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INDEPENDENT STATE AUDITOR'S REPORT ON
CERTAIN ACTIVITIES OF THE
NORTHWESTERN DISTRICT ATTORNEY'S
OFFICE
JULY 1, 2005 TO AUGUST 31, 2006

OFFICIAL AUDIT
REPORT
JULY 12, 2007

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The Northwestern District Attorney's Office (NWD) was established under the provisions of Chapter 12, Section 13, of the Massachusetts General Laws (MGL), which provides for the administration of criminal law and the defense of civil actions brought against the Commonwealth in accordance with MGL Chapter 258 (claims and indemnity procedures for the Commonwealth, its municipalities, counties, districts, officers, and employees). As of August 31, 2006, the NWD had 79 employees, including prosecutors/assistant district attorneys and administrative and program support staff, who represent and serve approximately 237,000 citizens of the Commonwealth in criminal and civil proceedings, within a jurisdiction of 46 cities and towns in the geographic areas of Franklin and Hampshire counties and the town of Athol in Worcester County. To carry out its functions and responsibilities, the NWD maintains administrative offices in Northampton and Greenfield and has satellite offices in Hadley and Orange.

In accordance with Chapter 11, Section 12, of the General Laws, the Office of the State Auditor has conducted an audit of the NWD for the period July 1, 2005 to August 31, 2006. The purpose of the audit was to review internal controls over financial and program activities at the NWD to determine whether financial records are accurate, up-to-date, and maintained in accordance with established criteria; costs and expenditures, including payroll and administrative costs, are appropriate and reasonable; controls over revenues, including forfeited funds, are proper and adequate; and the internal control structure is suitably designed and implemented to safeguard the NWD's assets in compliance with the Office of the State Comptroller's (OSC) Internal Control Guides and Chapter 647 of the Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies.

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Our audit disclosed that NWD has prepared and developed an Internal Control Plan (ICP) that is generally in compliance with Chapter 647 of the Acts of 1989 and OSC requirements. Chapter 647 of the Acts of 1989 (An Act Relative to Improving the Internal Controls within State Agencies) requires that departments develop an ICP in accordance with OSC guidelines. However, our audit noted improvements are needed in key areas and sections of the ICP. Specifically, the NWD needs to better define its control environment and include statements of the requirements on integrity and ethical values expected of all staff, including top management, update and expand its risk assessment to include identifying control activities in place to mitigate all identified fiscal and programmatic risks, identify information and communication systems in place, identify related monitoring activities in place throughout the NWD, and include certain requirements of Chapter 647 not currently addressed in the ICP. In response to our audit report, the NWD indicated that it has updated its ICP by 1) including a better definition of its control environment, including statements on integrity and ethical values, 2) updating and expanding risk assessments, 3) updating information and communication

systems to support operations, 4) identifying related monitoring activities, and 5) including Chapter 647 compliance requirements.

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INTRODUCTION

Background

The Northwestern District Attorney's Office (NWD) was established under the provisions of Chapter 12, Section 13, of the Massachusetts General Laws (MGL), which provides for the administration of criminal law and the defense of civil actions brought against the Commonwealth in accordance with MGL Chapter 258 (claims and indemnity procedures for the Commonwealth, its municipalities, counties and districts, and the officers and employees thereof). As of August 31, 2006, the NWD had of 79 employees, including prosecutors/assistant district attorneys and administrative and program staff employees, who represent and serve approximately 237,000 citizens of the Commonwealth in criminal and civil proceedings, within a jurisdiction of 46 cities and towns in the geographic areas of Franklin and Hampshire counties and the town of Athol in Worcester County. To carry out its functions and responsibilities, the NWD maintains administrative offices in Northampton and Greenfield and has satellite offices in Hadley and Orange.

For fiscal years 2006 and 2007, the NWD received state maintenance appropriations totaling \$4,391,858 and \$4,717,216 respectively to fund its administrative operations. In addition, the NWD received \$671,277 in 2006 in special state appropriations and funding from other sources to support various programs, including state police overtime for investigations, crisis and violence intervention, protection of elders and persons with disabilities, sexual abuse intervention network, consumer protection, stop violence against women, and other programs.

