

Massachusetts Department of Correction  
Internal Control Procedures  
10 DOC 346  
Table of Contents

|               |                                                                                                    |     |
|---------------|----------------------------------------------------------------------------------------------------|-----|
| 346.01        | Definitions. . . . .                                                                               | .3  |
| 346.02        | The Internal Control Law. . . . .                                                                  | 4   |
| 346.03        | Department Vision. . . . .                                                                         | .5  |
| 346.04        | Department Mission. . . . .                                                                        | 5   |
| 346.05        | Internal Control Plan. . . . .                                                                     | .5  |
| 346.06        | Internal Control Key Concepts. . . . .                                                             | 11  |
| 346.07        | Bond Coverage. . . . .                                                                             | 19  |
| 346.08        | Unaccounted for Variances, Losses, Shortages, or<br>Thefts of Funds or Property. . . . .           | 19  |
| 346.09        | Retention of Accounting/Source Documents. . . . .                                                  | .19 |
| 346.10        | Access to Accounting Records. . . . .                                                              | .20 |
| 346.11        | Responsible Staff. . . . .                                                                         | 20  |
| Attachment A, | Chapter 647 of the Acts of 1989. . . . .                                                           | .21 |
| Attachment B, | Report on Unaccounted for Variances, Losses,<br>Shortages, or Thefts of Funds or Property. . . . . | .23 |
| Attachment C, | Department of Correction Table of Organization<br>(not on Intranet). . . . .                       | .25 |
| Attachment D, | Department Policy List (not on Intranet). . . . .                                                  | 26  |

|                                           |                          |
|-------------------------------------------|--------------------------|
| MASSACHUSETTS DEPARTMENT OF<br>CORRECTION | DIVISION: ADMINISTRATION |
| Title: Internal Control<br>Procedures     | Number: 103 DOC 346      |

**Purpose:** To establish a Department of Correction ("Department") internal control system and to comply with the State Internal Control Guide as it specifically pertains to the Department.

**References:** M.G.L. c. 124, § 1 (c) & (q)  
Chapter 647 of the Acts of 1989

**Applicability:** All Staff

**Public Access:** Yes

**Location:** Department Central Policy File  
Each Institution's Policy File  
Each Inmate Library

**Responsible Staff for Implementation and Monitoring of Policy:**

- Deputy Commissioner of the Administrative Services Division
- Superintendents
- Director of Administrative Services
- Management Staff

**Effective Date:** 04/30/13

**Cancellation:** 103 DOC 346.00 cancels all previous Department policy statements, bulletins, directives, orders, notices, rules and/or regulations governing controls which are inconsistent with this policy.

**Severability Clause:** If any part of 103 DOC 346.00 for any reason, is held to be in excess of the authority of the Commissioner, such decision shall not affect any other part of this policy.

## **346.01      Definitions**

Deputy Commissioner of Administrative Services Division:      The executive staff person who reports to the Commissioner, and whose duties include, but are not limited to the management of: the administrative aspects of the Department including the Division of Human Resources, Employee Relations, Administrative and Fiscal Services, the Budget Office, Resource Management, the Division of Staff Development, the Office of Diversity and Equal Opportunity, Internal Affairs and Technology Services.

Audit:      An examination of agency or facility operations, programs or accounts which is conducted by a person or persons not directly involved in the area being assessed.      An independent audit results in an opinion regarding the adequacy of the area assessed.

Central Policy File:      The Department's central file, located in the Policy Development and Compliance Unit, containing current and past policies and notice of change memorandums for each of the Department's policies.

Department:      The Department of Correction (Department)

Management Employee:      An employee so designated in accordance with the provisions of M.G.L., chapter 150E who (a) participates to a substantial degree in formulating or determining policy, or (b) assists to a substantial degree in preparation for the conduct of collective bargaining, or (c) has substantial responsibility, not initially in effect, in the administration of collective bargaining agreements or in personnel administration, and (d) is not included in a bargaining unit.

Massachusetts Management Accounting and Reporting System (MMARS):      The accounting system of the Commonwealth as mandated by the Comptroller's division within the Executive Office of Administration and Finance.

Policy:      A definite course of action adopted or pursued by the Department that guides and determines present and future decisions, statement(s) of guiding principles directing activities toward the attainment of objectives, and overall goals of the Department.

Procedure:      The detailed and sequential actions that must be executed to ensure Department policy is fully implemented, the

method of performing an operation, specific task to be performed within Department policy.

