

The Commonwealth of Massachusetts; *Auditor's dept*

DEPARTMENT OF THE AUDITOR

ANNUAL REPORT

FOR THE

FISCAL YEAR ENDING JUNE 30, 1946



THOMAS J. BUCKLEY
STATE AUDITOR

STATE OF MASSACHUSETTS

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STATE HOUSE, BOSTON

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DEPARTMENT OF THE AUDITOR

ANNUAL REPORT

For the

FISCAL YEAR ENDING JUNE 30, 1946

I have the honor to submit the Annual Report of the Department of the Auditor for the fiscal year, July 1, 1945, to June 30, 1946.

The statutory provisions of the General Laws pertaining to the duties of the Auditor of the Commonwealth are as follows:

"The department of the state auditor shall annually make a careful audit of the accounts of all departments, offices, commissions, institutions and activities of the commonwealth, including those of the income tax division of the department of corporations and taxation, and for said purpose the authorized officers and employees of said department may require the production of books, documents, and vouchers, except tax returns, relating to any matter within the scope of such audit. The accounts of the last named department shall be subject at any time to such examination as the governor and council or the general court may order. Said department shall comply with any written regulations, consistent with law, relative to its duties made by the governor and council. This section shall not apply to the accounts of state officers which the director of accounts of the department of corporations and taxation is required by law to examine. The department of the state auditor shall keep no books or records except records of audits made by it, and its annual report shall relate only to such audits."

All requirements of the law relating to the duties and functions of the State Auditor have been carefully complied with for the period covered by this report.

Personnel: The following employees, who were on military leave, have returned to the state service:

HERBERT M. EVELETH	<i>First Deputy Auditor</i>
JOHN P. HARRINGTON	<i>Senior Accountant</i>
CLARENCE V. HENDERSON	<i>Semi-Senior Accountant</i>
ARTHUR R. HALL	<i>Junior Accountant</i>
WILLIAM J. MAUS	<i>Junior Accountant</i>
KATHRYN H. SULLIVAN	<i>Senior Clerk and Stenographer</i>
LILLIAN F. SCANLON	<i>Junior Clerk</i>

The following promotions have been made:

PETER T. McMURRAY	<i>Senior Accountant</i>
PETER L. KELLEY	<i>Semi-Senior Accountant</i>
KATHRYN H. SULLIVAN	<i>Senior Clerk and Stenographer</i>

One permanent appointment was made in the office during the last year, that of Lillian Mello to position of Junior Clerk and Stenographer.

As of June 30, 1946, the Department employed nine veterans of World War I and fifteen veterans of World War II.

New Legislation: The 1946 Legislature passed the following act:

"AN ACT REQUIRING THE DEPARTMENT OF THE STATE AUDITOR TO AUDIT THE BOOKS OF THE BOSTON ELEVATED RAILWAY.

Chapter 589. *Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:* Section three of chapter three hundred and thirty-three of the acts of nineteen hundred and thirty-one is hereby amended by inserting after the word "public" in the twenty-ninth line the following sentence:— The department of the state auditor shall annually make a careful audit of all accounts of the trustees of the Boston Elevated Railway Company including all departments and offices under their operation, supervision and control, and as a part of said audit the department of the state auditor shall make such audit as it may deem advisable of the operations and expenses of the Boston Elevated Railway Company and shall each year make a report in writing to the governor, executive council and the general court of its findings together with any recommendations it may deem necessary to make."

This audit will be initiated during the current fiscal year and report made to the Legislature.

Extension of Duties: An examination of the annual reports filed during past years by previous State Auditors will show that in every instance my predecessors have been consistent in their belief that the Department of the State Auditor lacks the statutory powers necessary for the proper operation of the office.

The Department of the State Auditor makes a careful annual post-audit of all agencies of the Commonwealth. Based upon that examination, recommendations are made designed both to improve existing procedures and to strengthen financial controls. The acceptance of these recommendations is entirely discretionary with the agency involved, and while many suggestions have been promptly complied with, there are numerous others which have been repeated in the various audit reports over a period of many years.

It has been argued that the State Auditor should be divorced from all administrative duties and as an elected officer he should be responsible only to the electorate and thus be free to criticize the financial operations of the Commonwealth. That is an entirely logical argument, but the addition of the power to force compliance with audit recommendations would not, in any sense, be administrative authority, and it is, therefore, my intention at the next session of the Legislature to request this added authority.

General: Individual copies of audit reports for all state activities have been submitted to His Excellency the Governor, the Speaker of the House, the President of the Senate, the Chairman of the Commission on Administration and Finance, the Comptroller and the State Librarian. Copies also have been forwarded to the Administrative head of each institution or agency concerned, the chaplains, medical boards and trustees of the institutions and the Commissioner of each department. These reports have been released as promptly as possible following the completion of examinations.

Summary of Audits Completed: The following listed audits have been made since my last report to the Legislature:

Audits for the 1946 Fiscal Year

<i>Department or Institution</i>	<i>From</i>	<i>To</i>	<i>Page</i>
GOVERNOR AND COUNCIL:			
Alcoholic Beverages Control Commission	Jan. 9, 1945	Apr. 8, 1946	5
Armory Commission	July 21, 1944	July 23, 1945	
Art Commission for the Commonwealth	Sept. 22, 1944	Dec. 17, 1945	
Ballot Law Commission	Sept. 22, 1944	Dec. 17, 1945	
Commission on Administration and Finance	July 1, 1944	June 30, 1945	5
Commission on Uniform State Laws	Sept. 22, 1944	Dec. 17, 1945	
Commission on Veterans' Services	July 26, 1944	July 6, 1945	9
Committee on Post-War Readjustment	Feb. 24, 1945	Jan. 28, 1946	
Massachusetts Aeronautics Commission	Nov. 29, 1944	Dec. 19, 1945	10
Military Division of the Executive Department	July 21, 1944	July 23, 1945	10
Military Reservation Commission	July 21, 1944	July 23, 1945	
Milk Regulation Board	Aug. 29, 1944	July 26, 1945	
Port of Boston Authority	Oct. 8, 1945	May 9, 1946	12
Public Bequest Commission	Sept. 23, 1944	Dec. 18, 1945	13
Governor's Committee on Public Safety	June 1, 1944	June 30, 1946	13
Soldiers' Home in Massachusetts	Aug. 10, 1944	Aug. 17, 1945	14
State Library	Dec. 13, 1944	Dec. 10, 1945	18
State Planning Board	Dec. 23, 1944	Dec. 27, 1945	
State Racing Commission	Nov. 29, 1944	Feb. 13, 1946	19
State Superintendent of Buildings	Jan. 9, 1945	Nov. 5, 1945	21
War Emergency Fund	July 1, 1944	June 30, 1945	
SECRETARY OF THE COMMONWEALTH:			
Commission on Interstate Co-operation	Nov. 14, 1944	Oct. 10, 1945	22
	Nov. 14, 1944	Oct. 10, 1945	
TREASURER AND RECEIVER GENERAL:			
Emergency Finance Board	Jan. 18, 1945	Jan. 4, 1946	22
Emergency Public Works Commission	July 1, 1944	June 30, 1945	
State Board of Retirement	Jan. 16, 1945	Jan. 24, 1946	24
	Jan. 1, 1945	Dec. 31, 1945	24
ATTORNEY GENERAL			
	Mar. 7, 1945	Jan. 28, 1946	27
DEPARTMENT OF CIVIL SERVICE AND REGISTRATION:			
Architects, Board of Registration of	Mar. 14, 1945	Dec. 3, 1945	29
Barbers, Board of Registration of	Dec. 28, 1944	Nov. 13, 1945	30
Certified Public Accountants, Bd. of Registration of	May 23, 1945	June 11, 1946	
Chiroprody, Board of Registration in	Feb. 20, 1945	Apr. 23, 1946	30
Dental Examiners, Board of Registration of	Jan. 10, 1945	Apr. 24, 1946	
Electricians, State Examiners of	Feb. 29, 1945	June 20, 1946	30
Embalmers and Funeral Directing, Board of Registration in	Aug. 25, 1944	Aug. 17, 1945	
Professional Engineers and Land Surveyors, Board of Registration of	Feb. 14, 1945	Apr. 15, 1946	30
Hairdressers, Board of Registration of	Jan. 5, 1945	Nov. 16, 1945	31
Medicine and Nursing, Board of Registration in	Aug. 22, 1944	Aug. 22, 1945	32
Optometry, Board of Registration in	Mar. 30, 1945	Mar. 13, 1946	32
Pharmacy, Board of Registration in	Feb. 22, 1945	Sept. 24, 1945	
Plumbers, Board of Registration of	Dec. 6, 1944	Oct. 19, 1945	33
Veterinary Medicine, Board of Registration in	Dec. 1, 1944	Oct. 15, 1945	
	Dec. 14, 1944	Nov. 8, 1945	34
DEPARTMENT OF CORPORATION AND TAXATION:			
General Department	Dec. 1, 1944	Oct. 30, 1945	34
Appellate Tax Board	Mar. 20, 1945	May 10, 1946	
Division of Accounts	Apr. 28, 1945	Mar. 12, 1946	38
DEPARTMENT OF EDUCATION:			
General Department	Dec. 14, 1944	June 3, 1946	38
Teachers' Retirement Board	Jan. 1, 1945	Dec. 31, 1945	42
Division of the Blind	Dec. 22, 1944	Apr. 5, 1946	42
Massachusetts Maritime Academy	June 12, 1945	June 10, 1946	45
State Teachers College at Bridgewater	Oct. 17, 1944	Sept. 5, 1945	
State Teachers College at Fitchburg	Apr. 6, 1945	Jan. 23, 1946	
State Teachers College at Framingham	July 7, 1944	July 10, 1945	47
State Teachers College at Lowell	Jan. 3, 1945	Aug. 21, 1945	48
State Teachers College at North Adams	June 26, 1945	Mar. 26, 1946	
State Teachers College at Salem	Mar. 8, 1945	July 23, 1945	48
State Teachers College at Westfield	Nov. 10, 1944	Mar. 21, 1946	
State Teachers College at Worcester	Dec. 20, 1944	Dec. 11, 1945	
Massachusetts School of Art	May 15, 1945	Apr. 9, 1946	48
Massachusetts State College	Oct. 3, 1944	Oct. 1, 1945	48
Bradford Durfee Textile School	July 21, 1944	July 3, 1945	60
Lowell Textile Institute	Jan. 9, 1945	July 9, 1945	61
New Bedford Textile School	July 12, 1944	July 12, 1945	
DEPARTMENT OF PUBLIC WORKS:			
General Department	Feb. 2, 1945	Nov. 5, 1945	62
Registry of Motor Vehicles	Apr. 24, 1945	May 1, 1946	71

