Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued April 28, 2015

Office of Consumer Affairs and Business Regulation—Examination of Annual Internal Control Questionnaire

For the period July 1, 2013 through June 30, 2014

State House Room 230 ■ Boston, MA 02133 ■ auditor@sao.state.ma.us ■ www.mass.gov/auditor

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Making government work better

April 28, 2015

John Chapman, Undersecretary
Office of Consumer Affairs and Business Regulation
10 Park Plaza, Suite 5170
Boston, MA 02116-3933

Dear Undersecretary Chapman:

I am pleased to provide this limited-scope performance audit of the Office of Consumer Affairs and Business Regulation. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2013 through June 30, 2014. My audit staff discussed the contents of this report with management of the agency, whose comments are reflected in this report.

I would also like to express my appreciation to the Office of Consumer Affairs and Business Regulation for the cooperation and assistance provided to my staff during the audit.

Sincerely,

Suzanne M. Bump
Auditor of the Commonwealth

TABLE OF CONTENTS

EXECUTIVE SUMMARY 1

OVERVIEW OF AUDITED ENTITY 2

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY 3

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE 7

1. **Information reported regarding internal controls was inaccurate or unsupported by documentation.** 7
   - a. **OCABR's response regarding whether its ICP was based on guidelines issued by OSC was inaccurate.** 7
   - b. **OCABR's response regarding whether it had conducted an organization-wide risk assessment including the risk of fraud was inaccurate.** 8
   - c. **OCABR's response regarding whether it has procedures that encompass all phases of the inventory process was inaccurate.** 8
   - d. **OCABR submitted its 2014 ICQ without certifying the accuracy of its responses as required by OSC instructions.** 8

OTHER MATTERS 11

APPENDIX A 12

APPENDIX B 14

LIST OF ABBREVIATIONS

COSO	Committee of Sponsoring Organizations of the Treadway Commission
ERM	enterprise risk management
GAAP	generally accepted accounting principles
ICP	internal control plan
ICQ	Internal Control Questionnaire
OCABR	Office of Consumer Affairs and Business Regulation
OSA	Office of the State Auditor
OSC	Office of the State Comptroller

EXECUTIVE SUMMARY

Each year, the Office of the State Comptroller (OSC) issues a memorandum (Fiscal Year Update) to internal control officers, single audit liaisons, and chief fiscal officers instructing departments to complete an Internal Control Questionnaire (ICQ) designed to provide an indication of the effectiveness of the Commonwealth's internal controls. In the Representations section of the questionnaire, the department head, chief fiscal officer, and internal control officer confirm that the information entered in the questionnaire is accurate and approved.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted a limited-scope performance audit of certain information reported in the Office of Consumer Affairs and Business Regulation's (OCABR's) ICQ for the period July 1, 2013 through June 30, 2014. The objective of our audit was to determine whether certain responses provided by OCABR to OSC in its fiscal year 2014 ICQ were accurate.

Below is a summary of our finding and our recommendations, with links to each page listed.

Finding 1 **Page 7**	OCABR's 2014 ICQ had inaccurate responses on the subjects of its internal control plan (ICP), risk assessment, and capital-asset inventory. In addition, OCABR did not certify the accuracy of the responses on its ICQ before submitting it to OSC.
Recommendations **Page 10**	1. OCABR should take the measures necessary to address the issues we identified during our audit and should ensure that it adheres to all of OSC's requirements for developing an ICP and accurately reporting information about its ICP, risk assessment, inventory procedures, and department representations on its ICQ. 2. If necessary, OCABR should request guidance from OSC on these matters.