Records Conservation Board: The state agency having authority over the retention and destruction of official documents.

### **346.02      The Internal Control Special Law**

- A. Chapter 647 of the Acts of 1989, an act relative to improving internal controls within state departments, became effective on April 3, 1990. The legislation was filed by the State Auditor for the purpose of improving the internal controls within the Commonwealth. Please refer to Attachment A for a copy of this legislation.
- B. Chapter 647 sets forth the minimal level of quality for internal controls within state departments for administrative and financial operations. Internal controls for the Department are established in accordance with the guidelines promulgated by the Office of the Comptroller.
- C. The Act also requires that all unaccounted for variances, losses, shortages, or thefts of funds or property be reported immediately to the Office of the State Auditor (OSA). See Attachment B.
- D. The Act sets forth standards that the Department incorporates into its internal control plan.
  - 1. Internal control plan is documented and readily available for examination.
  - 2. Transactions and other significant events are to be promptly recorded, clearly documented and properly classified.
  - 3. Only persons acting within the scope of their authority are allowed to authorize and execute transactions and other significant events.
  - 4. 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 insure that effective checks and balances exist.

5. Qualified and continuous supervision is provided to all staff to ensure that internal control objectives are achieved
6. Access to resources and records are limited to authorized individuals. Qualified individuals will be assigned to maintain accountability for the custody and safeguarding of resources. Physical resources and accounting records shall be periodically compared to reduce the risk of unauthorized use or loss of resources and protect against wasteful and wrongful acts.

#### **346.03      Department Vision**

To effect positive behavioral change in order to eliminate violence, victimization and recidivism.

#### **346.04      Department Mission**

To promote public safety by managing offenders while providing care and appropriate programming in preparation for successful reentry into the community.

Manage - Care - Program - Prepare

#### **346.05      Internal Control Plan**

##### **I.      Department Internal Environment**

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. Employees are aware of the practices followed by upper management including those that circumvent internal controls. Despite policies to the contrary, employees who note that their managers frequently override controls, will also 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 complying with their own policies and procedures, discussing internal controls at management and staff meetings, and rewarding employees for following good internal control practices. Although

it is important to establish and implement policies and procedures, it is equally important to follow them.

- A. The Department of Correction's attitude, actions, and core values are intended to influence the control consciousness of its people. Strong internal controls are pivotal to achieving the Department's objectives. Managers (refer to Department table of organization, Attachment C) are responsible for effectively managing the resources entrusted to them to carry out Department programs. One major piece of fulfilling this management responsibility is ensuring that adequate internal controls are implemented as portrayed in this policy.
- B. The Commonwealth of Massachusetts and the Department are committed to maintaining strong fiscal management practices. Strong Department level internal controls and procedures in compliance with state and federal laws, regulations, policies, and guidelines shall support these practices.
- C. The system of internal controls coordinates Department policies and procedures to safeguard assets; checks the accuracy and reliability of accounting data; aids in the prevention of fraud, waste and abuse; promotes operational efficiency; and encourages adherence to prescribed managerial policies.
- D. The existence of internal controls shall facilitate the preparation of audits, both internally and by the State Auditor's Office. Compliance to the internal control mandates shall provide a basis for relying on system results and whether the financial statements of an audit present fairly the financial position of an institution or program in accordance with generally accepted accounting principles.
- E. All staff, not just managers, should understand, promote and support the Department's internal control system. This indicates that internal control procedures should be part of the Department's day-to-day operations, not a separate series of activities.
- F. So as to comply with Section 6032 of the Deficit Reduction Act of 2005, MassCor Industries (MassCor) employees, contractors, and agents shall be educated about the Federal and State False Claims Acts; the rights of employees to be

protected as whistleblowers; and MassCor's procedures for detecting and preventing fraud, waste, and abuse. This shall be accomplished through the distribution of MassCor Industries False Claims Act Procedural Statement to all employees, contractors and agents of MassCor. An acknowledgement of receipt shall be maintained on file at MassCor.

- G. The Department is committed to hiring, training, and retaining qualified staff. The Department is committed to competence which includes the hiring of staff, ensuring that current staff receive optimal training as well as supervision, and employees are acknowledged for outstanding services.