Pursuant to the NWD's mission of the administration of the criminal laws of the Commonwealth, the NWD deposited \$33,725 during the period July 1, 2005 to August 31, 2006 in court-awarded forfeited funds with the Office of the State Treasurer. Each case must be fully adjudicated before the asset is considered forfeited. These funds may be used for many purposes as set forth in Chapter 94C, Section 47, of the General Laws, such as defraying the costs of protracted investigations, providing the NWD with technical equipment or expertise, providing matching funds to obtain federal grants, or such other law enforcement purposes as the District Attorney deems appropriate. The District Attorney may also expend up to 10% of the funds and proceeds for drug rehabilitation, drug education, and other anti-drug or neighborhood crime watch programs which further law enforcement purposes.

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the General Laws, the Office of the State Auditor has conducted an audit of the NWD for the period July 1, 2005 to August 31, 2006. Our audit was conducted in accordance with applicable generally accepted government auditing standards. The purpose of the audit was to review internal controls over financial and program activities to determine whether financial records are accurate, up-to-date, and maintained in accordance with established criteria; costs and expenditures, including payroll and administrative costs, are appropriate and reasonable; controls over revenues, including forfeited funds, are proper and adequate; and the internal control structure is suitably designed and implemented to safeguard the NWD's assets in compliance with the Office of the State Comptroller (OSC) Internal Control Guides and Chapter 647 of the Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies.

To accomplish our objectives, we:

- Reviewed applicable MGLs, OSC Internal Control Guides, and Chapter 647 of the Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies.
- Reviewed the budgetary process and the spending plan.
- Reviewed the ICP, risk assessments, and internal control structure, along with existing verbal and written administrative and accounting policies and procedures.
- Interviewed various officials.
- Reviewed selected revenue (forfeited funds), expenditure, advance, and payroll transactions to verify that these transactions are appropriately accounted for, recorded, and safeguarded in accordance with established criteria.
- Examined the inventory control system for the furnishings and equipment in place during our audit period.

At the conclusion of the audit, we provided a draft of our audit results to NWD for review, and NWD provided a written response to our report. On April 23, 2007, we met with the District Attorney and her staff and discussed the results of our review and the NWD's response, which has been incorporated into this report.

Except as noted in the Audit Results section of this report, we have determined that for the areas tested, NWD's financial records are accurate, up-to-date, and maintained in accordance with established criteria, costs and expenditures are appropriate and reasonable, controls over revenue are proper and adequate, and the internal control structure is suitably designed to safeguard the Commonwealth's assets in compliance with OSC's Internal Control Guides and Chapter 647 of the Acts of 1989.

AUDIT RESULTS

IMPROVEMENTS AND ENHANCEMENTS NEEDED IN INTERNAL CONTROL PLAN

Our audit disclosed that the Northwestern District Attorney's Office (NWD) has prepared and developed an Internal Control Plan (ICP) that is generally in compliance with Chapter 647 of the Acts of 1989 and the Office of the State Comptroller (OSC) requirements. However, improvements are needed in key areas and sections of the ICP.

Chapter 647 of the Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies, requires that departments develop an ICP in accordance with OSC guidelines. The OSC's Internal Control Guide, Volume II, states, in part:

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

For the ICP to be considered an effective high-level summarization, five interrelated components of internal control must be present: control environment, risk assessments, control activities, information and communication, and monitoring.

With regard to the NWD developing this high-level summarization and preparing its ICP while ensuring that the five components of internal control are contained, we noted that NWD has done a sufficient job in defining its mission in clear, concise, and practical terms. Also, the NWD established goals and objectives to carry out its mission, and has prepared a risk assessment defining its five greatest risks. However, NWD, in identifying its risks, has not prepared an adequate plan for identifying the steps and procedures necessary to mitigate all of these risks within its control activities. Specifically, we noted that the NWD needs to make improvements within its ICP as follows:

- Better define its control environment to include statements of the NWD's requirements on integrity and ethical values expected of all staff, including top management.
- Update and expand its risk assessments to include identifying control activities in place to mitigate all identified fiscal and programmatic risks.
- Identify information and communication systems in place to support the daily activities of its operation.