OVERVIEW OF AUDITED ENTITY

The Office of Consumer Affairs and Business Regulation (OCABR), within the Executive Office of Housing and Economic Development, was established in accordance with Chapter 24A, Section 1, of the Massachusetts General Laws and operates under the supervision and control of an undersecretary appointed by the Governor. OCABR's mission is to advocate for, inform, and protect consumers and ensure fair and sound regulation of businesses and professionals while working to strike a balance between the needs of businesses and those of consumers. OCABR staffs various consumer hotlines; investigates consumer problems; publishes educational brochures, alerts, and reports; conducts surveys of consumer needs; establishes programs and services to assist consumers in understanding their rights and responsibilities in consumer transactions; recommends and implements consumer-protection policies; and monitors the marketplace to promote fair and honest competition. OCABR supervises five regulatory agencies: the Division of Banks, Division of Insurance, Department of Telecommunications and Cable, Division of Professional Licensure, and Division of Standards. According to its website, OCABR and its five agencies "work together to achieve two goals: to protect and empower consumers through advocacy and education, and to ensure a fair playing field for all Massachusetts businesses."

OCABR had a fiscal year 2014 budget of $1,338,000 and has 24 employees. It is located at 10 Park Plaza, Suite 5170, Boston.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a limited-scope performance audit of certain information reported in the Office of Consumer Affairs and Business Regulation's (OCABR's) Internal Control Questionnaire (ICQ)[1] for the period July 1, 2013 through June 30, 2014.

We conducted this limited-scope performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The overall objective of our audit was to determine whether OCABR accurately reported certain information about its overall internal control system to the Office of the State Comptroller (OSC) in its 2014 ICQ. Accordingly, our audit focused solely on reviewing and corroborating OCABR's responses to specific questions pertaining to ICQ sections that we determined to be significant to the agency's overall internal control system. Below is a list of those areas, indicating the conclusion we reached regarding each objective and, if applicable, where each objective is discussed in this report.

Objective	Conclusion
1. In its 2014 ICQ, did OCABR give accurate responses in the following areas?	
a. internal control plan (ICP)	**No; see Findings 1a and 1b**
b. capital-asset inventory, for both generally accepted accounting principles (GAAP) and non-GAAP assets	**No; see Finding 1c**
c. personally identifiable information	**Yes**
d. audits and findings (reporting variances, losses, shortages, or thefts of funds or property immediately to OSA; see Appendix A)	**Yes**

1. Each year, the Office of the State Comptroller issues a memo (Fiscal Year Update) to internal control officers, single audit liaisons, and chief fiscal officers instructing departments to complete an Internal Control Questionnaire designed to provide an indication of the effectiveness of the Commonwealth's internal controls. In the Representations section of the questionnaire, the department head, chief fiscal officer, and internal control officer confirm that the information entered into the questionnaire is accurate and approved.

In the course of our audit, we also determined that OCABR submitted the 2014 ICQ to OSC without certifying the accuracy of its responses in accordance with OSC instructions (Finding 1d).

Our analysis of the information in the ICQ was limited to determining whether agency documentation adequately supported selected responses submitted by OCABR in its ICQ for the audit period and was not designed to detect all weaknesses in the agency's internal control system or all instances of inaccurate information reported by OCABR in the ICQ. Further, our audit did not include tests of internal controls to determine their effectiveness as part of audit risk assessment procedures, because in our judgment, such testing was not significant within the context of our audit objectives or necessary to determine the accuracy and reliability of ICQ responses. Our understanding of internal controls and management activities at OCABR was based on our interviews and document reviews. Our audit was limited to what we considered appropriate when determining the cause of inaccurate ICQ responses.

In order to achieve our objectives, we performed the following audit procedures:

- We reviewed the instructions for completing the fiscal year 2014 ICQ distributed by OSC to all state departments (Appendix B).
- We reviewed the OSC Internal Control Guide, dated September 2007, to obtain an understanding of the requirements for preparing an ICP.
- We reviewed Chapter 93H, Section 3, of the General Laws, and Massachusetts Executive Order 504, to obtain an understanding of the requirements pertaining to the safeguarding and security of confidential and personal information and to providing notification of breaches to appropriate parties.
- We reviewed Chapter 93I of the General Laws to obtain an understanding of the requirements pertaining to the disposal and destruction of electronic and hardcopy data records.
- We interviewed the director of OSC's Quality Assurance Bureau to obtain an understanding of OSC's role in the ICQ process and to obtain and review any departmental quality assurance reviews[2] conducted by OSC for OCABR.
- We interviewed both OCABR's director of Accounting and its chief financial officer to gain an understanding of OCABR's ICQ process and requested and obtained documentation to support the responses on its ICQ for the 12 questions we selected for review.