## **II. Department Risk Assessment and Enterprise Risk Management**

- A. General Overview: the Department's mission connotes an undertaking of tremendous magnitude and achievement is predicated on control initiatives developed through risk assessment, both identified and ongoing. A risk assessment is a process to identify and analyze factors that may affect the achievement of a goal. In general, risk factors may include the control environment, size of the organization, complexity, change, and results of previous reviews/audits. It is important to remember that not all risks are equal. Some risks are more likely to occur while others will have a greater impact. Once identified, the assessment regarding the probability and significance of each risk is critical.

- 1. Accomplished risk assessment and response predicates the management of control-related policies and procedures. The Department maintains over one hundred and fifty (150) Department and parallel institutional policies in order that identified risks do not prevent the agency from reaching its objectives. Said policies are categorized as administrative (100 series), staffing & personnel (200 series), fiscal & financial (300 series), inmate management (400 series), security & institutional operations (500 series), medical (600 series), and support services (700 series). These policies undergo annual reviews in accordance with Department policy 103 DOC 104.00, Internal Regulations/Policies to minimize risk and enhance effectiveness. Please refer to Attachment D for a complete chronological policy listing.

2. In accordance with Department policy 103 DOC 100.00, Department Philosophy and Goals, the Department shall establish long range goals and objectives by Department, division, and institution, which identify areas of potential risk and initiatives to address same.
3. Cognizant of identified risks within the correctional environment, the management of our facilities is guided by recognized best penal practices as evidence by all facilities having achieved accreditation by the American Correctional Association. Professional standards for safety and security are met in the daily operation of all facilities.
4. In accordance with Department policy, 103 DOC 111.00, Management Analysis and Evaluation, managers shall be responsible for developing and carrying out ongoing internal audits to identify risks and or potential risks. Audits shall be designed to provide the Commissioner with immediate and current information about agency and institution programs and operations. This shall include but is not limited to institutional administrative audits, institutional inspections, and management/program evaluations by outside agencies.
5. The Department is committed to identify latent risk and as such maintains several internal organizations to police the institutions and divisions. These include but are not limited to:
  - Office of Investigative Services - staff and inmate investigations;
  - Health Services Division - monitors and audits medical services contract;
  - Budget Office - monitor expenditure reviews;
  - Office of Diversity and Equal Opportunity- review hiring practices;
  - Policy Development & Compliance - Audit institutions for ACA compliance.
  - Audit & Compliance Unit - Fiscal and Operational audits;
  - Special Operations Division - Security audits.

#### B. Risk Analysis and Mitigation



As a result of analyzing data furnished by the above assessment methods, Department of Correction Senior Management has identified the following risks as "High Level Department Wide Risks." Accompanying each High Level Risk, are the control activities that the Department has in place to reduce the level of associated risk to an acceptable level.

| <b>Risk</b>                                                                                                  | <b>Control Activities</b>                                                                                                                                                                                 |
|--------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Failure to maintain institutions which are safe for staff and inmates.                                       | DOC 101, 102, 103, 105, 111, 112, 225, 400, 422, 501, 502, 504, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 518, 519, 521, 522, 530, 550, 558, 559, and CMR 403, 420, 421, 423, 430, 431, 481, 482. |
| Failure to provide education and other reentry initiatives which will decrease the likelihood of recidivism. | DOC 425, 441, 445, 446, 466, 493, and CMR 430, 455, 464, 465.                                                                                                                                             |
| Lack of security to maintain public safety.                                                                  | DOC 101, 102, 103, 105, 111, 112, 404, 487, 501, 502, 504, 506, 513, 521, and CMR 420, 481, 482.                                                                                                          |
| Not offering adequate medical care to inmates.                                                               | DOC 601, 607, 620, 630, 631, 640, 661, and CMR 761.                                                                                                                                                       |
| Spending over appropriated amounts.                                                                          | DOC 210, 210A, 300, 340.                                                                                                                                                                                  |
| Poor public/community relations.                                                                             | DOC 133, 172, and CMR 131.                                                                                                                                                                                |
| Failure to maintain adequate criminal records.                                                               | DOC 156, 417, and CMR 155.                                                                                                                                                                                |
| Poor disorder management.                                                                                    | DOC 105, 501, 503, 559, 560, 550, and CMR 505.                                                                                                                                                            |
| Poor preventive maintenance for aging institutions.                                                          | DOC 740                                                                                                                                                                                                   |
| Failure to provide a professional and rewarding work environment for staff.                                  | DOC 203, 205, 211, 213, 216, 221, 237, 238, 239, 250, 270.                                                                                                                                                |
| Failure to identify latent risk.                                                                             | DOC 100, 102, 103, 104, 111, 112, 175, 346.                                                                                                                                                               |