- Identify related monitoring activities in place throughout the NWD.
- Include the requirements of Chapter 647 not currently addressed in the ICP, as follows: 1) identification of an official whose responsibility is to ensure that the agency has written documentation of its internal accounting and administrative control system on file; 2) indication that evaluations are conducted annually, or more often as conditions warrant, of the internal control system, and the necessary changes are made to the system to ensure its integrity; and 3) indication that documentation of the system is readily available for review by the OSC, the Executive Office for Administration and Finance, and the Office of the State Auditor.

Control Environment

The NWD's ICP does not contain within its high-level summarization direct statements from top management on the expectations of staff concerning integrity and requirements of high ethical standards or definitive statements that set the tone for the importance of internal controls within the NWD. Also, NWD's ICP is not clear in defining and identifying its control environment. Written statements defining its control environment and linking management's attitude, supervision, and organizational structure within were absent or unclear in the ICP. How the structure, policies, and procedures of the organization act to control the risk (control activities) was not stated. The ICP also does not include a section referring to whom the plan is to be distributed and how the plan is to be monitored.

The OSC's Internal Control Guide for Managers, Vol.1, states, in part:

*The **control environment** of a state agency sets the tone of the organization and influences the effectiveness of internal controls within the agency. Control environment, an intangible factor and the first of the five components, is the foundation for all other components of internal control, providing discipline and structure and encompassing both technical competence and ethical commitment. Managers must evaluate the internal control environment in their own unit and department as the first step in the process of analyzing internal controls. Many factors determine the control environment, including those on the following list.*

***Management's attitude, actions, and values** set the tone of an organization, influencing the control consciousness of its people. Internal controls are likely to function well if management believes that those controls are important and communicates that view to employees at all levels. If management views internal controls as unrelated to achieving its objectives, or even worse, as an obstacle, this attitude will also be communicated. Despite policies to the contrary, employees will then view internal controls as "red tape" to be "cut through" to get the job done. Management can show a positive attitude toward internal control by such actions as including internal control in performance evaluations, discussing internal controls at management and staff meetings, and by rewarding employees for good internal control practices.*

***Commitment to competence** includes a commitment to hire, train, and retain qualified staff. It encompasses both technical competence and ethical commitment. Management's commitment*

to competence includes both hiring staff with the necessary skills and knowledge and ensuring that current staff receives adequate on-going training and supervision.

The OSC's Internal Control Guide for Managers, Vol.1, Chapter 5, Part B states, in part, that an internal control plan would:

briefly state the integrity and ethical values expected of all staff, and especially, the ethical values top management expects of itself (control environment)...

However, notwithstanding the absence of these defining statements in the ICP, the NWD has language and other elements present within other documents it has developed which identify the philosophy of the NWD in holding employees to high ethical standards and outlining its organizational structure. These documents include its organization chart and the Personnel Policy Manual (both part of Appendices to the ICP at present) that should be written into, referenced, or quoted as part of this requirement to define its control environment. The Personnel Policy Manual (Section IIIA, Professional Conduct-Employees) can be used to develop general statements by management within the body of the ICP that define the ethical values it expects of staff and itself. In addition, NWD can enhance its ICP by adding a brief explanation of how the structure, policies, and procedures act to control and link all units and segments of the NWD's operation. This addition would serve to enhance the NWD's ICP already in place and strongly advocate management's attitude with regards to the rest of the ICP.

Although not stated in the ICP, because of the small size of the NWD, the responsibility of identifying its control environment primarily falls upon the top five administrators of the NWD. During the audit, we identified these positions as the District Attorney, First Assistant District Attorney, the Deputy First Assistant District Attorney, the Chief Executive Assistant, and the Chief Financial Officer. Further identification of the responsibilities of these administrators regarding the establishment and function of the control environment will serve to improve and enhance the current ICP.