2. According to OSC, the primary objective of the quality assurance reviews is to validate (through examination of transactions, supporting referenced documentation, and query results) that internal controls provide reasonable assurance that Commonwealth departments adhere to Massachusetts state finance law and the policies and procedures issued by OSC. The quality assurance review encompasses the following areas: internal controls, security, employee and payroll status, and various accounting transactions. The internal control review determines whether the department has a readily available updated ICP.

- We interviewed OCABR's director of Accounting to ask whether OCABR had any instances of variances, losses, shortages, or thefts of funds or property to determine compliance with Chapter 647 of the Acts of 1989's requirement of reporting to OSA.

- We reviewed the fiscal year 2014 ICQ and selected questions pertaining to (1) the ICP, (2) Chapter 647 requirements, (3) capital-asset inventory (GAAP and non-GAAP), and (4) personally identifiable information. We selected these areas using a risk-based approach and prior OSA reports that noted inconsistencies with departmental supporting documentation and agency ICQ responses submitted to OSC. Accordingly, we selected the following ICQ questions:

    - Does the department have an ICP that documents its internal control systems, procedures, and operating cycles, covering the objectives of all department activity?

    - Is the ICP based on the guidelines issued by OSC?

    - Has the department conducted an organization-wide risk assessment that includes the risk of fraud?

    - Has the department updated its ICP within the past year?

    - Does the department require that all instances of unaccounted-for variances, losses, shortages, or thefts of funds be immediately reported to OSA?

    - Does the department have singular tangible and/or intangible capital assets with a useful life of more than one year?

    - Does the department take an annual physical inventory of tangible and intangible capital assets, including additions, disposals, and assets no longer in service?

    - Are there procedures that encompass all phases of the inventory process—acquisition, recording, tagging, assignment/custody, monitoring, replacement, and disposal—as well as the assignment of the roles of responsibility to personnel?

    - Are information system and data security policies included as part of the department's internal controls?

    - Is the department in compliance with Chapter 93H, Section 3, of the General Laws, and Executive Order 504, regarding notification of data breaches?

    - Are stored personal data, both electronic and hardcopy, secured and properly disposed of in accordance with Chapter 93I of the General Laws and in compliance with the Secretary of State's record-conservation requirements?

    - Are sensitive data, as defined in law and policy, secured and restricted to access for job-related purposes?

To determine whether the responses provided to OSC by OCABR for the above 12 questions were accurate, we performed the following procedures:

- We requested and reviewed the OCABR ICP to determine whether it complied with OSC requirements.
- We requested and reviewed any department-wide risk assessments conducted by OCABR.
- We conducted interviews with OCABR managers to determine the procedures used to prepare and update the ICP and conduct an annual capital-asset inventory.
- We requested and reviewed OCABR's policies and procedures for personally identifiable information to determine whether policies were in place and addressed the provisions of (1) Chapter 93H, Section 3, of the General Laws, and Executive Order 504, regarding notification of data breaches and (2) Chapter 93I of the General Laws regarding storing electronic and hardcopy personal data.
- We requested documentation for the last annual inventory conducted by OCABR.
- We requested and reviewed all documentation to support OCABR's certification of the accuracy of its responses on the fiscal year 2014 ICQ.

In addition, we assessed the data reliability of OSC's PartnerNet, the electronic data source used for our analysis, by extracting copies of the ICQ using our secured system access and comparing their data to the ICQ data on the source-copy ICQ on file at OCABR during our subsequent interviews with management. ICQ questions are answered entirely with a "Yes," "No," or "N/A" checkmark. By tracing the extracted data to the source documents, we determined that the information was accurate, complete, and sufficiently reliable for the purposes of this audit.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. Information reported regarding internal controls was inaccurate or unsupported by documentation.