### **III. Control Activities**

The organizational structure, policies, and procedures (control environment) of the Department shall set a proper foundation for internal control, providing discipline and structure as well as encompassing both technical competence and ethical commitment. Each manager must evaluate the internal controls in his/her own unit or area of responsibility in order to decide if the system (procedure, policy, control cycle), sufficiently safeguards the Department's resources, assures accuracy of information, and promotes effectiveness and efficiency.

Departmental Policy, 103 DOC 104, Internal Regulations and Policies, sets forth procedures for this evaluation and review process for established Department and Institution policies.

Please refer to Attachment D for a complete chronological policy listing.

#### **IV. Communication of Information**

The Department recognizes that information must be effectively communicated to all stakeholders in a timely manner. The below listed control activities provide the framework that ensures this essential communication process.

- A. Departmental policy, 103 DOC 111.00, Management Analysis and Evaluation, establishes procedure pertaining to preparation and submission of periodic and annual reports.
- B. Departmental policy, 103 DOC 102.00, Organizational Function/Staff Meetings, establishes procedures pertaining to staff meetings.
- C. Departmental policy, 103 DOC 104.00, Internal Regulations and Policies dictates that expeditious dissemination of approved, new, or revised policies and procedures to designated staff, volunteers, and when appropriate, to inmates prior to their going into effect, shall be required at all levels of the system.

#### **V. Monitoring**

The Department must continually monitor the effectiveness of controls, identified problems, and review weaknesses to determine whether revisions are warranted. This monitoring is accomplished by the following means:

- A. Management Oversight: All managers are required to continually monitor their procedures and controls to ensure that all objectives of the agency are being met and that the risks to meeting those objectives are effectively minimized. Management is required to ensure that an adequate level of supervision exists in the day-to-day operation of their areas of responsibility.
- B. Evaluation of Controls: As mentioned in the control activity section above, Department policy 103 DOC 104.00, Internal Regulations and Policies requires that all department policies be evaluated annually. During this process each policy is reviewed to determine if it is current, operationally sound and consistent with the philosophy and goals of the department. See policy 103 DOC 104 for a detailed description of the review process.
- C. Testing of Controls: The Department utilizes several internal organizations to conduct tests of controls to determine whether they function as intended. These include but are not limited to:
- Policy Development & Compliance - Audit institutions for ACA compliance
  - Audit & Compliance Unit - Fiscal and Operation Audits
  - Special Operations Division - Security audits
- D. Continuous Monitoring: The Department utilizes several internal organizations to perform continuous monitoring functions. These include but are not limited to:
- Health Services Division - monitors and audits medical contract
  - Budget Office - monitors expenditures
  - Office of Diversity and Equal Opportunity- review hiring practices
  - Audit & Compliance Unit - monitors inmate trust fund disbursements via Sovereign Banks "IRIS" system, executes continuous monitor plan audits as dictated by the audit program
  - Director of Administrative Resolution - Reviews inmate grievance reports to identify trends or emerging problems

- E. Sub-recipient Monitoring: A large percentage of the federal funds received by the Commonwealth are actually expended by sub-recipients rather than by Commonwealth departments themselves. Department management must continue to monitor the entities to which they pass-through their federal funds. Each year the Office of Management and Budget (OMB) publishes a guide to identify the compliance requirements that the Federal Government expects auditors to review as part of a single audit. The OMB A-133 Compliance Supplement adds new material to emphasize and provide guidance on what the federal government considers adequate sub-recipient monitoring.

### **346.06 Internal Control Key Concepts**

#### **A. Segregation of Duties**

A primary principle for an internal control system or plan is the segregation of duties which helps protect against the misuse of funds. In the automated environment, the principle of segregation is critical because it ensures the separation of different functions, such as data preparation, input, and review. It also defines authority and responsibility over transactions and use of department/institution's resources.

Segregation of duties is a particularly challenging control to implement for institutions with small numbers of employees. However, managers of these facilities shall consider this principle when designing and defining job duties and build control procedures to assure segregation exists. A supervisor's close and documented review and approval of transactions, reports, and reconciliations become especially critical in smaller sites with limited personnel.