Risks Assessment and Control Activities for Mitigating Risks

The NWD's goals and corresponding risk assessments of its operations are adequate. We noted that five major risks were readily identified in the ICP. These risks are either fiscal or programmatic, well defined, and germane to the overall mission of NWD.

The NWD has identified its major risks as follows:

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- A. *Insufficient funding can directly compromise successful prosecution by establishing:*
 - 1. *Inadequate staffing levels*
 - 2. *Inadequate training*
 - 3. *Inability to secure expert witnesses*
 - 4. *Lack of proper collection and protection of evidence*
 - 5. *Insufficient victim/witness support* - B. *The District Attorney is not adequately funded to support the level of compensation required to attract and retain experienced, skilled and dedicated personnel. As a result, we cannot compete with the private sector or other state agencies that have collective bargaining agreements or civil service rates.*
 - C. *The victim/witness unit may not provide adequate information to crime victims, as mandated in Chapter 258B, in order to ensure them a meaningful role in the criminal justice system.*
 - D. *Our jurisdiction has one of the highest per capita child abuse referral rates in the Commonwealth. A notification process must be in place between state social services agencies, local law enforcement and the District Attorney to ensure all cases of suspected child abuse are investigated. A failure in the notification process may result in unreported child abuse cases in the district.*
 - E. *Internal controls may not reflect Commonwealth policy and procedure.*

The NWD needs to more accurately define how its identified risks will be mitigated. This can be achieved either by improving references to existing control activities related to areas of risk specified in its ICP, or providing new or additional control activities. The mitigation of risks identified was primarily limited to fiscal control procedural activities as follows: Fiscal Operations, Budget, Encumbrance Management, Accounts Payable, Vendor Updates, Advances, Reconciliation, Procurement, Inventory, Forfeiture Accounts, Grants Management, Spending Plan, Generally Accepted Accounting Principles, Internal Control, Security, Record Retention, Risk Assessments, Payroll, Fringe Benefits, and Personnel Handbook. Our review disclosed that these activities were very well developed, implemented, and functioning as intended; however, the ICP did not identify or refer to internal control activities needed to mitigate those risks identified in the ICP that affect specific programmatic activities. These programmatic area risks noted above directly impacted Case Management and Court Activities, Victim Witness, and Domestic Violence and Child Advocacy units of the NWD. As an example, the first identified risk, that insufficient funding can directly compromise successful prosecution (inadequate staffing, inadequate training, inability to secure expert witnesses, lack of proper collection and protection of evidence, and insufficient

victim/witness support), does not state, contain references to, or outline a strategy in the ICP as to how NWD control activities will mitigate these risks. The control activities listed in the ICP do not clearly relate to the mitigation of other risks, including: not securing adequate funding to support the level of compensation required to attract and retain experienced, skilled, and dedicated personnel; not providing adequate information to crime victims in the victim/witness unit; not implementing a notification process between state social services agencies, local law enforcement, and the District Attorney to ensure that all cases of suspected child abuse are investigated; and internal controls not reflecting Commonwealth policy and procedure. The NWD should determine how these risks would be managed and addressed in the ICP through direct statements or by referring to existing control activities put in place by the NWD to mitigate these risks.

The OSC's Internal Control Guide for Managers, Volume 1, Chapter 3, Part B – Control Activities, states as follows:

*Once managers identify and assess risks, they need to evaluate and develop, when necessary, methods to minimize these risks. We refer to these methods as **control activities**, the third component of internal control. By control activities, we mean the **structure, policies, and procedures** which an organization establishes so that identified risks do not prevent the organization from reaching its objectives. Policies, procedures, and other management tools like job descriptions, organizational charts and supervisory standards, do not, of course, exist only for internal control purposes. These activities are basic management practices.*

Our audit disclosed that, notwithstanding the absence of identified risks for program areas within the ICP, the NWD does have extensive procedures and policies in place in its operating units for Case Management and Court Activities, Victim Witness, and Domestic Violence and Child Advocacy units. These units are primarily responsible for implementing controls to mitigate identified programmatic NWD risks as noted above; however, no mention is made of these units or linking their control activities to these key program risks identified in the ICP. The effectiveness of these units has been publicly recognized in meeting risks associated with prosecution, victim witness rights, and prevention and prosecution of child abuse. Identifying these units' controls for mitigating risks either by inclusion or reference is needed to improve and further enhance the ICP. Linking or identifying these units' control activities for mitigating these risks within the ICP ensures that internal controls activities are properly defined and in place within the organization.

