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Fiscal Records Management Policy

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Executive Summary

Pursuant to 815 CMR 10.02, this policy identifies the acceptable medium for departments' maintenance of Record Copies of documents concerning fiscal activities. The policy also provides examples of the type of documentation that must be retained for certain fiscal transactions, and addresses procedures for responding to requests for copies of fiscal documents.

Please note that department heads must certify annually that the department has a system of written internal controls, training, and monitoring actively in place as part of its daily operations. This policy is included in the annual certification. The certification process ensures compliance with Office of the Comptroller (CTR) published guidance (on PowerDMS, MAComptroller.org, in Fiscal Year Memos, and through CTR Statewide Trainings), which prevents fraud, waste, and abuse of Commonwealth resources.

Policy

Record Copies

A Record Copy is, "[t]he original, certified copy, or other medium prescribed by the Comptroller, of a Bill, Voucher or Contract and all supporting documentation associated with that Record Copy." 815 CMR 10.02. Record Copies may include wet-signed paper documents, certified copies of wet-signed paper documents, or documents originally created in electronic form.

Record Copies, whether in paper or electronic form, must be maintained by the department in compliance with CTR regulations on Records Management of Bills, Vouchers and Contracts (815 CMR 10.00). These regulations require that departments be able to readily access and provide copies of records in response to a request from CTR, the State Auditor, the House and Senate Committees on Ways and Means and, for contracts subject to its oversight, the Operational Services Division.

Note that the medium in which the Record Copy is maintained does not affect the length of the applicable retention period. Record Copies may be maintained by a department solely in electronic form if:

- There is no statute, regulation, or internal department policy that requires these documents to be kept in paper form;
- The department has satisfied the requirements in the Secretary of the Commonwealth's Electronic Records Management Guidelines for electronically creating, or scanning and storing, records; and
- The department complies with the Secretary of the Commonwealth's Massachusetts Statewide Records Retention Schedule and all applicable bulletins including, but not limited to SPR Bulletin 01-21, "Security and Custody of Records" (Joint RCB/SPR Bulletin), SPR Bulletin 01-22,

"Digitizing Records" (Joint RCB/SPR Bulletin), and FAQs Born-Digital and Digitized Records FAQs, including Digitization Guidelines.

The requirements for maintenance of electronic records include considerations such as the medium selected for the record, the retention period of the record, multiple backup copies of the electronic record, and security of the systems that house the record. Departments must ensure that appropriate internal controls and procedures are in place. Departments must also ensure that staff handling records are routinely trained, so that records created electronically or converted to an electronic format meet the Secretary's guidance.

Departments keeping Record Copies of fiscal documents in electronic form should consult with their internal counsel before digitizing and destroying paper copies. Counsel should confirm that the department is employing and has documented its compliance with Secretary's guidance for scanning, saving, and recalling fiscal documents, including ensuring that records are properly backed up, multiple backups are maintained and properly secured to protect sensitive, confidential and personally identifiable information from ransomware, theft, and other corruption or loss of electronic records. If there is a subsequent dispute involving a document, this documentation could help to establish chain of custody or provide evidence tending to show that a scanned document or signature has not been altered from the original.

Departments must obtain permission from the Records Conservation Board to destroy (delete) electronic records that are kept in lieu of paper copies at the end of their required retention period.

Chief Fiscal Officer is Keeper of Record Copy

Pursuant to 815 CMR 10.03 (3), the Chief Fiscal Officer (CFO) for a department is the official keeper of Record Copies of fiscal records, and is responsible for managing Record Copies within the CFO's department. The CFO is the central contact for inquiries concerning Record Copies. CTR will refer public records requests for fiscal records that it does not possess to the department that is the keeper of the Record Copy. The CFO is responsible for ensuring that all staff who make or receive fiscal records have copies of the relevant records management guidance and are trained in the proper management of records.

Types of Records

All financial transactions must be supported by detailed supporting documentation to support audits, desk reviews, litigation, and other inquiries. While the guidance below provides examples of the types of documentation that should be retained, it is not all-inclusive. Departments should review specific CTR policies and procedures and the Statewide Records Retention Schedule for each type of financial transaction or fund to determine whether there are recordkeeping or other requirements that are unique to that circumstance.