Some of the information that the Office of Consumer Affairs and Business Regulation (OCABR) reported in its Internal Control Questionnaire (ICQ) to the Office of the State Comptroller (OSC) for fiscal year 2014 was inaccurate or not supported by documentation. Specifically, although OCABR indicated that it was in compliance with OSC guidelines in all of the areas we reviewed, its internal control plan (ICP) was not based on guidelines issued by OSC; it could not document that it had conducted an organization-wide risk assessment; and it did not have procedures encompassing all phases of the inventory process (acquisition, recording, tagging, assignment/custody, monitoring, replacement, and disposal, as well as the assignment of responsibilities to personnel). In addition, OCABR had not certified that the representations reported to OSC in this ICQ were accurate and complete.

Without establishing an ICP in accordance with OSC guidelines, OCABR may not be able to achieve its mission and objectives effectively; efficiently; and in compliance with applicable laws, rules, and regulations. Further, inaccurate information in the ICQ prevents OSC from effectively assessing the adequacy of OCABR's internal control system for the purposes of financial reporting.

The problems we found are discussed in detail in the sections below.

a. OCABR's response regarding whether its ICP was based on guidelines issued by OSC was inaccurate.

In the Internal Control Plans section of the fiscal year 2014 ICQ, departments were asked, "Is the internal control plan based on guidelines issued by the Comptroller's Office?" In its ICQ, OCABR answered "yes," but its ICP was not fully compliant with these guidelines. Contrary to OSC guidelines, OCABR's ICP did not consider, or adequately identify, four of the eight components of enterprise risk management (ERM): Internal Environment, Objective Setting, Risk Assessment, and Information and Communication.

b. OCABR's response regarding whether it had conducted an organization-wide risk assessment including the risk of fraud was inaccurate.

In the Internal Control Plans section of the fiscal year 2014 ICQ, departments were asked, "Has the Department conducted an organization-wide risk assessment that includes the consideration of fraud?" In its ICQ, OCABR answered "yes," but the office could not provide documentation that it had conducted an organization-wide risk assessment. Although its ICP identified risks associated with its Administrative Services, Consumer Services, and Executive Staff Units, OCABR could not provide documentation that these risks had been identified through an organizational risk assessment of its operations.

c. OCABR's response regarding whether it had procedures encompassing all phases of the inventory process was inaccurate.

In the Internal Control Plans section of the fiscal year 2014 ICQ, departments were asked, "Are there procedures that encompass all phases of the inventory process: acquisition, recording, tagging, assignment/custody, monitoring, replacement and disposal, as well as the assignment of the roles of responsibility to personnel?" In its ICQ, OCABR answered "yes," but during our audit, OCABR could not provide us with documentation encompassing all phases of its inventory process.

d. OCABR submitted its 2014 ICQ without certifying the accuracy of its responses as required by OSC instructions.

Contrary to OSC guidance, OCABR's department head, chief fiscal officer, and internal control officer did not certify that they had read and approved each statement presented on the ICQ. If this step is not conducted, there is no assurance that all of OCABR's management has reviewed the ICQ and ensured that the information that the agency is providing to OSC is complete and accurate.

Authoritative Guidance

The ICQ is a document designed by OSC that is sent to departments each year requesting information and department representations on their internal controls over 12 areas: management oversight, accounting system controls, budget controls, revenue, procurement and contract management, invoices and payments, payroll and personnel, investments held by the Commonwealth, material and supply inventory, capital-asset inventory, federal funds, and information-technology security and personal data. According to OSC's "Instructions for Completing the FY2014 Internal Control Questionnaire"

(Appendix B), each state department must print the ICQ's Representations section; ensure that the department head, chief fiscal officer, and internal control officer review the final ICQ form and sign the section to confirm its accuracy; and file the signed copy. The purpose of the ICQ is to provide an indication of the effectiveness of the Commonwealth's internal controls. External auditors use department ICP and ICQ responses, along with other procedures, to render an opinion on the internal controls of the Commonwealth as a whole.