<i>Department or Institution</i>	<i>From</i>	<i>To</i>	<i>Page</i>
DEPARTMENT OF PUBLIC HEALTH:			
General Department	Oct. 27, 1944	July 2, 1945	73
Lakeville State Sanatorium	May 9, 1945	Dec. 6, 1945	74
North Reading State Sanatorium	Sept. 26, 1944	Sept. 6, 1945	74
Rutland State Sanatorium	Feb. 6, 1945	Feb. 7, 1946	75
Westfield State Sanatorium	Sept. 29, 1944	Feb. 18, 1946	75
Pondville Cancer Hospital	Mar. 2, 1945	Dec. 17, 1945	76
DEPARTMENT OF PUBLIC WELFARE:			
General Department	May 2, 1945	Apr. 3, 1946	77
Division of Juvenile Training	July 11, 1944	Feb. 20, 1946	80
Industrial School for Boys	June 5, 1945	Jan. 17, 1946	
Industrial School for Girls	Mar. 21, 1945	Dec. 31, 1945	82
Lyman School for Boys	July 4, 1944	July 23, 1945	85
Massachusetts Hospital School	Nov. 22, 1944	Sept. 18, 1945	85
Tewksbury State Hospital and Infirmary	Apr. 3, 1945	Mar. 25, 1946	85
DEPARTMENT OF MENTAL HEALTH:			
General Department	Sept. 7, 1944	Aug. 27, 1945	88
Belchertown State School	Oct. 6, 1944	Jan. 14, 1946	90
Boston Psychopathic Hospital	Dec. 19, 1944	Jan. 2, 1946	93
Boston State Hospital	June 8, 1945	June 5, 1946	96
Danvers State Hospital	July 6, 1944	Aug. 7, 1945	
Foxborough State Hospital	June 6, 1945	May 6, 1946	97
Gardner State Hospital	Apr. 4, 1945	Feb. 25, 1946	98
Grafton State Hospital	Aug. 17, 1944	Aug. 6, 1945	
Medfield State Hospital	June 7, 1945	Apr. 1, 1946	98
Metropolitan State Hospital	May 10, 1945	Nov. 20, 1945	98
Monson State Hospital	Sept. 30, 1944	Dec. 5, 1945	99
Northampton State Hospital	Apr. 12, 1945	Oct. 15, 1945	100
Taunton State Hospital	May 29, 1945	Feb. 27, 1946	100
Walter E. Fernald State School	Feb. 27, 1945	Dec. 11, 1945	101
Westborough State Hospital	May 22, 1945	Apr. 23, 1946	102
Worcester State Hospital	Oct. 4, 1944	Sept. 24, 1945	104
Wrentham State School	May 25, 1945	Apr. 8, 1946	109
DEPARTMENT OF AGRICULTURE:			
General Department	Aug. 29, 1944	July 26, 1945	110
Division of Livestock Disease Control	Sept. 22, 1944	Aug. 22, 1945	
Division of Milk Control	Jan. 3, 1945	Feb. 11, 1946	110
DEPARTMENT OF CONSERVATION	Mar. 15, 1945	June 30, 1946	114
DEPARTMENT OF PUBLIC SAFETY	Dec. 20, 1944	Feb. 14, 1946	117
DEPARTMENT OF LABOR AND INDUSTRIES:			
General Department	May 8, 1945	May 31, 1946	118
Labor Relations Commission	May 8, 1945	Jan. 22, 1946	
Division of Employment Security	June 2, 1945	Apr. 16, 1946	118
INDUSTRIAL ACCIDENT BOARD	Mar. 1, 1945	Feb. 8, 1946	119
DEPARTMENT OF PUBLIC UTILITIES	Aug. 3, 1944	Dec. 3, 1945	120
DEPARTMENT OF BANKING AND INSURANCE:			
Division of Banks	Dec. 20, 1944	Nov. 15, 1945	121
Division of Insurance	Nov. 1, 1944	Oct. 1, 1945	123
Division of Savings Bank Life Insurance	Sept. 9, 1944	July 23, 1945	123
Supervisor of Loan Agencies	Nov. 22, 1944	Mar. 19, 1946	
DEPARTMENT OF CORRECTION:			
General Department	Mar. 2, 1945	Dec. 13, 1945	123
Massachusetts Reformatory	Mar. 21, 1945	May 8, 1946	123
Reformatory for Women	Dec. 30, 1944	May 27, 1946	
State Farm at Bridgewater	June 1, 1945	Apr. 2, 1946	124
State Prison	July 27, 1944	Aug. 1, 1945	126
State Prison Colony	June 5, 1945	May 15, 1946	132
METROPOLITAN DISTRICT COMMISSION	Oct. 25, 1944	Aug. 29, 1945	132
METROPOLITAN DISTRICT WATER SUPPLY COMMISSION	Jan. 27, 1945	Dec. 21, 1945	133
LEGISLATURE:			
Sergeant-at-Arms	Dec. 19, 1944	June 21, 1946	135
CLERK OF THE SUPREME JUDICIAL COURT FOR THE COMMONWEALTH	Jan. 16, 1945	Dec. 27, 1945	

ALCOHOL BEVERAGES CONTROL COMMISSION

Transportation Permits: It was noted in reconciling the 1946 permits issued with the cash received that 6 permits could not be accounted for. They were numbers 2720 to 2725 inclusive.

Recording of Excise Taxes Collected: The previous audit report commented on the fact that the Department of Corporation and Taxation reports to the Alcoholic Beverages Control Commission the amounts of Excise Taxes collected. The totals are then entered in the general ledger of the Alcoholic Beverages Control Commission by journal entry and incorporated in the monthly financial reports. These figures are reported to the ABC Commission only upon request, and in the financial statement for the fiscal year 1944-1945 only three months' taxes are reported or a total of \$2,466,203.69 in comparison to a total of taxes collected amounting to \$9,751,493.97. Although it was understood that this information is used only for statistical purposes, it is recommended that the total of taxes collected shall be reported regularly to the ABC Commission.

COMMISSIONER ON ADMINISTRATION AND FINANCE

Overdrafts: It is fundamental that appropriations can originate *only* in the Legislature, and no department has the right to spend in excess of their appropriations. The final control of appropriations is placed with the Commission on Administration and Finance, and the records of that Department on the date of the audit clearly indicate that the Commission has not met its responsibility, and has allowed various departments to proceed at rates of expenditure in excess of limits of appropriations made by the Legislature, and has passed bills for payment against appropriations which were already overdrawn.

Control of Appropriations: Under the old fiscal year, deficiencies were excusable since every agency of the State government was forced to operate a major part of each fiscal year without an appropriation.

Under the present fiscal year, every agency of the Commonwealth is advised before the beginning of the fiscal year exactly what funds have been appropriated to it by the Legislature.

In addition, two methods of control have been set up within the Commission on Administration and Finance.

I. Allotments: Under Chapter 564 of the Acts of 1941, the Governor is required to divide each fiscal year into allotment periods and to allot to each office or department an amount which may be expended during the allotment period. Examination of the records of the Commission on Administration and Finance will disclose that that Commission has ignored allotments made and has allowed certain departments to proceed at excessive rates of expenditures. This has inevitably resulted in deficits. While it is true that certain deficits are unavoidable, expenditures in many appropriations indicate complete disregard for legislative authority on the part of the departments and, further, a lack of initiative on the part of the Commission on Administration and Finance in failing to act early in the fiscal year to control them. The system of quarterly allotments adds substantially to the cost of maintenance of the Comptroller's Bureau, and, if the operation of the system has been found impractical by the Commission on Administration and Finance, that Commission should initiate a request with the Legislature for authority to discontinue.

II. Encumbrances: Item 152a of Chapter 495 of the Acts of 1939 provides as follows:

"For expenses incidental to the installation of an accrual bookkeeping system for certain departments and institutions of the commonwealth. \$20,000.00"

An accrual bookkeeping system (as such) has never been initiated by the Commission, with the exception that part of such a system dealing with encumbrances has been installed; however, since the Commission on Administration and Finance has never required that *all* items of expenditure be previously encumbered, the system, as operated by the Commission, has been worthless.

It was also noted during the course of this audit that several appropriations were in the red because of existing encumbrances; and the commission, ignoring these credit balances, had continued to pass bills for payment against these appropriations.

On May 20, 1946, instructions were issued for the operation of a new encumbrance system. This system plans 100% encumbrance of obligations, however, responsibility and control lies entirely with the institution or agency and the commission has no means of insuring complete compliance. The proposed change is designed primarily to enlighten the work of the Comptroller's Bureau, but it will add materially to the work of the institutions and departments.

Maintenance of the encumbrance system has added to the expenses of the Comptroller's Bureau, and the increase has been provided for in appropriations by the Legislature. No such provision has been made for the additional work involved in departments and institutions, and the added work has been absorbed without increases in personal service appropriations. The new procedure further adds an entirely disproportionate share of the work involved upon the departments and institutions.

To summarize:

1. The Commission has never installed nor maintained a proper encumbrance system.
2. Whatever advantages were gained through the partial system were dissipated when the Commission ignored overdrafts against appropriations.
3. The change in the system which is now in the process of installation is not an over-all improvement.
4. The Commission by its statutory authority to install bookkeeping systems has used the power to transfer the bulk of its work to the departments and institutions.
5. Under the law, the Commission on Administration and Finance is responsible for control over State appropriations. The Commission has now surrendered those duties to the departments and institutions.

Obviously, for proper operation it is necessary for a department or institution to set up their accounts on an encumbrance basis, but there is little advantage in operating the accounts of the Commission on Administration and Finance on that same basis.

It is recommended that consideration be given to a proposal to return the accounts to the basis on which they were operated prior to 1940. If, however, the Commission on Administration and Finance feels that the present system is advantageous, current regulations should be changed so that the accounts will be operated on a 100% encumbrance basis and the work of maintaining the system should be equitably distributed between the Comptroller's Bureau and the various departments and institutions. In the event that the encumbrance system is to be continued in the Commission's accounts, it is recommended that the system be put to practical use and payments for expenditures in excess of existing balances should not be allowed.

Revision of the Accounting Systems in the Department of Public Works and the Metropolitan District Commission: Item 2940-01 of Chapter 419 of the Acts of 1941 reads as follow:

"Service of the Commission on Administration and Finance.

For expenses incidental to the revision of the accounting systems in the department of public works and the metropolitan district commission, under the direction of the commission on administration and finance.... \$25,000.00."

In addition to this appropriation, \$5,630.86 was provided for this purpose by intra-fund transfers from the War Emergency Fund.

The work under this appropriation was let out for installation by the Commission on Administration and Finance to the Public Administration Service of Chicago.

The following is an analysis of expenditures by the Public Administration Service under this appropriation to November 5, 1945:

RECAPITULATION OF EXPENDITURES

Personal Services	\$27,824.00	90.8%
Traveling Expenses	1,302.75	4.3%
Rental of Machines	904.11	2.9%
Cost of Accounting Manuals	600.00	2.0%
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	\$30,630.86	100.0%

While no formal contract for this service exists, a letter dated November 12, 1941, from the Public Administration Service to the Chairman of the Commission on Administration and Finance, contains definite guarantees by the Public Administration Service with relation to the work to be done.

In referring to the scope of the work, the letter states:

"Public Administration Service will undertake the following project relative to public works expenditure accounting in the Department of Public Works and in the Metropolitan District Commission . . ."

There can be no doubt but that Public Administration Service undertook to revise the accounting systems of both the Department of Public Works and the Metropolitan District Commission. As of the date of this audit, no work has been done by the Public Administration Service at the Metropolitan District Commission, and audit report No. 2197, issued by this Department as a result of an audit of the Department of Public Works, indicates that the system installed there has not in certain phases reached a satisfactory operating basis.

The same letter from Public Administration Service states:

". . . We estimate that the installation could be completed by August 1, 1942. . . ."

Nearly four years have elapsed since the date guaranteed by Public Administration Service, and attention is directed to the fact that no work whatsoever has been done at the Metropolitan District Commission.

In setting a price for their work, Public Administration Service wrote

". . . We estimate that the service specified in this proposal (including services rendered beginning October 27, 1941) can be rendered for a total cost not to exceed \$23,200. . . ."

Attention is directed to the fact that Public Administration Service has already been paid \$29,726.75 which is \$6,526.75 more than the amount originally agreed upon, notwithstanding the fact that 50% of their work has not even been started.

The responsibility for all this lies solely and entirely with the Commission on Administration and Finance, and the Commission has been lax in —

allowing payments to be made to Public Administration Service which were in excess of the original agreement, and in not requiring Public Administration Service to fulfill the terms of their agreement.

It is recommended that the Commission on Administration and Finance call upon the Public Administration Service, at no further cost to the Commonwealth, to —

bring the accounting system of the Department of Public Works to an efficient basis, and — proceed with the installation of a bookkeeping system at the Metropolitan District Commission.

Printing Office: Previous to the establishment of the present Printing Office, the volume of State printing amounted to approximately \$350,000.00 a year, and the total cost to the Commonwealth for the handling of this large volume of business was for one employee at a salary of \$2,000.00 a year. For the fiscal year 1945, however, such printing as was controlled by the Printing Office amounted to \$250,235.29, with a cost to the Commonwealth in salaries of approximately \$17,000.00.

The volume of business handled by the Printing Office is reduced by the fact that it does not control Legislative printing, printing of ballots, bulletins, reporter of decisions, and decisions of the Attorney General. Printing at the Gardner State Hospital and other institutions, including the State Prison, is either outside the authority of the office or within limited supervision.

An analysis of bids and awards for the fiscal year 1944 for printing indicates that 1700 awards totaling \$176,703.04 were processed. It was noted, however, that there were no bids on approximately 34% of the awards.

The Printing Office, having established a price, appears to assume no responsibility for the accuracy and perfection of the work and exercises little or no control over time limits. As a rule there are no bonds required to be furnished for specific performance, and, as a result, the work done for the departments is frequently impaired not only by delays but by inferior work. In some cases inaccuracies add to the expenses of the departments concerned. This cost, however, is not reflected in the Printing Office figures. The Printing Office also frequently requires departments to furnish five copies of the work to be printed. This additional cost is also not included.

Claims for large savings in the operation of this office are entirely arbitrary, however, it cannot be denied that the cost to the Commonwealth in dollars and cents has risen considerably since this Department was initiated.

The system in which copies are submitted to several printers and work is assigned to the lowest bidder requires no knowledge of printing.

Meetings of the Commission: It was noted that the Commission does not keep minutes of its meetings.

Bookkeeping Records for Commission's Activities: This commission keeps no separate books of record for the accounts of the commission. Entries for accounts of the commission are made direct in the books of the Commonwealth.

It is again recommended that at least a cash book be installed in which all cash transactions, originating in the commission, will be recorded.