In addition to the major risks identified in the ICP and their related NWD operating units, the NWD has other units or service areas where prominent activities occur. These operating units or

service areas are not mentioned within the ICP or identified as areas where potential risks to the mission can occur. Although not mentioned, consideration should be given to include identification within the ICP. Administrative and programmatic units and service areas of the NWD, including Elder Abuse and Persons with Disabilities, Information Technology, Community Education, and Consumer Protection activities, were not included or referenced in the ICP. Identifying the correlation of these activities, several of which were critical in nature to support NWD's mission, and any identifying risks mitigated by their activities can only enhance the overall quality of the ICP. Other specific risks that were not identified in these units or service areas should be assessed and considered as to how they could impede NWD's achievement of goals and objectives. This assessment should be done during the next annual review of the ICP.

A riskassessment is an entity's identification and analysis of risks relevant to the achievement of its goals and objectives and forms a basis for determining how the risks should be managed. Risk assessments are an integral part of an internal control plan because they identify and analyze risks and assist management in prioritizing those activities where controls are most needed. Management is responsible for evaluating and implementing, at least annually or as conditions warrant, any changes necessary to maintain the integrity and effectiveness of the internal control system.

Information and Communication

The ICP could be improved by identifying and incorporating more specific references to information and communication data in place, such as systems used during the daily activities of its operations (e.g., DAMION, Case Management, and any other management information systems (MIS), including any information technology (ITD) unit system in use by NWD). General statements to the application and relationship of these various systems to the NWD risks and corresponding control activities would serve to improve and enhance its ICP.

Information and communication consists of the identification, capture, and exchange of information in a form and time frame that enables people to carry out their responsibilities. Effective internal control requires that "pertinent information be stored, captured and communicated both within the organization and to external parties," such as state agencies, trustees, vendors, and others. Communication must be ongoing both within and between various levels and activities of the organization.

Monitoring

The NWD's ICP discusses some excellent monitoring procedures (e.g. monitoring within its Personnel Policy Manual and fiscal procedures by the Chief Executive Assistant and Chief Fiscal Officer over budget review and analysis, program reviews and surveys, ongoing management, reporting within fiscal operations, and personnel management areas), and contains other references to monitoring authority. However, there is no specific reference to accountability either by responsibility or employee monitoring roles within the Case Management and Court Activities, Victim Witness, and Domestic Violence and Child Advocacy units identified as having key program risks. How these units monitor control activities needs to be identified and should be stated in the ICP. The NWD needs to identify monitoring activities and responsibilities that, upon successful application, will ensure that controls to mitigate the program risks are effective and function as intended.

In addition, the ICP does not mention or refer to the roles and responsibilities of the Elder Abuse and Persons with Disabilities, Information Technology, Community Education, and Consumer Protection units. Acknowledgement of their existence as viable operating units of the NWD and reference to each unit as having control activities with monitoring steps either by inclusion or appendix reference will serve to further strengthen the ICP.

Monitoring is a process that assesses the quality of the internal control performances over time. The effectiveness of internal controls needs to be monitored periodically to ensure that controls continue to be adequate and function properly. This is accomplished through ongoing management and supervisory activities as outlined in OSC's Internal Control Guide for Managers, Chapter 3.

Chapter 647 Compliance

Our review of the NWD's ICP indicated that components or elements key to effective implementation of an internal control plan were not included or referenced in the ICP. The following key elements were not identified and are required for compliance with Chapter 647:

- Identification of an official whose responsibility is to ensure that the agency has written documentation of its internal accounting and administrative control system on file.
- Indication that evaluations are conducted annually, or more often as conditions warrant, of the internal control system, and that all necessary changes are made to the system to ensure its integrity.