In its document *Enterprise Risk Management—Integrated Framework*, or COSO II, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines ERM as "a process, effected by the entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage the risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives." For an ICP to be compliant with OSC internal control guidelines, the ICP must contain information on the eight components of ERM: Internal Environment, Objective Setting, Event Identification, Risk Assessment, Risk Response, Control Activities, Information and Communication, and Monitoring. COSO guidance states that all components of an internal control system must be present and functioning properly and operating together in an integrated manner in order to be effective. In addition, OSC's Internal Control Guide requires ICPs to include a risk assessment. Lastly, OCABR should update its ICP as often as changes in management, level of risk, program scope, and other conditions warrant, but at least annually.

Reasons for Inaccurate or Unsupported Information

OCABR's chief financial officer stated that he had reviewed the OSC Internal Control Guide upon its issuance in 2007, but decided to create a combination ICP and procedure manual, given the agency's small size, rather than an ERM-based ICP. He further stated that he had not referred to the Internal Control Guide to develop subsequent revisions and therefore had excluded some of the ERM model's components and requirements, such as assessing the probability and impact of risks and how those risks would be managed, from the combination document.

The director of Accounting stated that because OCABR was small and had limited inventory, he considered written procedures on capital-asset management unnecessary. As of June 30, 2014, OCABR's reported capital inventory value amounted to $237,620. The director of Accounting and the chief financial officer stated that they had begun to prepare the ICQ upon receiving it from OSC but had not

completely read OSC's instructions. They said that they had prepared the agency's ICQs for many years and knew all of OSC's instructions on preparing them.

Recommendations

1. OCABR should take the measures necessary to address the issues we identified during our audit and should ensure that it adheres to all of OSC's requirements for developing an ICP and accurately reporting information about its ICP, risk assessment, inventory procedures, and department representations on its ICQ.

2. If necessary, OCABR should request guidance from OSC on these matters.

Auditee's Response

OCABR has already begun the process of taking corrective action based on the findings and recommendations of this report. We plan to follow up with the Office of the Comptroller to be sure revisions to our Internal Controls, as they pertain to the four missing components of ERM, completely encompass all aspects of ERM pursuant to the COSO framework. To address the auditors' finding in regard to inventory, we are also incorporating written procedures into our internal controls that encompass all phases of the inventory process that will guide all future inventories.

In its response, OCABR also made some recommendations to OSC about suggested improvements to the ICQ, which the Office of the State Auditor shared with OSC.

Auditor's Reply

We believe that the measures OCABR is taking, as indicated in its reply, are responsive to some of our concerns. We again recommend that OCABR conduct and document an organization-wide risk assessment, including the consideration of fraud, as part of its corrective-action plan.

OTHER MATTERS

In the Capital Assets Inventory section of the fiscal year 2014 Internal Control Questionnaire (ICQ), departments were asked, "Does the Department take an annual physical inventory of tangible and/or intangible capital assets including additions, disposals and assets no longer in service?" In its ICQ, the Office of Consumer Affairs and Business Regulation (OCABR) answered "yes." Although OCABR provided us with documentation that it had performed a physical inventory of its assets for fiscal year 2014, we identified several problems with the agency's inventory process. Specifically, in our review of the documentation supporting the fiscal year 2014 physical inventory, we found that the inventory list contained items that had been disposed of or transferred; that two items from this list, whose combined value was $500, could not be located; and that one asset on the list had an incorrect valuation. In addition, OCABR officials told us that physical inventories of assets had not routinely been conducted in prior years. Although this matter was outside the scope of this audit, we suggest that OCABR consider strengthening its inventory process.

APPENDIX A

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

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 (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 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.