Supply Rooms—Old Accounts Receivable: The previous audit report noted unpaid accounts totaling \$847.76 representing items sold previous to December 1, 1942. Item 2899 of Chapter 736 of the Acts of 1945 appropriated \$19,193.03—

“ . . . for certain deficiencies of the year 1945 and previous years.”

The overdue items totaling \$847.76 were liquidated from this appropriation. As of April 1, 1946, items totaling \$438.67 for the year 1945 and \$12.02 for the year 1944 were outstanding.

Property and Equipment: The detail of the Property and Equipment account was set up as of June 30, 1945. This totaled \$113,837,621.52. The total of this account in the Statement of Condition as of June 30, 1945, was \$113,969,532.42. This difference has been corrected by journal entries since June 30, 1945, as follows:

Balance in Statement of Condition as of June 30, 1945	\$113,969,532.42
Adjusting entry for 1944	369,821.12
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	\$114,339,353.54
Adjusting entry for 1945	465,732.02
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	\$113,873,621.52

These adjustments are based on the variations of values as submitted by the departments.

Personnel Classification Survey: Resolve 9 of the Acts of 1945 authorized the Department of Administration and Finance to conduct a survey relative to the classification and salaries of officers and employees of the Commonwealth, and directed them to employ an outside agency for the work. The Griffenhagen and Associates of Chicago were employed for this purpose. Of a total of \$40,000.00 appropriated, \$32,000.00 was taken from General Revenue and \$8,000.00 from the Highway Fund.

Highway Fund:

Appropriation	\$40,000.00
Expended fiscal year of 1945	\$24,410.61
Expended to April 15, 1946	12,676.66
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	\$37,087.27
Balance April 15, 1946	2,912.73
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	\$40,000.00

Machine Room: The cost of maintenance of the machine room for the fiscal year of 1945 was:

Salaries	\$25,846.55
Rental of machines	17,227.38
Cards, forms, etc.	3,807.03
Machine paper, ribbons, etc.	128.65
Installing acoustic celotex	460.00
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	\$47,469.61

COMMISSION ON VETERANS' SERVICES

Checking of Payments on Account of State and Military Aid and Burials: In the audit report of the previous examination it was stated:

"In checking State and Military Aid and Burials it was noted that the dates of the returns from the cities and towns vary from a few days to several months after the tenth of the following month. It was also noted that payments offered in the returns are often retroactive. It should be noted that Section 15 of Chapter 115 as amended referring to the returns, states:

' . . . shall, within the first ten days of the month following the month in which the expenditure was made . . . be certified . . . to said commissioner.'

"The question of his authority to approve expenditures not made in 'the previous month' or which are certified after the tenth day of the following month has been referred to the Attorney General."

In this connection the following excerpts from an opinion of the Attorney General in this regard under date of February 8, 1943, are shown:

"You have asked me whether payments made by the Commonwealth to cities and towns for reimbursements under Section 15 have been validly made in instances where the municipality has not certified the amount expended for state or military aid *within the first ten days of the month* following the month in which the expenditure was made, but have filed such certificates and the data required by Section 15 later than the date set forth in said Section 15.

"I am of the opinion that the fact that such certificates were not filed on or before the date mentioned in said Section 15 does not render invalid payments made in reimbursement under Section 15."

MASSACHUSETTS AERONAUTICS COMMISSION

Bonds: It was noted that no employee of this commission is bonded.

Bookkeeping: It was noted that no general ledger is in use, nor are monthly financial reports compiled. All expenditures under appropriations are entered in an analysis of expense book, a trial balance of which is taken monthly. The cash book maintained is generally speaking a memorandum cash book for entry of petty cash items.

Appropriation for War Emergency Purposes: There was granted to this Commission in the summer of 1942 the sum of \$10,000.00 for the purpose of maintaining a civilian air patrol at Falmouth.

According to the records in the Comptroller's Bureau, the sum of \$3,488.88 was expended and the balance of \$6,511.12 was reverted to General Revenue on June 30, 1945.

MILITARY DIVISION OF THE EXECUTIVE DEPARTMENT

Armory Rentals: Previous audit reports have contained a recommendation that the Comptroller's Bureau be requested to provide a serially numbered stub permit form for use in connection with armory rentals. It was noted that this suggestion has not been adopted, but it was understood that it is now being considered and will probably be put into effect shortly.

Purchase of Land for Rifle Range at Camp Curtis Guild: Chapter 291 of the Acts of 1925 provides that the Armory Commissioners should acquire land for a State rifle range and that Act reads in part as follows:

"... at an expense not to exceed sixty thousand dollars. The state quartermaster, with the approval of the adjutant general, shall establish a system of fees sufficient to provide for the entire cost of maintaining said range plus five per cent per annum on the investment of the commonwealth, . . ."

The records of the Armory Commission show that on February 16, 1926, the Commissioners voted to award damages for the following amount:

The Woburn National Bank	\$7,663.75
The Bay State Military Rifle Association, Inc.	57,336.25
	<hr/>
	\$65,000.00

It was noted that for the 1945 fiscal year the provisions of this Act were not met since the operations of the rifle range show a profit of only 1.47% for the fiscal year.

Contracts: During the 1944 calendar year and the first six months of 1945, contracts for repairs involving \$1,000.00 and over were awarded under appropriations made to the State Quartermaster for:

MAINTENANCE OF ARMORIES, FIRST CLASS

The contract is made up of the proposal to do the work signed by the successful bidder and the acceptance of the offer indicated by the departmental purchase order. The practice is to send to the State Comptroller the purchase order in duplicate, which is signed by the State Quartermaster, together with the proposal of the successful bidder. The Comptroller mails one copy of the purchase order to the contractor and retains the other in his files.

Contracts awarded by the department for the calendar year 1944 and for the first six months of the year 1945 were reviewed insofar as they appeared in the files of the department. Contracts involving sums greater than \$1,000.00 were listed and examined. These included the following:

1944	23 contracts over \$1,000.00 and less than \$5,000.00
1944	1 contract over \$5,000.00
1945	18 contracts over \$1,000.00 and less than \$5,000.00

Thirty-nine of these contracts received three or more bids. Three contracts received one bid only. With the following exception the awards were given to the lowest bidder.

A contract for the Woburn Armory for walls, ceilings, piping and linoleum, etc.:

William E. Yates	\$1,935.00
John S. Leonard	1,825.00
Joseph G. Gazzola	1,780.00

This contract was awarded June 4, 1945. The Gazzola bid stipulated 90 days for completion which would carry into the next fiscal year. The contract was, therefore, granted to John S. Leonard upon his agreement to complete the work before the end of the fiscal year.

Examination showed that surety bonds were furnished for the contracts reviewed.

The Quartermaster's office keeps a list of prospective bidders who have expressed a desire to bid on the work for this department. Specifications are posted on the bulletin board at the entrance of the department and specifications are also mailed to firms selected from the above list who might be interested. During the period involved only one contract was let in an amount exceeding \$5,000.00. This was for an asphalt floor in the riding hall at the Commonwealth Armory and the accepted bid was for \$9,237.00. The bid was awarded January 11, 1944, to Harvey F. Armington. No newspaper advertising was made for these bids. The bids recorded were as follows:

W. J. DuWors & Co.	\$17,377.00
Edward M. Matz, Inc.	14,000.00
J. A. Singarella	12,735.00
Federal Contracting Company	11,694.00
Warren Brothers Company	10,630.00
Harvey F. Armington	9,237.00

Section 16 (b), last paragraph, of Chapter 425 of the Acts of 1939, apparently requires that the Adjutant General approve all contracts. Said Section 16 (b) reads as follows:

"Under the control of the governor, in his capacity as commander-in-chief, the adjutant general shall be the executive and administrative head of the military division of the executive branch of the government of the commonwealth. Except as otherwise provided, he shall approve all contracts made by the division and may require any expenditures of the division to be submitted to him for approval."

The original contract filed with the Comptroller bears the approval of the Adjutant General. The duplicates in the files of the department showed his approval in only a few instances.

The Quartermaster retains in his possession copies of the proposals and a copy of the proposal is mailed to the armorer in charge of the particular armory. The local armorer follows the work done while it is in progress. The Superintendent of Armories died in January of 1945. The Quartermaster has assumed the duties of inspection of the contract work since the death of the Superintendent. Previous to his death the Superintendent of Armories signified his approval by approving the invoice from the contractor. Since his death the Quartermaster approves the invoices.

The projects under the contracts examined were not viewed.

Bidders on contracts deposit with their bid a certified check in a sum approximately 15% of the expected amount of the contract. As soon as the award is made the checks are returned to the unsuccessful bidders and the check from the contractor to whom the award is made is returned as soon as the surety bond is in force.

Camp Chase: The previous audit report referred to two unpaid contracts filed with the State Comptroller as liabilities June 30, 1944, applicable to the appropriation for Militia, Training and Instruction:

J. L. Sullivan Company bill, dated June 30, 1944, for	\$3,160.20
F. A. Johnson Company bill, dated June 30, 1944, for	719.40

The Johnson bill was paid July 7, 1944, and the Sullivan bill was allowed as a claim by the legislature and was paid July 31, 1945.

State Owned Property and Supplies at Commonwealth Depot: When the State Guard came into being in 1941, there were no Federal funds available, consequently, it was outfitted from State appropriations. Later the Federal Government shipped into the State uniforms and other equipment for the use of the State Guard. On date of audit there was a certain amount of new unissued state-owned supplies and equipment stored at the Commonwealth Depot for which the State Guard Property Officer is responsible. It was understood that there are card records showing units, but not values, kept at the Commonwealth Depot on these state-owned items. These items were not inventoried. Apparently it is the intention to sell as much of the state-owned property and equipment as possible and to date substantial quantities of "green cloth" and mackinaws have been sold.

It is suggested that when a physical inventory is taken, it be valued and a control account be set up in the general ledger.

PORT OF BOSTON AUTHORITY

It was noted that on date of audit, May 9, 1946, approximately ten months after the legislation setting up the Port of Boston Authority became effective and seven months after the agency officially began to function, the Commission on Administration and Finance had not installed a proper bookkeeping or accounting system. Section 17 of Chapter 7 of the Tercentenary Edition of the General Laws, in referring to the duties of the Comptroller, states as follows:

"Section 17. He shall keep all general books of account and determine the extent and character of subsidiary accounts to be kept by all departments, offices, commissions and institutions of the commonwealth. He shall have full authority to prescribe, regulate and make changes in the methods of keeping and rendering accounts. He shall establish in each such department, office, commission and institution a proper system of accounts, which shall be uniform so far as is practicable, and a proper system of accounting for stores, supplies, materials and product, and may provide, where he deems it necessary, for a continuing inventory thereof. He shall provide such safeguards and systems of checking as will ensure, so far as possible, the proper collection of all

revenue due the commonwealth; and, where he deems it necessary, shall provide that forms and receipts shall be numbered consecutively, making each such department, officer, commission or institution responsible for their use or cancellation."

The activities of the Port of Boston Authority are sufficiently involved to warrant the immediate installation of an independent system of accounts, and it is recommended that the Comptroller's Bureau provide such a system so that the accounts of the agency will not be handled for it by its predecessors.

Until this is done, audit of the accounts of this organization will not be practical.

PUBLIC BEQUEST COMMISSION

As has been stated in previous audit reports, the only records in the Tax Commissioner's office are the carbon copies of the letters transmitting the funds to the State Treasurer. A suitably inscribed receipt is now mailed to each donor. These receipts are serially numbered and taken from a so-called stub receipt book.

GOVERNOR'S COMMITTEE ON PUBLIC SAFETY

Financial Records: The cash book and general ledger were found in the office of the Fuel Administrator at 20 Somerset Street, Boston, Massachusetts. The last entries in the cash book were dated June 30, 1945. An examination of the general ledger showed that certain accounts were still open. These books had been left at the office of the Fuel Administration only for safekeeping, and in order to examine current transactions it was necessary to work from the records of the Comptroller's Bureau. Further entries are necessary in the general ledger to bring the accounts to date since recent charges have been prepared and approved by a majority of the Committee members and sent to the Comptroller's Bureau for payment without entry on the Committee's accounts.

It is recommended that the general ledger be brought up to date and closed whenever the final bills of the Committee are paid. It will probably be necessary to have this work done by an employee of the Comptroller's Bureau since the Committee no longer has a bookkeeper.

It is further recommended after the final closing of the books that they be turned over to the State Library for storage.

