

# Section I

## Independent Auditors' Reports

### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mr. Martin Benison, Comptroller

The Commonwealth of Massachusetts

We have audited the combined financial statements-statutory basis of the Commonwealth of Massachusetts as of and for the year ended June 30, 1999 and have issued our report thereon dated October 22, 1999. We have also audited the general purpose financial statements of the Commonwealth of Massachusetts as of and for the year ended June 30, 1999 and have issued our report thereon dated December 16, 1999 which contained an unqualified opinion, an explanatory paragraph relating to a change in the reporting of certain funds and the adoption of a new fund structure for a component unit, and a disclaimer of opinion relating to required supplementary information on the year 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Commonwealth of Massachusetts' financial statements are free of material misstatement, we performed tests of compliance with certain provisions laws, regulations, contracts and grants, applicable to the Commonwealth of Massachusetts for only those matters relating to compliance of the funds, account groups, higher education entities and discretely presented component units of the Commonwealth of Massachusetts included within the scope of our audit as described in our reports referred to above on the general purpose financial statements and combined financial statements-statutory basis, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Accordingly our testing of compliance did not extend to tests of compliance with laws, regulations, contracts and grants for the funds, account groups, higher education entities and discretely presented component units whose financial statements were audited by other auditors. However, providing an opinion on compliance with those provisions was not an objective of our audit, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Commonwealth of Massachusetts' internal control over financial reporting, applicable only to the internal control over financial reporting relating to the funds, account groups, higher education entities and discretely presented component units of the Commonwealth of

Massachusetts included within the scope of our audit as described in our reports referred to above on the general purpose financial statements and the combined financial statements-statutory basis, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, our consideration did not extend to the internal control over financial reporting relating to the funds, account groups, higher education entities and discretely presented component units whose financial statements were audited by other auditors. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Commonwealth of Massachusetts' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs which is listed as Section II in the table of contents and Section IV as listed in the table of contents. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, based on our procedures and the report of other auditors, we believe none of the reportable conditions described in Section IV is a material weakness. This report is intended for the information of management, the Honorable Members of the General Court and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche, LLP

October 22, 1999 (except for Findings Number 5,6,7,8,9 and 11 included in Section II of this volume to which the date is December 16, 1999.)

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