APPENDIX B

Office of the State Comptroller's Memorandum
Internal Control Questionnaire and Department Representations

Commonwealth of Massachusetts
Office of the Comptroller
One Ashburton Place, Room 901
Boston, Massachusetts 02108

Martin J. Benison
Comptroller

Phone (617) 727-5000
Fax (617) 727-2163
Internet http://www.mass.gov/osc

Memorandum

To: Department Heads, Internal Control Officers, and Chief Fiscal Officers

From: Martin J. Benison, Comptroller

Date: April 22, 2014

Re: Internal Control Questionnaire and Department Representations: Due May 12, 2014

Comptroller Memo # FY2014-23

Executive Summary

This memo announces the FY2014 *Internal Control Questionnaire* (ICQ). **The ICQ application is located on our intranet site,** Comptroller Intranet, under PartnerNet. **See the attached *Instructions for Completing the FY2014 Internal Control Questionnaire* for details.** Departments should complete the ICQ on or before May 12, 2014. Auditors, and staff from the Comptroller's Quality Assurance Bureau review ICQ responses and may contact departments to follow up on specific answers. Department management is responsible for implementing and maintaining effective internal controls based on prescribed statutes, regulations and policies. The ICQ's Representations Section confirms this for the Commonwealth.

The user must first enter PartnerNet to access the ICQ for both data entry and review. Chief Fiscal Officers, (CFOs) Single Audit Liaisons and Internal Control Officers (ICOs) already have access to both PartnerNet and the ICQ. Once these users log on to PartnerNet, they will be presented with a link to the ICQ application. Department Security Officers can request access for additional users by submitting a PartnerNet Security Request Form.

The ICO, the Single Audit Liaison, and the CFO should work closely with senior management to identify appropriate staff for providing responses to every section of the ICQ. Please collect and review all responses, then enter them into the ICQ application no later than May 12, 2014. **Instructions on completing and submitting the ICQ are attached.**

The ICQ is designed to provide an indication of the effectiveness of the Commonwealth's internal controls. During the Single Audit, auditors from KPMG, as well as Comptroller staff will review the internal controls of several departments in more depth. They will also visit departments to follow-up on prior year findings, review compliance with federal and state regulations, test selected transactions, and review cash and encumbrances. The auditors use department internal control plans and ICQ responses, along with other procedures, to render an opinion on the internal controls of the Commonwealth as a whole.

Departments Using Centralized Business Units
Some departments use centralized business units to perform functions for multiple departments such as human resources, payroll, accounting, and procurement. These departments should answer the questions as if they used a contractor to perform these functions. In the comments field of each relevant section, briefly describe the arrangement.

Representations
The last section of the questionnaire is the department's certification of the accuracy of responses.

The Department Head, CFO, and ICO must read and approve each statement. Then, enter the approvers' names, official titles, and approval dates. Finally, print this section, have each person sign and date it, and keep the signed copy on file as your department's certification of the representations.

Internal controls are critical in creating an environment that is accountable to the public, while being responsive to the needs and direction of senior management. The Internal Control Act, Chapter 647 of the Acts of 1989, mandates that each department document its internal controls in accordance with guidelines established by the Office of the Comptroller – see: Internal Control Guide.

The completed ICQ is due on or before **May 12, 2014**. Staff should plan to provide a copy to any auditors who visit your agency as part of the Commonwealth's Single Audit. If you have any questions, contact the Comptroller's Help Line at (617) 973-2468. Thank you in advance for your time and cooperation.

Attachments: Instructions for Completion

cc: Single Audit Liaisons,
MMARS Liaisons
Payroll Directors
General Counsels
Internal Distribution

Instructions for Completing the FY2014 Internal Control Questionnaire

The Office of the Comptroller (CTR) collects Internal Control Questionnaire (ICQ) data electronically. Please submit the completed questionnaire no later than **May 12, 2014**. Each section includes an area for optional comments at the end. The *Comments* blocks accept up to 500 characters.