State Property: An audit report issued by this Department on August 15, 1942, in referring to State property purchased by the Committee on Public Safety, reads as follows:

"During the existence of this Committee purchases of materials and supplies such as blankets, cots, medical chests, medical supplies, batteries, radio equipment, etc., valued at thousands of dollars had been made. It is understood that these supplies have been and will continue to be sent to various sections of the Commonwealth. In connection with the distribution of these articles there are no records, maintained of their issue or of their location, and it is felt that unless some records are maintained to establish the location of these inventories the possibility exists that control over them will be lost. It is, therefore, recommended that the Comptroller's Bureau be consulted and that some system be installed by them to control these supplies and equipment."

As a result of this recommendation, the Committee set up an inventory system for the control of property. These records, however, never were adequate inasmuch as the greater part of the equipment known to have been purchased was not included in these accounts.

The lack of these records has proved a tremendous handicap in the final liquidation of the affairs of the Committee on Public Safety, and as a direct result it is impossible to determine the distribution of the assets originally purchased or otherwise obtained by the Committee.

The Purchasing Bureau has attempted during the past year to recover non-expendable assets, but because of the utter confusion and scarcity of proper records, the Bureau was unable to develop any routine or procedure for the recovery of this state-owned equipment. Some of the equipment, however, originally held by the Committee was recovered and transferred to other state agencies. For the work done the Purchasing Bureau deserves commendation since a great deal of time and effort was expended without which it is certain the recovery of this property to any great extent would have been impossible.

Because of lack of these records, a great deal of time and effort was also expended by representatives of the Department of the State Auditor in going through the files of the Comptroller's paid vouchers in order to develop a listing of all purchases. Even though this listing was finally completed it was determined to be inadequate as further investigation established that a great deal of equipment had been transferred to the Committee by state departments, etc., without record.

To summarize, a great deal of time was spent by both the Purchasing Bureau and the Auditor's Department in attempting to determine the disposition of state-owned property, and it is impossible to establish any schedule of state property for which the Committee can be held accountable, therefore, the amount of actual loss to the Commonwealth cannot be determined.

Attention is directed to the fact that if property records' of the type referred to in the previously mentioned audit report had been installed, recovery of the state-owned property would have been quickly effected and the loss to the Commonwealth would have been minimized.

SOLDIERS' HOME IN MASSACHUSETTS

Acting Treasurer: It was noted that as yet no treasurer has been appointed, but a principal clerk has been designated acting treasurer with authority to sign checks—the acting treasurer is bonded for \$10,000.00.

Accounts Receivable: The previous audit report stated: "The charges to accounts receivable are not entered in the general ledger until the cash has been received. These charges should be made by journal entry and entered in the general ledger at the time the charge occurs."

It was noted that charges are now being made by journal entry and are entered in the general ledger account each month.

Custody of the Legacy Fund and of the Effects Accounts: As stated in the previous audit reports, the custody of these two trust funds was given to the Old Colony Trust Company on October 23, 1935, by a letter of instruction dated October 23, 1935, from the Chairman of the Board of Trustees of the Soldiers' Home to the Old Colony Trust Company, and a copy of the vote of the Trustees of the Soldiers' Home on November 19, 1935, authorizing this arrangement.

Referring to the management of real and personal property of the Soldiers' Home, Section 41 of Chapter 6 of the Tercentenary Edition of the General Laws, as amended by Chapter 452 of the Acts of 1931, reads as follows:

"Section 41. Said board of trustees shall have the management and control of said home and all property, real and personal, belonging to the commonwealth and occupied or used by said home, and shall hold and administer in trust the property included in the "legacy fund" and the "effect accounts", if and when the transfer thereof to the commonwealth is effected pursuant to a decree of a court of competent jurisdiction, and in accordance with the terms and conditions imposed by such decree. In the management and control of said home as afore-

said, said board of trustees shall have the same powers and perform the same duties as are vested and imposed in the trustees of state hospitals under the provisions of chapter one hundred and twenty-three, so far as applicable."

Previous audit reports have suggested that the propriety of the Old Colony Trust Company having custody of the trust funds be referred to the Attorney General for an opinion. Under date of June 15, 1943, the Chairman of the Board of Trustees wrote and requested the Attorney General's opinion.

Deceased Members' Funds: Included in Members' Personal Funds are balances of four deceased members, totaling \$1,266.56 cash and \$769.40 in savings bank accounts. Apparently there is no legislation covering the handling or disposition of funds of deceased members. It is recommended that the Attorney General be requested to rule on this matter.

The sum of \$346.39 in this category at the time of the previous examination was disposed of as follows:

To relatives	.	.	.	.	\$246.39
To executrix	.	.	.	.	100.00
					<hr/>
					\$346.39

Donation Fund: On date of audit this Fund showed a balance of \$11,927.03. Of this amount \$10,793.32 was on deposit in a checking account in the Chelsea Trust Company. The remainder of this balance was on hand in the office of the Acting Treasurer. The balance on hand in the office of the Acting Treasurer consisted of \$846.71 in currency and checks totalling \$287.00. It was understood from the Acting Treasurer that practically all bills are now paid by check. Occasionally small items are paid in currency for emergencies such as carfares, etc. Obviously the currency on hand is too much for the immediate needs of the institution and it is therefore recommended that contributions to this Fund be deposited promptly in the checking account which is available for this purpose; the currency on hand is to be maintained at the minimum which will be required for immediate needs.

This matter was called to the attention of the acting Treasurer and it was noted that on September 6, 1945 a deposit was made of \$700.00 in the Chelsea Trust Company. This deposit consisted entirely of currency.

The balance in this fund on the date of the previous audit was \$662.49. Attention is called to the substantial increase in this fund—the balance on the date of the current examination being \$11,927.03. The growth of this fund was due substantially to contributions from various American Legion Posts. The American Legion Auxiliary, Department of Massachusetts, made a donation of \$6,500.00. It is understood that this Fund is to be expended principally for equipment for the new hospital building.

Prior to June 1945 the balance in this fund was on deposit in a savings account in the Chelsea Trust Company. On June 16, 1945 the balance in this savings account of \$3,254.04 was transferred to a commercial account in the same bank. This transfer was occasioned by the aforementioned donation from the American Legion Auxiliary of \$6,500.00, and the fact that the maximum deposit allowed in a savings account in the previously mentioned bank is \$5,000.00.

It will be noted, therefore, that the entire bank balance of \$10,793.32 on deposit in the Chelsea Trust Company is in a commercial account. No interest is allowed on commercial accounts.

Dividends are declared by the Chelsea Trust Company on savings accounts on the first day of January and the first day of July. The previously mentioned savings account was closed and transferred on June 15, 1945. The balance at that time was \$3,254.04. It would seem that this account should not have been

closed out until July 1, 1945, a matter of 14 days, so that the dividends earned on this account for the period from January 1, 1945 to July 1, 1945 could have been realized.

It is understood that the expenditure of a large part of this fund is to be made for equipment for the new hospital building and is contingent therefore on its erection and completion. As this project is still in the planning stages and has been in this category for over a year it would seem that considerable time may elapse before the actual construction is completed and the need for new equipment is necessary.

It is therefore recommended that the balance in this fund not needed for use in the near future be transferred to savings accounts or otherwise invested at the discretion of the superintendent. Some income would thus be realized.

Expenditures for postage stamps during the audit period totalled \$405.00. The only record of these expenditures was a memorandum in a note book kept in the Treasurer's Office as follows: "U.S.P.O. Stamps—Powderhorn". The "Powderhorn" is a newspaper edited and published at the institution. No vouchers were seen for these expenditures. It is recommended that vouchers be made out at the time purchase of stamps takes place; the voucher to be stamped by the United States Post Office at which the stamps are purchased.

Expenditures during the audit period were vouched to duplicate bills where such duplicate bills were available. These duplicate bills were, except in only one case, not approved by the Superintendent. Expenditures during the audit period totalled \$1,771.76. It is therefore recommended that all duplicate bills be approved by the Superintendent.

The only record kept of this fund is a paper covered notebook which lists the receipts and payments from the fund.

It is recommended that some more permanent record be installed for recording transactions in this Fund.

Contributions to this fund are frequently given for a specific purpose such as cabinets, wheel chairs, etc. The amount so contributed is placed in an account in the back of the notebook in which the cash is recorded. When purchases of the items specified are made the cost is not applied to the contribution as entered in the account and therefore it is not possible to determine without analyzing the fund in detail from its beginning whether or not the donation is being used for the purpose intended by the donor or whether or not there is a balance in the particular account.

This fund is not recorded on the general ledger of the institution.

It is recommended that entries be made to bring this account on the general ledger.

It would seem that this fund which started as a *Small Donations Fund* has grown so that it can no longer be viewed as a small fund due to the large balance as now shown.

It is therefore recommended that this fund be reviewed by the Comptroller's Bureau and appropriate records devised for the proper recording of its transactions.

Salary Advances from Patients' Funds: Included as part of the patients' cash on hand on date of audit there was a voucher to the amount of \$15.00. This voucher was an advance account of salary to an employee of the institution. This advance was repaid subsequently in three weekly installments of \$5.00 by this employee. It is understood that these advances are not frequent, however, when made, are advanced from the \$200.00 petty cash fund in the Acting Treasurer's Office. These advances are redeemed in cash by the employee and the voucher is then destroyed. The advance slip is redeemed when the employee is given his regular weekly pay roll check.

In this instance the advance was more in the nature of a loan than an advance since it was not repaid in its entirety at the time of the next weekly pay roll date.

Advances on account of salary should be made from State funds in all cases. Patients' Funds should not be used for advances to employees of the institution.

Patients' Funds: In connection with reconciling the Patients' bank account on date of audit it was noted that check number 476 dated April 5, 1945 in the amount of \$356.02 was outstanding. This check was sent to patient No. 21616 at the Veterans' Facility, West Roxbury, on April 5, 1945 and was in payment of the balance of his account at the Soldiers' Home.

This matter was brought to the attention of the Acting Treasurer who made an attempt to trace this check and determine the reason for the delay in its not being cashed.

This patient was transferred to the Veterans' Facility at West Roxbury on April 4, 1945 and died at this institution on April 6, 1945. He was buried at the National Cemetery at Togus, Maine.

According to information received by the Acting Treasurer of the Soldiers' Home, the records of the Veterans' Facility at West Roxbury showed receipt of this check. The check was given to the doctor in charge of the ward in which the patient was confined at that time.

A search of the patient's effects at the Veterans' Facility at West Roxbury by employees there was made and the check was not found.

It was suggested, to the Acting Treasurer, that payment be stopped on this check pending further investigation and this was done under date of September 14, 1945.

In connection with checking the disbursements from patients' accounts to vouchers it was noted that in certain instances the vouchers were not signed or approved by the patient from the account of whom the money was withdrawn. The transactions in one such patient's account follows:

Patient No. 23029
Receipts and Payments

June 25, 1945 to August 17, 1945

<i>Receipts</i>	
Credited June 25, 1945	\$477.27
Receipts	16.00
	<hr/> \$493.27
<i>Payments</i>	
To Canteen	\$108.67
To Patient	61.00
To Employees':	
Office, a/c Glasses	\$7.50
Nurse, a/c Incidentals	5.00
	<hr/> 12.50
	<hr/> \$182.17
Balance August 17, 1945	311.10
	<hr/> \$493.27

Payments to the canteen varying in amounts from \$5.70 to \$27.34 for a total of \$108.67 were made to an employee of the canteen who signed a voucher. This voucher was not approved by the patient.

This matter was taken up with the Acting Treasurer. She stated that patient No. 23029 gave permission orally for any withdrawals from his account for purchases at the canteen. No written approval was seen at this time.

The only record kept by the canteen of purchases not paid for is a memorandum card. The original purchase is entered on the card and subsequent purchases are added to it in amount only, as for example: 7/3 — 17 + 10 = 27 + 5 = 32 + 27 = 59 + 47 = 106 + 102 = 208 + 2.66 = 4.74 + .17 = 4.91 + 39 = 5.30 + 32 = 562 + 152 = 7.14 + 30 = 7.44 + 151 = 8.95 + (1.00 Loan) = 9.95 Pd. 7/11. The articles purchased are not listed.

The Acting Treasurer contacted the above mentioned patient and secured a statement dated September 26, 1945 from him as follows:

"To Whom It May Concern:

"Some time ago I authorized the Commandant to pay all bills contracted by me with the Canteen, from my account in the Treasurer's Office, therefore all bills paid from my account are with my full knowledge and are authentic.

Signed _____
(Patient's Name)"

It would seem that payments from patients' accounts should be on the basis of vouchers approved by the patient so that they may be available for checking at all times.

Canteen: The records of the canteen operated at this institution were not audited as it is owned and operated by private interests. Four members of the Home are employed there as clerks and receive compensation for their services. The merchandise is apparently sold at retail market price. The canteen is of considerable size. It operates a refreshment counter as well as having stocks of candy, tobacco, toilet articles, jewelry, etc. The canteen is located in the smoking room of the administration building.

