steps to improve the condition of the garage in the short-term while it refines an appropriate long-term course of action. In 1998, [an engineering firm] completed a structural condition survey and exploratory field investigation of the garage and plaza level (the "1998 Report"). The 1998 Report outlined a five-priority, five-year, work plan to complete structural repairs of beams and columns and restore the entire garage and plaza at an estimated cost of \$23.3 million. Over the summer of 2001, Priority-One repairs were made to certain expansion joists at the upper level and plaza level at a cost of \$1 million; in addition, temporary shoring was installed beneath deteriorated beams and columns where structural integrity was questioned. In preparation for Priority-Two repairs, [a second] engineering firm study indicated that the parking garage under Wheatley and McCormack Halls was in poor condition, and would cost significantly more to repair than anticipated.

The University of Massachusetts has obtained authorization from both the university's board of trustees and the Commonwealth's Executive Office for Administration and Finance to issue tax-exempt bonds to finance construction of an approximate 1,500-space garage (the "New Garage") on the UMB campus. Subsequent to bringing the New Garage on-line, UMB plans to implement a program to reconfigure and rehabilitate the existing garage, not necessarily entirely for parking. The rehabilitation plan, which is conceptual in nature at present, assumes that the New Garage would be available in January 2005.

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

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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.

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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:

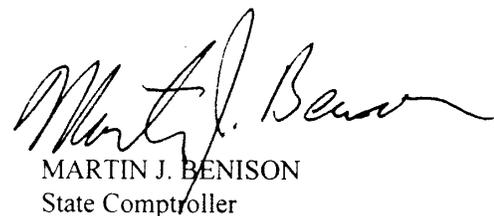
<http://www.magnet.state.ma.us/sao/>.

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