ACCESS

1. The questionnaire is accessed through PartnerNet.
2. From the CTR portal, click on the Comptroller Intranet button. PartnerNet is the 3rd selection under "Applications." Select the link to access the PartnerNet login screen.
3. Log in to PartnerNet using your Commonwealth UAID and your password (if you do not have or do not know your UAID or your password, contact your department security officer for assistance).
4. If this is your first time in PartnerNet, you will be presented with the requirement of creating your own password. After successfully changing your password, the My Home link will be available. If you are already a PartnerNet user, the login procedure will have presented you with the My Home application page.
5. Once at the *My Home* page, test the *ICQ* link under the Applications heading. If nothing happens, review the error bar across the top of your screen, "*Pop-up blocked*." You can set your browser to "*Always Allow Pop-ups from This Site*" by clicking the error bar, and selecting the "Allow" option (you need do this only on the first visit). Click the link to the ICQ application again.
6. Step 5 will bring you to your department's 2014 ICQ selection screen. Maximize your browser window.
7. Choose Fiscal Year: 2014 with the *Select* button.
8. If the text displayed does not wrap properly and you are using an Internet Explorer browser, select the Tools button on the toolbar and select "Compatibility View."
9. Data from our files was entered for the first five items of the Department Information Section. Please enter or correct information where necessary. Then continue with the rest of the questionnaire.
10. To view last year's ICQ responses, click the *Printing and Status* link located on the Top Menu Bar. A link to the 2013 ICQ is found under the heading: **Archived**.

COMPLETING QUESTIONS AND SAVING YOUR WORK. Each department must answer all questions applicable to its operations. To save a partially completed ICQ, click on the *Save and Proceed* button located at the end of each section. This will save your work and bring you directly to the following section. After your work is saved, click on the red *Exit* button located at the top of each section.

The section menu on the left navigation panel allows you to navigate between sections. However, each section must be saved (*Save and Proceed* button) before exiting or the information will be lost.

Save frequently. If you have not "saved" or otherwise interacted with the system for ***three minutes***, the system will log you out. **If you did not "save" data entered before being logged out, you will lose that information.**

PRINT. After logging in, users may find it useful to print the questionnaire and distribute sections to the appropriate business area managers. Each section can be printed separately using the *Printing and Status* link (located at the top-right of the masthead). *Printing and Status* will now display the response options and check boxes. Select the *Print all Topics* checkbox to print the entire document.

STATUS. The Printing and Status page will also display the ICQ status (Complete/Incomplete) and the last user's ID.

SECTIONS OR QUESTIONS THAT DO NOT APPLY TO YOU. Not all sections or questions apply to all departments. Please do not skip a section. Enter *"No"* or *"Not Applicable"* to the first question of the section. For example: *Does the department receive or manage any federal funds?* Selecting *"No"* will inactivate all related questions in this section. Simply go to the next available question to continue the questionnaire. If you discover that you inactivated questions by mistake, changing the original response from *"No"* to *"Yes"* will activate all related questions.

REPRESENTATIONS. The Representations Section operates differently than other ICQ Sections. In this section, the Department Head, CFO, and Internal Control Officer confirm that the information entered into the questionnaire is accurate and approve the representations listed. After they have reviewed the representations, enter their names, official titles, and the approval dates in the appropriate fields. Print this section, have each approver sign it, and file it as your department's certification of the representations. **Do not select *Save and Submit* until you have completed the entire questionnaire**, including the representations by the Department Head, CFO and Internal Control Officer.

SUBMIT TO THE OFFICE OF THE COMPTROLLER.
When the ICQ is complete, select *Save and Submit* and click the *Done* button.

Your ICQ will not *Submit* if certain required responses are missing. These will be displayed in the navigation panel on the left. Complete the remaining questions and submit again.

After the ICQ is successfully submitted, the questionnaire will be stored in the Comptroller's ICQ database. Once submitted, your department will no longer be able to change the document. If you have accidentally or prematurely submitted the questionnaire and need to make corrections, contact the Comptroller's Help Line (617 973-2468) to unlock your questionnaire. *Save and Submit* the completed ICQ no later than **May 12, 2014**.