In this connection it was noted that no rent is paid for the space occupied by this concession.

Legacy Fund: During the audit period two bonds were called — 3M Great Northern Railway Company @ 105 and 2M Atchison, Topeka and Santa Fe Railway @ 110. It is understood that these securities were purchased at a par of 100; the purchase price being \$3,000.00 and \$2,000.00 respectively. The profit on the sale of these bonds was, therefore, \$350.00. This amount was added to the Principal account as kept by the Old Colony Trust Company, Trust Division, and not to the Income account. The Endowment Securities account in the general ledger of the institution reflects the balance of the securities at cost.

When stocks and bonds are purchased by the Trust Co. the cost plus the charges are charged to the Principal account. The accrued interest, if any, is charged to the Income account.

It would seem in view of the fact that the value of the bonds as called exceeded the cost plus charges that the excess should go into the Income account.

It is therefore recommended that the Board of Trustees instruct the Trust Division of the Old Colony Trust Company to handle profits realized on the sales of securities in the future in the manner outlined in the previous paragraph.

Legacy Fund; Effects Fund: It is recommended that transactions in these funds be recorded on the general ledger through journal entries only.

STATE LIBRARY

Bookkeeping: It was again noted that there is no general ledger in use in the State Library, nor are monthly financial reports compiled.

The bookkeeping records are kept in one book, in the front part of which are carried accounts with the appropriations, and the back part of the book serves as a cash book in which are entered transactions in the advance money and receipts account of income.

Accounts on loose leaf forms are kept with all concerns from whom purchases or subscriptions are made—from it various analysis are made for the use of the department.

1. The Eastern Racing Association has indicated in their annual statement made to the Racing Commission that funds reserved previous to 1940 were "taken into income." It is understood that this action of the Eastern Racing Association was based on their own decision that the statute of limitations apply in the case of unclaimed tickets.

The following is a list of funds which that Association has transferred to their own income account:

STATE RACING COMMISSION

Unclaimed Tickets: The statutes covering operations of horse and dog tracks within this Commonwealth make no provision for the disposition of monies accruing from unclaimed tickets. Unclaimed tickets represent claims against the various track operators, and each racing organization has retained these funds in reserve against future claims with the following exceptions:

EASTERN RACING ASSOCIATION

Season	Amount
1935	\$11,538.50
1936	14,563.70
1937	12,139.80
1938	13,163.40
1939	11,888.00
	<u>\$63,293.40</u>

2. Several organizations which at various times have operated racing in this Commonwealth have gone out of existence and it is assumed that a total of \$45,210.20 which they were holding in reserve for unclaimed tickets has been used up in final liquidation.

These organizations prior to their liquidation reported the following funds in reserve against Unclaimed Tickets:

CORPORATIONS DISSOLVED

	Season	Amount	Total
New England and Grand Circuit Trotting Assoc., Inc.	1937	\$175.40	
	1938	218.80	\$394.20
Old Harbor Kennel Club, Inc.	1935	\$4,319.50	
	1936	3,132.60	
	1937	3,160.90	
	1938	3,040.10	
	1939	2,526.20	16,179.30
Baystate Greyhound Assoc., Inc.	1935	\$2,272.10	
	1936	3,412.10	
	1937	3,623.80	
	1938	2,421.20	
	1939	3,288.30	15,017.50
Bristol County Kennel Club, Inc.	1935	\$4,166.60	
	1936	2,681.40	
	1937	1,968.00	
	1938	1,668.80	
	1939	3,134.40	13,619.20
			<u>\$45,210.20</u>

3. The following organizations, while they had originally reported funds reserved for unclaimed tickets have made no reports to the Racing Commission since the dates shown on the following schedule:

CORPORATIONS NOT REPORTING

	Season	Amount	Total	Date of Last Report
Agawam Racing & Breeding Assoc., Inc.	1935	\$3,730.90		
	1936	4,871.50		
	1937	4,723.70		
	1938	3,848.30	\$17,174.40	11/8/39
Eastern Horse Club, Inc.	1935	\$334.80	334.80	11/1/43
Crescent Kennel Club, Inc.	1935	\$2,900.30		
	1936	1,428.80		
	1937	2,287.20		
	1938	1,106.80	7,723.10	10/8/38
Sportsman Park, Inc.	1936	\$2,105.30		
	1937	1,552.40		
	1938	1,029.50	4,687.20	11/22/40
			<u>\$29,919.50</u>	

As of the end of the 1945 season the total unclaimed tickets amount to \$399,197.40, and this sum includes the funds mentioned as exceptions herein. Since the statutes make no mention of funds from unclaimed tickets, the total of \$399,197.40 mentioned in this report is the total reported voluntarily to the Racing Commission by the various operators.

Attention is called to Section 5 of Chapter 374 of the Acts of 1934 which reads in part:

"... Each licensee may retain not to exceed six and one-half and eleven and one-half per cent plus such breaks as the licensee's commission on the total of all sums so deposited, such six and one-half and eleven and one-half per cent to be retained from the ten and fifteen per cent retained, as provided in this section, from the total amount wagered."

This section was amended by Chapter 473 of the Acts of 1939, which reads in part:

"Each licensee may retain as his commission on the total of all sums so deposited, in addition to his share of the breaks as hereinafter provided, a sum not exceeding the balances of the ten and fifteen per cent withheld, as provided in this section, from the total amount wagered after deducting therefrom the amount hereinbefore required to be paid to the commission."

It is obvious from the statutes that it was not the intention of the Legislature that the various track operators should receive as their commission any more than a legal per cent of the total daily handle plus breakage. On the other hand unclaimed tickets represent legitimate claims against the various track operators and in the absence of legislation to cover the situation it is entirely proper that the operators should retain custody of these funds as a reserve against future claims *but only for such a period as liability on the part of operators exists. The right of the operators to ever divert such funds to their own uses is seriously questioned.*

It is recommended:

1. That the Attorney General be called upon to determine how long the unclaimed tickets can be considered a legal obligation of the operators, and that upon expiration of such a time limit—the Racing Commission exercise the authority given to it by law* and require that these funds be turned over to the Commission as income.
2. That in the future it shall be the responsibility of the Racing Commission to take over and administer the Unclaimed Ticket reserve of any organization holding such funds in the event of the liquidation of that organization.

*Section 9 of Chapter 374 of the Acts of 1934 in prescribing the authority of the Racing Commission states in part:

"The Commission shall have full power to prescribe rules, regulations and conditions under which all horse or dog races at horse or dog racing meetings shall be conducted in the Commonwealth."

STATE SUPERINTENDENT OF BUILDINGS

Sale of Waste Paper: Waste paper from the departments in the State House is collected, baled and weighed by the Superintendent of Buildings. Waste paper is also collected at the Ford Building, but it is not baled or weighed, as there is no machinery available there for this purpose. It is sold to the highest bidder and bids are asked for monthly by the State Purchasing Agent. Checks are received in payment by this department and the income is credited to departmental income. During the period under examination the waste paper delivered by the Superintendent of Buildings was sold for \$1,391.85 and was so recorded on his books.

In conformance with a suggestion in previous audit reports the handling of the sale of waste paper has been transferred to the office of Superintendent of Buildings. Standard triplicate sales books have been installed and are kept by the janitors at the time of weighing. One copy is forwarded to the office; the second copy is given to the purchaser's representative and the third copy is retained by the janitor.

Assignment of Rooms in the State House and Elsewhere: Section 10 of Chapter 8 of the Tercentenary Edition of the General Laws, as amended by Section 4 of Chapter 249 of the Acts of 1938, and Chapter 440 of the Acts of 1943, referring to the Superintendent of Buildings, states:

"He shall, under the supervision of the governor and council and with the approval of the commission on administration and finance, assign the rooms in the state house and rooms elsewhere used by the commonwealth, and may determine the occupancy thereof in such manner as the public service may require: . . ."

In conformance with the foregoing statute, certain private service enterprises have been allotted rent-free space in the State House.

Lease of Wall on Mount Vernon Street, Boston: This item represents \$1.00 a year due under lease of wall on Mount Vernon Street, Boston, given for 99 years in accordance with Resolve 141 of the Acts and Resolves of 1916. This property was owned by Mr. Thomas J. A. Johnson, deceased. The records of the department show that Mr. George Holland of 209 Washington Street, Boston, is the executor of Mr. Johnson's estate. No payments are recorded since 1937 and it appears from the records of the department that payments on this lease are due from 1936 to 1945, inclusive or \$10.00. This account has been referred to the Attorney General for settlement.

Power Plant Improvements: In 1941, appropriations were made, of \$107,000.00 for power plant improvements, and \$5,400.00 for heating and ventilating improvements, in the Superintendent of Buildings' Department.

Edward C. Brown Co., Consulting Engineers, 77 Summer Street, Boston, was hired to draw up plans and specifications, at an agreed price of "6% of the cost of the work done under Brown & Co.'s supervision, plus reasonable and necessary expenses."

Due to the war-time lack of materials, the work had to be abandoned. At the time of the cessation of the work, two items, namely a boiler-house roof (\$17,116.00) and a booster pump (\$990.00) had been completed and Brown Company were paid what was due them on that portion of the work. Later Brown Company refused an offer of settlement in full, claiming that the Commonwealth still owed them \$3,297.15 and began suit against the Commonwealth for that amount. The court's decision was in favor of the Plaintiff, in the amount of \$1,138.95. Edward C. Brown Co. is appealing this decision and seeking a new trial.

An amount of \$4,399.40 is still held in the Special Appropriation account pending final outcome of the litigation.

SECRETARY OF THE COMMONWEALTH

Unrecorded Receipts in Division of Vital Statistics Receipts over the counter are received for certificates actually granted. The number of the certificate given is entered on the request slip from which the receipts are posted to the cash book.

Receipts by mail are opened in the main office. The amount enclosed is recorded on the accompanying letter; the money is clipped to the letter, and sent into the division. Here a record sheet is typed of the receipts. As rapidly as the certificates are granted the accompanying cash is entered in the cash book and sent to the general cashier.

On the date of audit it was noted that there was cash in suspense which totalled \$3.50. This money was comprised of a few older items for cases in which correspondence was required. In the event that certificates cannot be granted money orders and checks are returned to the sender. All other refunds are made by the State Treasurer from schedules. It is recommended that the Comptroller's Bureau institute a better process for the handling of these suspense items.

TREASURER AND RECEIVER GENERAL

Reconciliation of Registry of Motor Vehicles and Metropolitan District Commission Bank Accounts: It was noted that the State Treasurer's office had not reconciled these bank accounts since the date of the previous audit January 17, 1945—this was called to the attention of the Deputy Treasurer and it was understood that these reconciliations will be made monthly in the future.

Millville Municipal Finance Loan: On January 4, 1946 there was a balance of \$706.01 in the Millville Municipal Finance Loan, Income Account. This balance represents the excess of the interest charged Millville over the amount paid by the Commonwealth. It is suggested that steps be taken to dispose of this balance at the loan itself has been paid.

Advances on Salaries: Several instances were noted where salary advances had been made periodically to certain employees of other departments over periods of from two or three months, without being cleared, because the persons name did not appear on any approved pay roll. It should be stated, however, that in all cases these advances were made on salary advance slips approved by an official in the department concerned.

Securities Purchased for State Retirement Annuities Fund: Paragraph 10 of Section 5A of Chapter 32 of the Tercentenary Edition of the General Laws as inserted by Chapter 439 of the Acts of 1938 reads in part as follows:

MANAGEMENT OF FUNDS

"(10) The state treasurer shall have custody of the funds of the system, and, subject to the approval of the board, shall invest and re-invest the same, when not required for current disbursements, in accordance with section thirty-eight of chapter twenty-nine. . . ."

No record could be found in the State Treasurer's office indicating that such approval had been secured on purchases of securities made during the period under audit.

However, it was understood that beginning with January 1, 1946 approvals of purchases have been secured as required by Section 23 of Chapter 658 of the Acts of 1945, which reads as follows:

"Section 23 (1) (a) There shall be an unpaid investment committee which shall have general supervision of the investment and reinvestment of the funds of the state employees' retirement system and of the teachers' retirement system. Such committee shall consist of three members as follows: The state treasurer who shall be a member ex-officio and who shall serve as chairman, the commissioner of banks who shall be a member ex officio, and a third member who shall be qualified by training and experience in the investment of funds as the result of having been principally employed in such occupation for a period of at least ten years and who shall be chosen by the other two for a term of three years. If a third member is not chosen by the other two members before February first, nineteen hundred and forty-six, in the first instance, and thereafter within thirty days after the expiration of the term of the third member, the governor shall appoint a third member for a term of three years. Each member of such committee shall continue to hold office until the expiration of his term and until the qualification of his successor. The state treasurer shall furnish such clerical assistants as may be required to carry on the work of the investment committee."