Inadequate segregation of duties exists whenever one individual is performing two (2) or more of the following: authorization, record keeping, and custodianship. Institutions and Divisions under the jurisdiction of the Department should ensure that, at a minimum, the following activities are properly segregated:

##### **1. Personnel/Payroll Activities**

The individual that is responsible for hiring, discharging, and approving promotions shall not be directly involved with preparing payroll or inputting data.

Payroll deductions and time sheets/cards shall be reviewed and approved by a supervising manager before data entry.

Individuals approving time sheets/cards shall not be involved in preparing payroll.

An individual who is not involved in the payroll process shall periodically verify all personnel salaries and wage rates.

Individuals involved in payroll data entry shall not have payroll approval authority.

## 2. Purchasing/Payment Activities

Approval of transactions shall not be delegated to the immediate supervisor of data entry or to data entry personnel. Approvals must be written (signature on MMARS forms, etc.) and accomplished by the appointing authority or authorized designee (fiscal officer, etc.)

## 3. Receipt of Goods/Services

Those individuals responsible for acknowledging the receipt of goods or services shall not be responsible for purchasing and payment activities.

## 4. Inventories

Individuals responsible for monitoring inventories shall not have the authority to authorize withdrawals of items maintained in inventory.

Actual physical inventory counts must be taken by someone other than the individual(s) maintaining the inventory (storekeeper) or the inventory records.

## 5. Accounts Receivable

Individuals responsible for issuing billings shall not be responsible for estimating, budgeting, collecting and

processing receipts or involved with the accounts receivable records.

The persons responsible for maintaining accounts receivable records shall not be involved with receipts or the processing of receivables.

An independent individual shall investigate billing disputes promptly.

Individuals receiving revenue shall not be involved in the reconciliation of the accounts.

## 6. Receipts

Persons receiving cash shall have no access to accounting records.

A person having no access to cash receipt records (i.e., mailroom officer) shall open incoming mail.

Someone other than the person entering income into the IMS Trust Fund Accounting module shall prepare the related bank deposit. The amount of funds posted to the system shall be reconciled to the bank deposit prior to the bank deposit being made.

Specific persons shall be responsible for receipts; from the time cash is received until it is deposited.

Only the Treasurer or Assistant Treasurer shall have access to the petty cash fund.

## 7. Check Writing Activities

The person preparing checks shall not be the person signing the check.

The person signing the checks shall not be the person reconciling the account.

## 8. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 ("ARRA" or "Stimulus funds"), includes unprecedented levels of reporting requirements, beyond the traditional federal audit requirements. All information and direction received

from oversight agencies pertaining to the management and reporting of ARRA funds shall be posted on the **Administrative Services Intranet web page** under the reference tab. This information must be read and periodically reviewed by all staff who will be handling ARRA obligations or expenditures at any point in the process (program, planning, procurement, contracts, payments, etc.)

#### B. Supervision of Internal Controls

The adherence to established policies and procedures (Department policies, Comptroller's Policy Memos, MMARS guidelines, Operational Service Division purchasing guidelines, etc.) are mandatory to ensure proper internal controls. Qualified and continuous review and approval of assigned work shall be provided to assure that such policies are followed. To this effect and effort every institution shall establish clear lines of authority and responsibility.

Adequate and timely supervision is especially important in the smaller institutions where limited number of personnel may inhibit a thorough segregation of duties.

Accounting and payroll reports are vital tools available to assist managers with their supervisory responsibilities. The automation of the state accounting system yields a wide range of data, which is captured, compiled, and disseminated, to users.

These reports provide managers with timely information on the verification of transaction, status of financial conditions, analytical and predictive data, reference information, and transaction output reports.

#### C. Documentation of Activities

Each step of the transaction process shall be documented to allow for a proper audit trail. This provides managers with the ability to trace transactions from request, to authorizations for ordering, purchasing, receipt and paying for services or goods.

The Department's designated Records Liaison Officer to the Records Conservation Board as appointed by the Commissioner

shall work in consultation with the Records Conservation Board to promote efficient records management practices. The Liaison Officer is authorized to sign applications for disposal schedules and destruction permissions.

#### D. Authorization of Transactions

Institutions and Divisions shall document the staff person with authority to approve certain types of transactions. Documents shall be maintained which indicate that authorizations are issued by a person acting within the scope of their authority and that transactions conform to the terms of authorization.

