



Commonwealth of Massachusetts

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INTERNAL CONTROLS

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Considerations

Internal control is defined as a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance the department's objectives will be achieved. The significance of a department's internal controls for program, administrative, and fiscal operations cannot be overstated. Properly utilized, documented, and updated internal controls assist managers in protecting the Commonwealth's assets and maintaining the public trust. Departments not in compliance with internal control requirements are subject to potential penalties.

Compliance with internal control requirements is an ongoing departmental responsibility; as such, departments must be vigilant about updating or changing internal controls to account for new department initiatives or goals, internal structural changes, new statutory requirements, or other changes that may impact the department's existing internal controls. A good starting point for management is to evaluate the existing internal controls within the department or departments.

Policy

[Chapter 647 of the Acts of 1989](#), An Act Relative to Improving the Internal Controls Within State Agencies, requires that departments develop systems of internal control in accordance with guidelines published by the Office of the Comptroller (CTR) and evaluate them annually, or more often as conditions warrant. CTR has issued an Internal Control Guide to assist departments in developing internal controls and high level internal control plans.

The Internal Control Guide

CTR's [Internal Control Guide](#) discusses internal controls and the role staff play in developing, implementing, and monitoring controls for their agencies. CTR issues the Internal Control Guide to: 1) help agencies streamline the content of their existing policies and procedures into a concise set of objectives for each fiscal year; and 2) assist agencies in

achieving those objectives by incorporating the principles of Enterprise Risk Management (ERM). These principles introduce the concepts of broad-based objective setting, event identification, and risk response. CTR recommends that Department Heads and Internal Control Officers encourage all managers in their departments to read the Internal Control Guide.

An effective Internal Control Plan is a high level, department-wide summary of risks and controls for all of its business processes. It is supported by lower level detail, communicated throughout the department, and continuously monitored and updated.

Requirements

[The Internal Control Act, Chapter 647 of the Acts of 1989](#), sets minimum requirements for internal controls at the department level:

- All departments in the Commonwealth must have documented internal controls.
- An Internal Control Officer (ICO), who reports directly to the department head, shall be designated by the department head as responsible for the department's internal controls.
- Internal controls shall be reviewed and updated on at least an annual basis. Departments must review changes to operations and incorporate these changes into a revised plan. Any unaccounted for variances, losses, shortages, or thefts of funds or property must be reported to the Office of the State Auditor.
- All functional areas of a department must have written documentation of their policies and procedures.

[Internal Controls](#)

See [Internal Control Guide](#)

[Information Sources and Attachments](#)

- Related Policies -
Legal Authority - [Chapter 647 of the Acts of 1989](#)
- Attachments – None
- Links - None

Contacts –[CTR Solution Desk](#)