"Section 23. (b) The state treasurer shall be the treasurer-custodian of the state employees' retirement system and of the teachers' retirement system and shall have the custody of the funds and securities of each such system. Subject in each instance to the approval of the investment committee established under the provisions of paragraph (a) of this sub-division, the state treasurer shall invest and reinvest such funds, to the extent not required for current disbursements, in bonds which are legal for the investment of funds of savings banks under the laws of the commonwealth; provided, that the percentage of the total amount of all the funds of each such system which may be invested in any one class of such bonds shall not exceed the percentage of the total amount of all the deposits of any savings bank which may be so invested. The funds of each such system shall be invested separately. Payments from the funds of each such system shall be made by the state treasurer only upon vouchers signed by two persons designated by the respective boards of such systems by a vote a duly attested copy of which, bearing upon its face specimen signatures of such persons, shall be filed with the state treasurer as his authority for making payments upon vouchers so signed."

Closed Banks: Section 9 of Chapter 405 of the Acts of 1945 authorized the State Treasurer to charge off from the accounts of deposits in certain closed banks the sum of \$37,790.26, which was done on September 18, 1945. This was in addition to \$1,100,000.00 previously charged off by legislative authorization making a total of \$1,137,790.26. Apparently final dividends have been received from all the closed banks so \$1,137,790.26 represents the loss to the Commonwealth. However, included in the sum of \$37,790.26 previously referred to was the amount of \$2,399.40 represented by capital stock of the Merrimac National Bank—referring to this capital stock the previous audit report stated:

"The Commonwealth received 180 shares of capital stock in the Merrimac National Bank, certificate No. 270 at \$13.33 per share valued at \$2,399.40 for a portion of the balance in the Haverhill Trust Company at the time the affairs of the Haverhill Trust Company were taken over by the Merrimac National Bank."

The sum of \$2,399.40 of capital stock of the Merrimac National Bank was included in the total of \$37,790.26 charged off on September 18, 1945. As it was understood that this capital stock had a value of around \$8.00 a share it was suggested that it be brought back on the books, which was done on

March 14, 1946 at a nominal value of \$1.00. It was understood that eventually this stock will be sold so the actual loss to the Commonwealth through the closing of certain banks will be \$1,137,790.26 previously mentioned less whatever is realized when the capital stock is sold.

Bonus Division: It was understood that six checks, numbers and dates as follows:

November 9, 1945	No. 19345
January 2, 1946	No. 152473
January 2, 1946	No. 152474
January 8, 1946	No. 180161
January 8, 1946	No. 180187
January 8, 1946	No. 180040

were taken by an employee after they had been made out and signed. It was also understood that the employee wrote the name of the payee on the back of the check also his own name and cashed the checks. The State Treasurer's Department turned the matter over to the State Police with the knowledge of the Attorney General, and the case came to trial in the Dorchester District Court on February 8, 1946 and was continued to March 13, 1946 when it was placed on file. Restitution of \$600.00 was made, which was deposited in the Bonus Division Bank Account on March 25, 1946.

Bonus Division: It was noted that in a very few instances two checks were issued to the same applicant these being cases where the applicant had two discharge papers—the division found these duplicate payments and required the return of one payment. Now that the alphabetical files are practically up to date probably it will not happen again.

EMERGENCY PUBLIC WORKS COMMISSION

On January 24, 1946, the records of the Emergency Public Works Commission show a balance on D-208 Account in the amount of \$369,134.22, while the State Treasurer after an adjustment of \$50,197.28, shows a balance of \$368,449.34 or a difference of \$634.88. It is suggested that this account be reconciled with the amount shown on the State Treasurer's records.

STATE BOARD OF RETIREMENT

Reconciliation of Cash with State Treasurer: Previous audits have called attention to a difference in the cash balance between the Board of Retirement records and those of the Comptroller's and Treasurer's. The amount shown in the audit report for the year ended December 31, 1944 amounted to a net of \$558.68. It was noted that the sum of \$560.14 was adjusted in the 1945 year leaving a net difference of \$1.46.

The board of Retirement records show an adjusted cash balance on December 31, 1945 of \$116,701.01 on hand as against an adjusted balance of \$116,702.47 on the Treasurer's and Comptroller's records, the difference being \$1.46.

This difference is composed of the following:

(a) A cancellation of an annuity deposit on the Board of Retirement books in March 1943 not on the Treasurer's or Comptroller's records	\$7.66
(b) A victory tax refund in June 1943 and charged by the Treasurer to Annuity Deposits	6.20
Net difference	\$1.46

These differences were brought to the attention of the Treasurer's office several years ago and subsequent audit reports have commented on them.

It is, therefore, again recommended that the Treasurer's office make the proper changes. In the event no action is taken by the Treasurer's office, the Comptroller's Bureau should do what is necessary to adjust the cash balance in the Board of Retirement Fund.

Annuity Reserve Fund: Subdivision 5 of Section 5A of Chapter 32 of the Tercentenary Edition of the General Laws, as inserted by Section 1 of Chapter 439 of the Acts of 1938, states:

"The annuity reserve fund shall be the fund to which, upon the retirement of a member, shall be transferred from the annuity savings funds his accumulated deductions, and from which shall be paid all annuities and benefits in lieu of annuities."

In addition to the members' deductions transferred from the Annuity Savings Fund, this fund is credited with two other types of credits, namely:

1. Interest
2. Loss due from Commonwealth

Interest is credited to this fund at the end of the year for the earnings of the investments of the fund under the heading Estimated Interest of the Annuity Reserve.

The loss due from the Commonwealth is credited to this fund by authority of subdivision 9b of Section 5A of Chapter 32 of the Tercentenary Edition of the General Laws as inserted by Chapter 439, of the Acts of 1938, which states:

"The commonwealth shall make good any loss of principal from the annuity savings fund or from the annuity reserve fund in any year by appropriation in the succeeding year."

Loss Due from Commonwealth Account: On December 31, 1945 there was a total of \$154,739.59 in this account made up as follows:

Loss in annuity fund year 1942 (balance)	.	.	.	.	\$	2,272.35
Loss in annuity fund year 1943	.	.	.	.		42,319.27
Loss in annuity fund year 1944	.	.	.	.		51,780.92
Loss in annuity fund year 1945	.	.	.	.		58,367.05
						<hr/>
						\$154,739.59

It is noted that Chapter 404 of the Acts of 1945 appropriated the sum of \$96,372.54 to cover the loss in this fund for the balance of 1942, for 1943 and for 1944. The Comptroller's office has not yet made the transfer on the Board of Retirement records but it is understood that it will be made before the close of the state fiscal year. It is also understood that the secretary of the board already has included the sum of \$50,000.00 in his estimated budget for 1947 state fiscal year to partially cover the loss for the 1945 calendar year. The balance of \$8,367.05 will also be requested from the General Court.

Due from the Commonwealth for Military Leave of Absence: The number of members on military leave of absence as of December 31, 1945 was approximately 1,141. Interest only has been credited on each member's original card record on the amount of deposits to his or her credit at the time of leaving for military service.

The secretary of the board has had attached to the member's regular card a second card showing the amount which the Commonwealth may be expected to pay in order to comply with Section 9 of Chapter 708 of the Acts of 1941.

The amount showing in this account on December 31, 1945 was \$462,970.52 against which is an amount of \$153,222.51 covering members returned from military leave as of December 31, 1945. The amount covering members still in the service on that date is \$309,748.01.

Chapter 404 of the Acts of 1945 provides for an appropriation of \$100,000.00 to apply against the Military leave account. It is understood that approval for the transfer of this \$100,000.00 will be given by the Comptroller's Bureau before June 30, 1946. It is further understood that the secretary of the board has requested \$150,000.00 more from the incoming General Court in order to comply with the provisions of Chapter 419 of the Acts of 1943.

Investments: The investment securities are in the custody of the State Treasurer and were examined as of January 4, 1946 in connection with the audit of the State Treasurer. These securities are carried on the books of the State Treasurer at par, in an account entitled State Employees' Annuity Fund.

The records of the State Board of Retirement show the securities in an account entitled Investments. Here the securities are carried at the amortized value which is used in establishing rates of interest earnings. An analysis of the board's investment security record book was made. This analysis took into consideration the maturities and purchases made during the period under audit and the tracing of changes in the amortized values. This analysis follows:

ANALYSIS OF SECURITIES

January 1, 1945 to December 31, 1945

	Principal Values	Book Values
Values January 1, 1945	\$17,871,200.00	\$18,276,995.64
Purchases	2,210,000.00	2,210,000.00
	<hr/>	<hr/>
Sales	\$20,081,200.00	\$20,486,995.64
Maturities		
Amortization of Premium and/or Discount	\$ 1,269,250.00	\$ 1,269,250.00
Values December 31, 1945	18,811,950.00	19,146,647.48
	<hr/>	<hr/>
	\$20,081,200.00	\$20,486,995.64

The examination of the investments shows the yield on the investments ranges from .80% to 5%. About 55%, or 10½ million dollars of securities owned by the board consist of United States bonds on which the yield is about 2%. Mention is made of this because "Interest" as defined in Section 1 of Chapter 32 of the General Laws is creditable to the members' accounts annually at the rate of 3%. There were no securities or interest on securities in default during the audit period.

Accrued interest on December 31, 1945 amounted to \$147,797.24.

Income on Investments: The potential yield on securities for the period January 1 to December 31, 1945 was established from the Comptroller's Securities Ledger and reconciled with actual income received by the board during the same period. This reconciliation follows:

Potential Yield on Investments	\$565,049.09
Cash received account of interest	\$564,339.09
Add:	
Interest due January 1, 1945 but paid in December 1944	2,525.00
	<hr/>
	\$566,864.09
Deduct:	
Interest paid in December 1945 but not due until January 1, 1946	1,347.50
	<hr/>
	\$565,516.59
Deduct:	
Interest due December 1, 1944 but not paid until January 9, 1945	467.50
	<hr/>
	\$565,049.09

Approval of Investments: It is understood that "approval" of investment purchases formerly vested in this board becomes obsolete on January 1, 1946 with the creation of an "Investment Board" to be set up under the new retirement law. The "Minutes" book for 1945 does not record approval for purchase made in 1945, but this omission is understood to have been taken care of at the April 1946 meeting of the board.

State Treasurer Fund Account: It is noted that a previous audit recommendation has been complied with and this account now appears in the general ledger together with its offset account, namely, Unpaid Check Fund.

Accounts of Deceased and Former Members: The following amounts were held in the members' deposits and interest account on December 31, 1945:

	Deposits	Interest	Total
Accounts of Deceased Members	\$21,319.47	\$ 6,123.09	\$27,442.56
Account of Former Members	39,664.06	12,734.23	52,398.29
	<u>\$60,983.53</u>	<u>\$18,857.32</u>	<u>\$79,840.85</u>

Many of the accounts of deceased members have been paid out since the close of the audit year or are in the process of being closed out. Accounts of deceased members prior to January 1, 1940 amount to \$3,494.63.

Accounts of former members have increased approximately \$9,814.40 over December 31, 1944. The increase is due to several factors, one of which is the new retirement law effective January 1, 1946. It will now be compulsory for any former member returning to state service to pay in full all contributions withdrawn together with interest. For this reason deposits are being left in this account by former members. The guaranteed rate of 3% interest for three years is another factor.

Accounts of former members prior to January 1, 1940 amounted to \$7,001.98 as of December 31, 1945.

Previous audit reports have recommended that the board seek legislative authority to transfer these old accounts to general revenue.

In view of the many changes in the new retirement law it will be almost impossible to effect such a change and for the present, at least, the recommendation is withdrawn.

ATTORNEY GENERAL

Accounts Referred for Collection: A so-called docket card is made out in the chief clerk's office for each account transferred to the Attorney General for collection. The docket cards are filed alphabetically under the name of the individual or concern who owes the money. This is true of all accounts transferred to the Attorney General with the exception of cases transferred by the Department of Corporations and Taxation.

The accounts referred by the Department of Corporations and Taxation to the Attorney General for collection may be divided into two groups:

1. Delinquent taxes which the Income Tax Division sends to the Attorney General in the form of one docket card for each case.
2. A list of corporations who have failed to file the annual certificate of condition, which list is sent by the Commissioner of Corporations and Taxation. From this list the chief clerk writes up the individual docket cards.

If the Attorney General has been put to any expense, namely, cost of serving the papers by a deputy sheriff, such costs are charged when the return is filed. The chief clerk does not accept the \$10.00 fee for filing the annual certificate of condition, but makes certain that it is paid to the Secretary of State.

There appears to be no practical way that the Auditor can check the penalties and costs assessed by the Attorney General in connection with the filing of the certificates of condition.