In accordance with M.G.L., c. 29, § 20, no account or demand requiring the certificate of the comptroller or warrant of the Governor shall be paid from an appropriation unless it has been authorized and approved by the head of the department, office, Commissioner or institution for which it was contracted.

The signature of such authorized personnel shall be a matter of record in the Office of the Comptroller, so that when documents are received, they may be certified by comparison with the signature of files and stamped "certification OK." This certification process shall be accomplished at regularly scheduled intervals as prescribed by the Comptroller and coordinated by the Department's Director of Administrative Services.

#### E. Security of Automated Transaction Processing System

Security of Department automated systems is imperative to protect hardware and ensure only authorized access to on-line transaction processing. The two (2) key security issues are the physical safety of equipment and unauthorized transaction processing.

1. Hardware Security - Access to computer hardware, terminals, remote printers, screens, etc. shall be restricted to protect against physical abuse and unauthorized access to the on-line systems. Equipment shall be maintained in a limited access area (i.e., locked rooms or segregated area) or by using locked covers, securing keyboard, etc. when hardware is idle.



2. Access to Data - Identification codes and passwords shall be used to access the on-line systems, (i.e., MMARS, Human Resources Compensation Management System (HRCMS), Department system, etc.) The Department's Director of Administrative Services or designee shall act as the coordinator and security officer for said user privileges.
  - a. Identification codes and passwords shall be confidential codes and passwords shall not be shared for convenience between personnel.
  - b. Passwords shall be changed periodically to ensure confidentiality.
  - c. Identification codes and passwords shall not be attached to terminals, desk tops, or located where accessible to unauthorized personnel.
  - d. Upon notice of an employee's termination, transfer, or change in responsibility, the respective security officer shall be notified immediately so that his/her privileges may be changed and/or deleted.
  - e. Any change in system privileges shall be requested via the mail facility or by submitting a properly completed system request form to the respective security officer.
  - f. The confidentiality of system-generated reports shall be safeguarded and access limited to only authorized personnel.

#### F. Transaction Processing

Transaction processing refers to the actual initiation, entry, correction, deletion, and scheduling of transactions in the Department's internal system(s), (e.g., inmate accounts.) or within the state accounting system, (e.g., MMARS, HRCMS)

All pertinent Comptroller control activities such as the MMARS User's Guide, Procedures Manual, and Policy memos, shall be made readily available to all authorized employees involved in transaction processing. To further aid in understanding all required controls related to transaction

processing, provided below is cross reference between transaction intense function areas of the Department and the related Department control activity that shall be referred to for guidance.

| Function Area     | Policy/CMR  |
|-------------------|-------------|
| Inmate Accounts   | 103 CMR 405 |
| Purchasing        | 103 DOC 340 |
| Payments          | 103 DOC 345 |
| Inventory Control | 103 DOC 339 |
| Fixed Assets      | 103 DOC 343 |
| Payroll/Personnel | 103 DOC 210 |
| Canteen/Vending   | 103 DOC 476 |

G. Document Catalog

All Fiscal Offices shall monitor the volume and nature of documents in the MMARS document catalog to expedite document processing by focusing attention on those transactions which are being delayed. To ensure the accuracy and timeliness of those transactions being processed, document catalog management shall include correcting, approving, disapproving, or otherwise altering documents in the document catalog.

H. Revenue Controls

The following shall be mandated to ensure that Department funds are collected, deposited, and reported efficiently so that these assets are safeguarded and accurately reflected on financial records.

1. Billing - Ensure that all revenues due to Department programs/facilities are billed, accounted for properly, and received in a timely manner.
  - a. Billing records shall be independently maintained and not accessible to parties outside the billing functions, especially those who might have access to cash or those parties being billed.
  - b. Following the rendering of a service, product, etc., invoices shall be distributed as soon as possible (at least monthly).

- c. Billing shall be reconciled periodically against amounts received and accounts receivable (for the same period). Collected receipts shall also be reconciled against deposits for the period.

## 2. Accounts Receivable

- a. Recording of accounts receivable by an applicable revenue source is encouraged by the Comptroller's Division.
- b. Facilities/programs shall maintain a detailed subsidiary ledger of its accounts receivable, which shall be reconciled to the Accounts Receivable Journal on a monthly basis.
- c. For additional information regarding accounts receivable please refer to the policies section of the Comptroller's web site.