- Indication that documentation of the system is readily available for review by the OSC, the Executive Office for Administration and Finance, and the Office of the State Auditor.

Inclusion of these elements and the identification of staff responsibility for their implementation and execution via the ICP should be made during the next update of the ICP by NWD.

Chapter 647 of the Acts of 1989 defines 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 OSC.

Among the minimum criteria for evaluating a department's internal control system are various internal control components outlined in Chapter 647 and OSC guidelines, which are inherent to establishment and reporting within an ICP.

Updating its ICP is important for the NWD to ensure the integrity and effectiveness of its internal control system and to enhance its ability to respond to changes while maintaining the system's effectiveness. Annual updating and monitoring will ensure that the NWD continues to achieve its objectives efficiently, effectively, and in compliance with applicable state laws, rules, and regulations, and that its assets are properly safeguarded against loss, theft, or misuse. In addition, with an adequate ICP in place, it is more likely that the NWD will continue to respond appropriately and rapidly to major changes in events affecting its overall control environment, including the implementation of new systems or major changes in key personnel, such as transition of an elected official's position.

NWD officials informed us that they would be responsive to improvement of the ICP through further identification of control activities in place but not clearly identified in the ICP for mitigating its programmatic risks in the victim witness and child abuse areas. NWD stated that because of their relatively small staff, they are receptive to securing assistance from both the OSC and the OSA in helping them improve and enhance their ICP.

Recommendation

The NWD should consider updating and enhancing its ICP during its next annual review to better define its internal control environment by including statements of its philosophy on integrity and ethical values expected of all staff, including top management; updating and expanding its risk assessments to include identifying control activities in place to mitigate all identified fiscal, and more importantly programmatic, risks; identifying information and communication systems in place within the operation; including identification of monitoring roles and responsibilities in the ICP; and ensuring compliance with all provisions of Chapter 647 of the Acts of 1989 and the guidelines established by OSC.

In updating its plan and overall system, the NWD should:

- Address direct statements of top management to the expectations of staff on integrity and requirements of high ethical standards, or declare definitive statements that set the tone for the importance of internal controls within the NWD.
- Consider adding language that clarifies how the NWD's structure, policies, and procedures act to control the risks (control activities), and link these statements through the ICP.
- Update and revise its ICP to include a more comprehensive identification of its control activities used to mitigate its program risks identified in the areas of case management, victim witness, and child abuse.
- Consider including identification or reference within the ICP of all administrative and programmatic units or areas of the NWD, including Case Management and Court Activities, Victim Witness, Domestic Violence and Child Advocacy, Elder Abuse and Persons with Disabilities, Information Technology, Community Education, and Consumer Protection units, as well as any other key service areas which were not previously included or referenced.
- Upon adding any updates or changes, re-visit the NWD's risks to assess the need for modifying or adding additional risks identified within other areas. If deemed necessary, further develop and implement additional written internal controls to mitigate any new identified risks, providing management the means to identify future control risks.
- Identify and incorporate more specific references to information and communication systems in place that facilitate the daily activities within NWD operations.
- Ensure that all supporting documents identified in the ICP are readily available to both management and staff for daily use to assess the integrity of the internal control structure and overall operations.

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- Include language describing how and by whom the ICP and its related control activities are to be monitored.
 - Update and revise its ICP to include identification of its Internal Control Officer in order to designate specific accountability or delegate authority regarding monitoring procedures in the ICP.
 - Ensure that its internal control system is evaluated at least annually or when conditions warrant, that any necessary changes are implemented, and that sufficient controls are in place to address these changes.
 - Identify to whom the plan is to be distributed internally and add language ensuring the availability of the ICP to all parties required by Chapter 647.

Auditee's Response

In response to our audit report, the NWD indicated that it has implemented the following enhancements to its ICP:

- *Better definition of our control environment, including statements of the NWD's requirements on integrity and ethical values expected of all staff including top management;*
- *Updated expanded risk assessments;*
- *Information and communication systems in place to support the daily activities of the NWD's operation;*
- *Identification of related monitoring activities in place; and*
- *Compliance with Chapter 647.*

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

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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 K. Hahn Governor.