An analysis was made of the accounts submitted by the departments and institutions and verification notices were sent to them. It was noted that in many cases the department or institution had lost account of the case or cases and were not cognizant of their existence. It is recommended that a closer relationship be maintained between the departments and institutions and the department of the Attorney General.

Apparently the Attorney General uses his discretion as to whether suit shall be brought for the collection of the claim, compromise the claim or settle it without court action.

Several previous audit reports have stated:

"If it is desired to arrange the records in the office of the Attorney General so that the State Auditor may make a satisfactory audit of these accounts, several changes in the set-up are necessary.

"The mere checking of the receipts showing on the docket cards to the cash book kept by the chief clerk does not constitute an audit of the accounts.

"1. The so-called card docket file which is arranged alphabetically by the names of the persons owing money should be supplemented by a file arranged by state departments and institutions and under each state subdivision there should be a record of each individual or concern owing money to that particular department or institution, and it should be the duty of whoever has charge of this record periodically to verify it by correspondence with the several departments and institutions.

"2. All entries made in the above described file for accounts settled in any manner except by the payment of the amounts due should be supported by authorization signed by the officials responsible.

"In addition to the changes in the records, it will also be necessary to establish some definite policy for the chief clerk to follow in handling delinquent certificates of condition."

As there has been no change, attention is again called to the foregoing.

Appropriation Deficiencies: Item 361 of Chapter 495 of the Acts of 1939 provided \$25,000.00 for:

"For services and expenses of the attorney general in preparing and furnishing information for use by the commission appointed to study and investigate the service of the New York, New Haven and Hartford Railroad Company. \$25,000.00."

In this connection it was noted that the Department of the Attorney General passed for payment bills totaling \$24,900.52, which were charged against this appropriation in the following years:

1939 fiscal year	\$ 4,318.25
1940 fiscal year	20,582.27
	<u>\$24,900.52</u>

On the date of the previous audit there was a cash balance in this appropriation of \$99.48. There were outstanding invoices against this appropriation of \$4,431.62. Against this deficiency Chapter 513 of the Acts of 1943 appropriated \$1,023.95 and Item 2899 of Chapter 736 of the Acts of 1945 appropriated \$71.50.

"For services and expenses of the attorney general in preparing and furnishing information for use by the commission appointed to study and investigate the service of the New York, New Haven and Hartford Railroad Company."

The unpaid liabilities now remain as follows:

Deficiency April 3, 1943	\$4,431.62
Add refund deducted	17.10
	<u>\$4,448.72</u>
Deficiency appropriation, Chapter 513, Acts of 1943 ..	\$1,023.95
Deficiency appropriation, Item 2899, Chapter 736, Acts of 1945	71.50
	1,095.45
	<u>\$3,353.27</u>
Less adjustments:	
Royal Typewriter Co.	\$ 72.00
Attorney General	320.89
	<u>392.89</u>
Deficiency as of January 28, 1946	<u>\$2,960.38</u>

Comptroller's Records

Cash Balance March 6, 1945	\$ 99.48
Refund payment disallowed	453.98
Comptroller's appropriation, balance January 28, 1946	\$ 553.46

On the date of the previous audit, March 6, 1945, there were liabilities outstanding for which there were no available funds, as follows:

1940 Appropriation for Administration and Other Expenses:

Deficiency as of March 6, 1945	\$1,746.82
Deficiency appropriation, Item 2899, Chapter 736, Acts of 1945	1,160.89
	\$ 585.93

Adjustments:

Add discount disallowed	1.80
	\$ 587.73
Less Royal Typewriter Co.	171.00

Deficiency Balance, January 28, 1946	\$ 416.73
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Advance Money: In connection with the reconciliation of the advance fund of \$2,100.00 it was noted that one item advanced to an employee prior to the current fiscal year has not been liquidated. The individual is no longer connected with this department and the original amount was advanced to him in 1939. It is again recommended that an effort should be made to collect or clear this item so that this account will include only those transactions which effect the current fiscal year.

Bonds: It was noted that none of the employees of this department are bonded.

DEPARTMENT OF CIVIL SERVICE AND REGISTRATION

Bonds: All entries in the cash book are made by the principal clerk, who also handles the advance money. No one is bonded but the advance fund is practically all the money handled by the division.

Professional and Consulting Services: According to the records of the Department of Civil Service and Registration, it is shown that a sum of \$5,578.38 was expended during the fiscal year 1945 for professional and consulting services. In the normal course of audit an effort would have been made to check this element, but the work was not done because of the failure of the Department of Civil Service and Registration to divulge sufficient information in this respect and produce certain records for auditing purposes during the course of a previous examination. The objection raised by the then Director of the Department of Civil Service and Registration centered on the alleged confidential nature of the services performed. This factor, however, bears no relationship to accounting procedures since the interest of the Auditor's Department in such an examination is confined to a routine check establishing the validity of individual expenditures from a standpoint of (a) authority of law, (b) knowledge of actual services rendered and (c) reasonable determination of value received for any item of payment.

DIVISION OF REGISTRATION

Cash Account: A previous audit report commented on the method of closing the cash book which resulted in an overdraft in the cash account. This report was received by the division after the 1945 closing had been made, using the old method. The overdraft on June 30, 1945 amounted to \$529.90. It is now understood that the books will be kept open until all schedules are reimbursed at the end of the fiscal year.

Excess of Disbursements over Receipts: During the audit it was noted that the three following boards of registration, Barbers, Embalming and Funeral Directing, and Chiropody (Podiatry) showed disbursements for the year 1945 to be in excess of receipts for the same period. This would appear to be in violation of the law setting up the above boards.

Barbers—Chapter 13, Section 41, Tercentenary Edition of the General Laws, 1932.

Embalming and Funeral Directing—Chapter 13, Section 31, Tercentenary Edition of the General Laws, 1932.

Chiropody (Podiatry)—Chapter 13, Section 12, Tercentenary Edition of the General Laws, as amended by Chapter 425, Acts of 1937, Section 12c.

BOARD OF REGISTRATION OF ARCHITECTS

Pending Applications: The pending applications date from early 1942 to date of audit and are summarized as follows:

1942	1943	1944	1945	Total
39	24	9	32	104

Of the 104 now pending, 19 are classed as having been examined but will be allowed another examination in order to try to pass a subject previously failed. The remaining 85 are held awaiting an examination or appearance before the board. Some of the applicants are still in the service; others lack certain papers or references necessary before the board can act upon their applications.

Since, however, over 40 percent of these applications were received the first year of operation of the board, it is recommended that every effort be made in the near future to have these applications reviewed to the end that the pending list may be reduced.

BOARD OF REGISTRATION OF CERTIFIED PUBLIC ACCOUNTANTS

Bonds: It was noted that the Secretary is not bonded.

BOARD OF REGISTRATION OF DENTAL EXAMINERS

Bonds: It was noted that the secretary of the Board is not bonded but the head clerk and senior clerk, who actually handle the office cash, are now bonded by a blanket bond issued to the Division of Registration.

BOARD OF REGISTRATION OF EMBALMING AND FUNERAL DIRECTING

Examinations: At present a receipt taken from a serially numbered, duplicate copy, receipt form (the fee is not printed on the receipt) is given only to those paying fees in currency in the office—if fees are paid by check or are mailed in, no receipt is given. In this connection a previous audit report stated:

"It is advised that a receipt taken from a duplicate copy serially numbered receipt form be given to each person paying an examination fee—the fee to be printed on both the receipt and the stub."

As this recommendation has not been followed, attention is again called to it.

Results of Examinations: Subsequent to examination and prior to the issuance of registration cards, the persons examined are notified as to the result by letter. In this connection a previous audit report stated:

"It is again advised that a serially numbered form be secured to notify applicants of their examinations—one series for successful applicants and one for failures."

In partial conformance with the foregoing recommendations there have been provided notification forms of examination results—one series for successful applicants and other for failures. These forms, however, were not serially numbered, it is therefore again suggested that when the next lot is ordered that they be serially numbered by the printer. These forms on hand at the time of this audit were serially numbered by a rubber stamp at the office. In this connection it should be stated that when the new lot of 500 came from the printer's this year, they were unnumbered. The printer refused to number them.

Duplicate Renewals: No fee is charged for a duplicate of a renewal license. Forms have been purchased marked "DUPLICATE—NO FEE" one series for Embalmers' renewals, a second for Funeral Directors' renewals, and a third for the combination Embalmer and Funeral Directors' renewals.

In this connection a previous audit report stated:

"In connection with duplicate renewals, attention is called to Clause 3 of Section 88 of Chapter 112 of the General Laws, with the recommendation that the Attorney General be requested to render an opinion as to whether or not these duplicate renewals come within the provision of this section. Said Clause 3 reads as follows: '(3) issue a duplicate certificate or registration upon satisfactory evidence that the original certificate has been lost or destroyed, and the fee therefore shall be five dollars.'

"It is advised that the Attorney General be requested to rule as to whether or not duplicate renewals come within the provision of Section 88."

It was noted that under date of February 26, 1942, the Attorney General furnished an opinion to the Director of the Division of Registration, in which it was stated:

"You have called my attention to such an issuance and I am of the opinion that the Board of Registration in Dentistry has implied authority in the indicated circumstances to issue the duplicate certificate and to charge therefor a nominal fee sufficient to cover the actual expenses involved."

In view of this opinion, it is recommended that this board charge fees for such duplicate renewals sufficient to cover the actual expenses involved.

Certified Statements: Occasionally a certified statement is requested. There is no printed form for this purpose and a letter is written which is signed by the secretary. A fee of \$1.00 is charged for a certified statement. The four previous audit reports have advised that a serially numbered form be secured to be used when certified statements are requested. As this recommendation has not been followed attention is again called to it.

BOARD OF REGISTRATION OF PROFESSIONAL ENGINEERS AND LAND SURVEYORS

Appointment of Board Members: In this connection previous reports stated: "Section 3 of Chapter 643, Acts of 1941 reads as follows:

'The initial appointments of the members of the board of registration of professional engineers and land surveyors provided for by this act shall, within ninety days after the effective date hereof, be made by the governor, with the advice and consent of the council. . . .'

While it is agreed that no compensation has been paid the members and that no business has been performed by them prior to the effective date of the act, it still remains a fact that the appointments and qualification dates of the members were not in conformity with Section 3 quoted above. As the propriety of the acts of the board might be

questioned sometime in the future, it was suggested at the time of the previous examination that this question be referred to the Attorney General. It was noted that an opinion has been requested of the Attorney General in a letter dated April 12, 1943."

To date no answer has been received by the Board.

Certificates Issued: A review of the "minutes of meetings" book shows that when certificates are granted to successful applicants the certificate number only is shown in the "minutes." This necessitates the looking up in an alphabetical name file before the application number can be ascertained. It is recommended that the application number also be shown in the "minutes book" somewhere adjacent to the successful applicants name.

BOARD OF REGISTRATION OF HAIRDRESSERS

Prior Years Renewals: Previous reports have urged that a new column be added to the cash book for previous years renewals. This has been done in the new cash book starting July 1, 1944. It was further noted that a new account was opened in the general ledger for this account.

General: It would greatly facilitate the work of auditing if, when a license is issued, the number of the license issued is placed beside the cash book entry of the receipt of cash. This is now done in some cases.

BOARD OF REGISTRATION IN MEDICINE AND NURSING

Bonds: The secretary of the boards is bonded for \$5,000.00. There are seven permanent clerks and one provisional clerk and two permanent supervisors of approved schools of nursing in the office, six of whom are bonded. In addition, there is a permanent registrar who is also bonded. Entries in the cash books are made by four of the clerks in the office.

Notifications of Examination Results: After examination for registration as a nurse, applicants are notified of the result. A printed form is used, one form for successful and one for unsuccessful applicants. These forms are numbered by the office.

Attendants' Temporary Certificates: A temporary certificate bearing the application number is sent each applicant who is registered as an attendant. A certificate number is also assigned to each applicant and stamped on the certificate. These temporary certificates are numbered by the office.

Custody of Cash: Six people now handle the cash. The mail is opened and distributed with the money to several persons. It is recommended that the Division of Registration and the Comptroller's Bureau study the advisability of relieving these various persons of the responsibility of handling the money and of designating one person as cashier for both the Division of Registration in Medicine and the Division of Registration in Nursing. It should be noted that in the audit period this division handled over \$50,000.00.

Suspense Account: As now installed, the suspense accounts are merely reference accounts without control or proof. Only those entries are put in suspense which cannot be given an application number of acceptance. Items in suspense, such as those waiting examinations, are not considered suspense items. It is recommended that the Division of Registration and the Comptroller's Bureau study the feasibility of making the suspense account an actual controlling account.