## 3. Cash/Revenue Receipts

- a. All revenue shall be issued a pre-numbered cash receipt or mechanical devices such as a cash register should be utilized.
- b. Checks received shall be properly endorsed "deposit only" or by an appropriate signature where required. All checks issued by the U.S. Department of the Treasury require a full endorsement as well as any other draft, which specifically documents a signature requirement (certain bank drafts, especially those issued from another state). For those checks requiring signature endorsement, the aforementioned deposit stamp will be secondary.
- c. All cash shall be secured in an appropriate manner (e.g., lock box, vault)
- d. Cash and check receipts shall be deposited on a daily basis.
- e. Receipts at year-end shall be coded appropriately to record and deposit receipts in the proper fiscal year. (Refer to Comptroller's closing instructions.)

- f. The Department shall reconcile revenue receipts to MMARS Report NGA208W: Case received and allocated at the close of each accounting period.

#### 4. Revenue Refunds

- a. Documentation shall accompany any revenue refund request and shall specify the type of refund to be made before authorization is ascertained.
- b. All refunds shall be logged and supporting documentation retained.
- c. All refunds shall be approved by an appropriate manager/supervisor before processing.

#### **346.07 Bond Coverage**

Department Superintendents shall be bonded in accordance with M.G.L. c. 125, § 2. (Only Supers are required to post bond pursuant to this statute)

#### **346.08 Unaccounted for Variances, Losses, Shortages, or Thefts of Funds or Property**

The Report of Unaccounted for Variances, Losses, Shortages, or Thefts of Funds or Property (Attachment B) shall be completed for all such instances regardless of monetary amount or property value. This pertains to all types of funds including state appropriation, canteen, avocation, inmate, grants, and other discretionary funding.

Upon completion, said report shall be sent to the Department's Support Services Division who shall review for assurance the form is properly documented and that an unaccounted variance actually exists. Additionally, Support Services shall assess the strength of departmental controls associated with the submitted variance report. Support Services shall then coordinate an aggregate submission to the State Auditor for the Department

#### **346.09 Retention of Accounting Records/Source Documents**

All fiscal documents/correspondence shall be systematically filed to facilitate later retrieval for audit purposes.

#### **346.10 Access to Accounting Records**

The Director of Administrative Services or his/her designee shall have access to all institutions and their records for audit purposes to determine compliance with this policy.

**346.11**      **Responsible Staff**

The Director of Administrative Services, under the supervision of the Deputy Commissioner of the Administrative Services Division shall monitor and implement this policy throughout the Department.

Each Superintendent shall implement this policy within his/her institution, and develop institutional policies and procedures necessary for said implementation.

## Attachment A (1)

### Chapter 647 of the Acts of 1989

---

Legislation authored by

A. Joseph DeNucci

Auditor of the Commonwealth

Chapter 647 THE COMMONWEALTH OF MASSACHUSETTS In the Year

One Thousand Nine Hundred and Eighty-nine

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 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 insure 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

## Attachment A (2)

(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 of 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 implements 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 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 weakness 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.

Attachment B (1)

Report on Unaccounted for Variances, Losses  
Shortages, or Thefts of Funds or Property

TO: Office of the State Auditor

FROM: \_\_\_\_\_

DATE: \_\_\_\_\_

Agency: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Agency Contact Person: \_\_\_\_\_  
(Name, Title, and  
Telephone Number): \_\_\_\_\_

\_\_\_\_\_

-----  
Date Detected: \_\_\_\_\_

Explanation of Condition: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Cause of Condition:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Amount of Funds Involved: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Appropriation Accounts, Trust Funds, Checking Accounts, etc. Involved  
(List all the particulars, i.e., account numbers, banks, amounts,  
etc.):

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



Attachment B (2)

-2-

Agency Division or Section Involved:

---

---

---

Individual(s) Aware of Incident:

---

---

---

No. of Individuals Having Access to Accounts/Funds Affected:

---

---

---

Other Pertinent Information:

---

---

---

---

---

---

Report Completed By: \_\_\_\_\_  
(Name, Title and  
Telephone Number): \_\_\_\_\_

\_\_\_\_\_

Send the Report to:  
Office of the State Auditor  
One Ashburton Place  
Room 1819  
Boston, MA 02108

Attn:  
Howard Olsher  
Director of State Audits  
617-727-6200 Ext. 156

Attachment C (not on Intranet)

Attachment D (not on Intranet)