The Commonwealth's Enterprise Financial Accounting and Reporting System - Transactions and Supporting Documents

The Commonwealth's enterprise financial accounting ("the system"; "Mosaic") is used to record and report on the Commonwealth's fiscal activities. Auditors, oversight agencies, and other reviewers may access the system or system reports to review the accuracy, authorization, and set-up of documents, and to match transactions against the record copy of supporting documentation residing with a

department, or to unofficial copies of supporting documentation attached to transactions in the system.

CTR's Expenditure Classification Handbook identifies the classifications and transactions associated with obligations and expenditures recorded in the system. Transaction information that appears in the system is the Record Copy of fiscal activities under 815 CMR 10.02, and it supersedes paper or other formats of the same information. Departments must maintain back-up documentation to support these transactions, however, which will be considered the Record Copy of such documents. Supporting documentation attached to a transaction in the system is considered an unofficial copy. All public records requests received by CTR for such documents will be referred to the department that is the keeper of the Record Copy.

Mosaic Document Records Management/Signature Authorization Form

For audit purposes, departments should use the Transaction Records Management / Signature Authorization Form, or other appropriate documentation or process, to match system fiscal transactions with supporting documentation. If a fiscal transaction is processed by an individual with a transaction processing security role based upon the Department Head Signature Authorization (DHSA) signature of another individual, the department should also use this form, or other appropriate documentation of DHSA approval of the transaction and supporting documentation. See the CTR Department Head Signature Authorization Policy and CTR Delegation of Mosaic / Contract and Transaction Processing Authority and Quality Assurance Policy for additional DHSA recordkeeping information.

The Commonwealth's Enterprise Financial Accounting and Reporting System – Standard Reports

The Commonwealth Information Warehouse ("CIW") accepts daily data from the system and provides users with the ability to perform direct queries of system data without having a direct impact upon the system's application.

A "standard report" is a predefined collection of information organized in a specific sequence and format that is produced on a predictable frequency and made available to a specific audience.

Specific standard reports will be designated as "audit trail" reports that provide a clear and auditable history of financial and labor distribution activities. Departments are required to download standard and audit trail reports as part of their monitoring and reconciliation responsibilities to ensure that accounting and payroll information is accurately reported in the enterprise accounting and payroll systems. Departments are also responsible for retention of the standard and audit trail reports for the required retention periods, unless extended due to audit or litigation.

Procurement, Contracts, and Payments

Contract-related transactions (including grants, leases, interdepartmental service agreements (ISA), and interdepartmental chargebacks) normally appear as transaction types CT (Contract Encumbrance transaction), RPO (Recurring Payment Order), PC (Commodity Purchase Order), IE (Internal Encumbrance), ITI (Internal Transaction Initiator), ITA (Internal Transaction Agreement), or IET (Internal Exchange Transactions). Departments must maintain Record Copies of all contract-related

documentation supporting the procurement or selection, performance, and payments for these contracts, including but not limited to:

- Copies of all invoices, including rejected invoices and notices to contractors with reasons for rejection (see the CTR Bill Payments Policy for details related to invoice processing and payments);
- An accounting of all payments made (including who reviewed and approved payments and the process for validating the identity and authority of the vendor for Vendor File and payments)
- Copies of any written notices or other correspondence with the contractor;
- Documentation related to contractor legal name change or material change in identity, including the "Change in Contractor Identity Form," if applicable;
- Contract amendments and related transactions, if applicable;
- Purchase Order for Commodities or Services, if applicable;
- Documentation of contract monitoring and evaluation activities, such as performance reports, satisfaction surveys, site visit or audit documents, etc.;
- Supplier Diversity Program (SDP) information and certifications, if applicable;
- Information related to any contract disputes, including resolution;
- Documentation identifying any default, breach, or unsatisfactory performance;
- Any other information or documentation about the contractor and contract performance that the contract manager deems relevant;
- Documentation related to negotiating options to renew.

For examples about what documents to keep in a "Procurement File" and "Contract file", please see the Operational Services Division's Best Value Procurement Handbook.

Incidental Purchases and other Non-Contract Payments

Departments are required to retain Record Copies of supporting documentation for incidental and other non-contract payments. Certain non-contract-related, non-recurring one-time payments that do not exceed the incidental purchase limit, and where services are not available from a statewide contract, may be made without a competitive procurement or contract. Other non-contract-related payments may include direct assistance to clients, and other payments that do not require a contract.

The encumbrance transactions for incidental purchases and other non-contract payments (such as direct client assistance) are the GAE (General Accounting Encumbrance document) and the payment transaction may be an INP (Incidental Payment transaction) or GAX (General Accounting Expense/Expenditure) for other non-contract, non-incidental purchases.

For most incidental purchases, the invoice is required to be maintained, along with any correspondence related to the purchase. If a department elects to use a contract-related encumbrance such as a CT (Contract Encumbrance transaction), RPO (Recurring Payment Order), or PC (Commodity Purchase Order), then all of the normal contract supporting documentation associated with the executed Standard Contract forms must be maintained. Each department should develop internal controls on procurement and documentation that are appropriate to the nature of incidental purchases or other non-contract payments the department is likely to encounter.

Payroll Documentation

Departments are required to keep all human resources ("HR") and payroll related documentation confidential.HR and payroll documentation must be maintained in a secure location accessible only to personnel required to enter HR or payroll related transactions and adjustments in the statewide payroll system. Examples of documentation that must be retained for payroll and HR purposes include, but are not limited to:

- Time and attendance records signed by employee and supervisor, including hours worked and leave taken;
- Posting to cumulative records;
- Signed contracts describing scope of services and rate to be paid to contract employees;
- Proper allocation or distribution of employees' time and cost to applicable department;
- Hiring letters or appointment documentation;
- Payroll certifications and approvals, where necessary;
- Forms W-4 and other documentation related to tax deductions;
- Voluntary and involuntary payroll deduction or garnishment forms (including direct deposit, deferred compensation programs, dependent care assistance forms, insurance forms and changes, and reimbursement requests);
- Back up documentation related to payroll activities, changes, or adjustments;
- Employment claims, grievances, lawsuits, and resolution documentation;
- Performance reviews; and
- Any other documentation related to employment.

Departments must also preserve payroll audit trail reports for the applicable retention periods approved by the Records Conservation Board in the Statewide Records Retention Schedule. This includes:

- Payroll Register (Payroll Warrant)
- Payroll Variance Report
- GAAP Accumulated Leave Valuation Report
- Year to Date Report
- Form W-2 Totals

Forms W-2 are issued to employees annually and are maintained in the statewide payroll system as part of the employee's personnel record. CTR maintains Forms W-2 for the appropriate state and federal retention periods. Other state agencies that maintain Form W-2 information must also retain it according to state and federal retention periods.

Departments that do not use the statewide payroll system must keep employee time sheets/cards in accordance with the required retention period in the Statewide Records Retention Schedule.

Retention Period

Departments can obtain the most current Statewide Records Retention Schedules, guidelines for documenting record keeping systems, procedures, and relevant forms from the Secretary of the Commonwealth's Records Management Unit and Records Management Resources.

Records that are subject to audit must be retained for the appropriate period after the resolution of the results of the audit (i.e., when all findings are resolved). This refers to the Statewide Single Audit, federal audits, and audits performed by the Office of the State Auditor.Consideration should also be given to federal records retention requirements for federal programs administered by the Commonwealth, which may be longer. Consideration should also be given to ongoing investigations by the Office of the Attorney General and other law enforcement agencies, including federal government investigations.

Data Privacy and Security Standards Internal Controls for Records Management

Fiscal records may contain sensitive or personally identifiable data that must be protected from unauthorized disclosure. Internal controls should include risk assessments and mitigating controls for ensuring the security and privacy of these records and the systems (department or third-party vendor) that hold this type of data. Pursuant to M.G.L. c. 66 § 20, CTR will provide guidance on department access to the enterprise accounting and payroll systems to ensure that records are properly protected and data and records that are exempted or prohibited from disclosure are not wrongfully disclosed, and the security of these systems is maintained.