Items in Suspense Account: An analysis of the suspense items in the Board of Registration in Nursing showing the following to be the age of the accounts included:

1935	.	.	.	.	.	1
1937	.	.	.	.	.	1
1939	.	.	.	.	.	1
1942	.	.	.	.	.	6
1943	.	.	.	.	.	1
1944	.	.	.	.	.	5
1945	.	.	.	.	.	57
1946	.	.	.	.	.	39

 111

It is recommended that some date be established and that all accounts older than that date be cleared.

Control of Income: It is impossible under the present system to make a proper reconciliation of income. It is suggested that the Comptroller's Bureau be contacted to revise the present system.

Applications: At present on receipt of an application with fee, the applicant's name and fee is recorded in the cash receipts book on the date received. No number is assigned to the application until the applicant has been approved by the board, which may take a year or even longer. In the meantime any number of applications may have been received and approved and assigned a number. All applications are numbered and filed in numerical sequence.

It is recommended that all applications be numbered in numerical sequence as they are being received.

Certificates: When certificates are sent to the engrosser to be engrossed, an additional number is sent in anticipation of errors. It is suggested that only the required number be sent each time.

Certified Statements: On receipt of \$1.00, \$2.00 and \$5.00 fees for certified statements, the fees are recorded and the cash deposited on the date received, while the certificates which are serially numbered are not issued until approved by the board or at the convenience of the clerk issuing the certificate which may be a year later.

It is recommended that the certificate be prepared on the dates the fees are received and the certificate number recorded in numerical sequence in the cash book.

In view of the present system of numbering applications and issuing certificates, it is imperative that the present routine be revised.

BOARD OF REGISTRATION IN PHARMACY

Increase in Fees for Examinations: Sections 1, 2 and 4 of Chapter 502 of the Acts of 1945 provide for an increase to \$10.00 in the fee for those taking examinations for Registered Pharmacists and Registered Assistant Pharmacists, effective on date of Act, June 30, 1945.

It was noted that all applications received after that date were accompanied by the required \$10.00 fee.

Provision for Annual Renewal: Sections 2 and 3 of Chapter 502, Acts of 1945 provide for the annual renewal of Registrations held by Registered Pharmacists and Registered Assistant Pharmacists, effective on January 1, 1946, at an annual renewal fee of \$2.00.

Pending Items: There are two files of pending applications for examination, one known as active pending and the other as inactive pending. The applications represent cases where the applicant has filed an application with a fee, but has never appeared for examination or received a drug store permit, a certificate of fitness, a certificate by reciprocity, or a duplicate certificate of registration. The fees have been entered in the cash book and remitted to the State Treasurer.

The pending applications in the files were listed. The active pending items total \$995.00 and the inactive pending list totaled \$535.00. These were made up of 107 applications on account of examinations bearing dates from 1940 to 1944.

It was noted, in connection with the active pending items, that all applications for examination received after July 1, 1945 were at the rate of \$10.00 each, instead of the \$5.00 rate which prevailed previous to that date.

It was also noted, in connection with the inactive pending list, that 44 applications to the value of \$220.00, appearing on the previous audit pending list, were ordered forfeited during the current audit period.

BOARD OF REGISTRATION IN VETERINARY MEDICINE

Pending Applications: It was noted that there are two applications, one filed in June 1940 and the other in January 1944, still pending for examination. Fees of \$15.00 each have been paid and deposited with the State Treasurer.

Persons Bonded: This board employs one clerk who had not been bonded as of the date of audit. It is understood that steps will be taken to have this clerk included in the Schedule Bond now in effect for the Division of Registration.

Change in Certain Fees: Chapter 724, Acts of 1945, approved July 25, 1945 and effective October 23, 1945, amending Section 55 of Chapter 112 of the General Laws increased the application fee to \$25.00 for first examination, establishes a fee of \$3.00 for second examination, and increases to \$25.00 the fee for a third and each successive examination.

THE DEPARTMENT OF CORPORATION AND TAXATION GENERAL DEPARTMENT

Accounts with Attorney General for Collection: The Collector of Taxes in the Department now has authority, in all types of taxes except Inheritance Taxes, to issue demands and warrants for the collection of taxes, consequently the only type of taxes now with the Attorney General for collection are Inheritance Tax cases. On November 30, 1945 there were 611 Inheritance Tax cases totaling \$169,153.39 with the Attorney General for collection which represent items billed from the Year 1911 through the Year 1941.

Trial Balances of Division Ledgers: It was noted that on June 28, 1946 the trial balances of November 30, 1945 of the unpaid accounts receivable of the following division ledgers were not in agreement with the balances shown by the respective master books, but the total of the balances of the master books was in agreement with the balance shown in the control account.

	Master Book over	Master Book under
Income Taxes:		
Division 1	\$59.27	—
Division 2	74.93	—
Division 4	—	\$39.26
Division 5	27.83	—
Division 7	113.27	—
Division 8	65.28	—
Division 9	23.09	—
Division 10	8.97	—
Division 11	—	9.31
Division 12	—	89.23
Domestic Corporation Taxes (1945) . . . . .	.01	—
Inheritance Taxes	6.88	—

Corporate Franchise Tax Paid by Certain Public Service Corporations: Section 24 of Chapter 58 of the Tercentenary Edition of the General Laws, as amended by Section 23 of Chapter 254 of the Acts of 1933 reads as follows:

"Section 24. The corporate franchise tax paid by gas, electric light, gas and electric light and water companies shall be distributed, credited and paid to towns of the commonwealth or shall be retained by the commonwealth in the manner following: Such part of said tax paid by each of said corporations as is paid on account of shares of its stock owned by non-residents of Massachusetts shall be retained by the commonwealth. The remainder of such tax shall be distributed, credited and paid to the town of the commonwealth where the business of the corporation is carried on; and if any such corporation carries on its business in more than one such town, this part of the tax paid by it shall be distributed, credited and paid to such towns in proportion to the value of the works, structures, real estate, machinery, poles, underground conduits, wires and pipes of the corporation in each of them on January first, as determined from the returns or in any other manner."

Section 25 of Chapter 58 of the Tercentenary Edition of the General Laws as amended by Chapter 687 of the Acts of 1945 reads as follows:

"Section 25. The commissioner shall ascertain and determine the amount due to each town under sections twenty, twenty-four and twenty-four A of this chapter and the amount distributable under section ten of chapter sixty-four B, notify the treasurer of each town thereof, specifying with respect to each of said sections twenty, twenty-four and twenty-four A the amount determined to be due to each town, or that no amount is due, as the case may be, and certify the amount as determined to the state treasurer, who shall thereupon pay the same. The commissioner in his discretion may from time to time within the twelve month period prescribed in said section twenty make partial distributions of taxes paid therein and distributable under the provisions of said section twenty withholding such sums as may to him seem proper to provide for refunds and abatements. Any decision made by the commissioner under section twenty-four or section twenty-four A shall be subject to appeal to the appellate tax board within thirty days after receiving notice of such decision."

It was noted that the last distribution of these taxes made to the cities and towns was during the year ended November 30, 1942 when \$1,107,693.49 was distributed. It was understood that no distribution has been made since because of pending court litigation.

During the year ended November 30, 1945 the sum of \$400,000.00 was set aside in an agency account available for distribution to the cities and towns, depending upon the outcome of the pending court cases and the remainder was transferred to general revenue. In addition to the \$400,000.00 placed in the Agency account during the 1945 year there was in the account brought forward from previous years the sum of \$176,758.22 making a total of \$576,758.22 in the account on November 30, 1945.

Annual Transfer of \$1,500,000.00 from Income Tax Collections to General Revenue: It was noted that beginning with the 1935 year and through the 1945 year the sum of \$1,500,000.00 of income tax collection was paid over to the State Treasurer as Public Service Tax Receipts and credited to general revenue. This transfer of income tax collections to general revenue was made under the provisions of Chapter 307 and 357 of the Acts of 1933. The pertinent sections of said Chapters read as follows:

"Section 9. Income received by any inhabitant of the commonwealth during the years nineteen hundred and thirty-three, nineteen hundred and thirty-four and nineteen hundred and thirty-five from dividends on shares in all corporations, joint stock companies and banking associations, organized under the laws of this commonwealth or under the laws of any state or nation, except co-operative banks, buildings and loan associations and credit unions chartered by the commonwealth,

and except savings and loan associations under the supervision of the commissioner of banks, and income received by any inhabitant of the commonwealth during the years nineteen hundred and thirty-six, nineteen hundred and thirty-seven, nineteen hundred and thirty-eight, nineteen hundred and thirty-nine, nineteen hundred and forty, nineteen hundred and forty-one, nineteen hundred and forty-two, nineteen hundred and forty-three, nineteen hundred and forty-four and nineteen hundred and forty-five from such dividends other than stock dividends paid in new stock of the company issuing the same, shall be taxed at the rate of six per cent per annum. Inhabitant of the commonwealth shall include (a) estates and fiduciaries specified in sections nine, ten, thirteen and fourteen of chapter sixty-two of the General Laws, (b) partnerships specified in section seventeen of said chapter sixty-two, and (c) partnerships, associations or trusts, the beneficial interest in which is represented by transferable shares, specified in paragraphs entitled First, Second and Third of subsection (c) of section one of said chapter sixty-two. Except as otherwise provided in this section, the provisions of said chapter sixty-two shall apply to the taxation of income received by any such inhabitant during said years. Subsection (b) of section one of said chapter sixty-two shall not apply to income received during said years."

Section 4 of Chapter 357 of the Acts of 1933 reads:

"Section 4. Section eighteen of chapter fifty-eight of the General Laws shall not apply to any taxes upon dividends made taxable by this act and not heretofore taxable under said chapter sixty-two, which taxes shall be retained by the commonwealth; but said section eighteen shall continue to apply to taxes upon dividends taxable under this act which have heretofore been taxable under said chapter sixty-two. Notwithstanding the provisions of section eleven of chapter three hundred and seven of the acts of the current year, the proceeds of all taxes collected by the commonwealth under section nine of said chapter on dividends on shares in all corporations and joint stock companies organized under the laws of any state or nation other than this commonwealth, except banks which are subject to taxation under section two of chapter sixty-three of the General Laws, which dividends were made taxable by said section nine and were not taxable prior to the effective date of said chapter three hundred and seven, shall be retained by the commonwealth."

Section 9 of Chapter 307 of the Acts of 1933 discontinued the income tax exemptions provided in the last clause of Section 1 (b) of Chapter 62 of the Tercentenary Edition of the General Laws, which reads in part as follows:

"... and except such foreign corporations as are subject to a tax upon their franchise payable to the commonwealth under section fifty-eight of chapter sixty-three."

It was understood that the amount of \$1,500,000.00 was based on the amount of taxes paid prior to the 1933 year by a certain foreign telephone corporation, whose dividends became taxable on the passage of Chapter 307 of the Acts of 1933, which act was passed after the foreign telephone company in question discontinued the payment of a franchise tax.

Costs on Income Tax Collections: It was noted that the gross receipts of costs on income tax collections for the period from December 1, 1944 to November 30, 1945 amounted to \$2,947.30 which was credited to general revenue and that the refunds of such costs amounting to \$127.75 was charged to interest refunds which are charged to the Income Tax Fund. The Income Tax Fund is the account from which distribution to the cities and towns is made. Reference is made to Section 18 of Chapter 58 of the Tercentenary

Edition of the General Laws, which was revised by Chapter 350 of the Acts of 1933 and was amended by Chapter 405 of the Acts of 1936 and Chapter 451 of the Acts of 1939 and which reads as follows:

"Section 18. Except as provided in section seven A of chapter sixty-two, the state treasurer shall, on or before April fifteenth in each year, distribute the amounts of taxes on incomes under chapter sixty-two theretofore collected by the commonwealth to the several cities and towns in proportion to the amounts of the last preceding state tax imposed upon them, and shall, on or before November twentieth in the same year, distribute to such cities and towns in the same proportion the balance of such taxes collected after said April fifteenth, after deducting a sum sufficient to reimburse the commonwealth for the expenses incurred in the collection and distribution of said income taxes and for such of said taxes as have been refunded under said chapter sixty-two or section twenty-seven of this chapter during said year, together with any interest or costs paid on account of refunds, which shall be retained by the commonwealth, and after deducting also a sufficient sum to be distributed under Part I of chapter seventy."

Deficiency Appropriations Account of 1946 Fiscal Year: Chapter 402 of the Acts of 1946 approved June 3, 1946 appropriated the following additional amounts for the appropriations concerned:

Corporations and Tax Divisions

1201-02	Personal Services	\$4,000.00
1201-03	Expenses	10,000.00

Reimbursement for Loss of Taxes

1201-05	For reimbursing cities and towns	1,085.45
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Division of Field Investigation and Temporary Taxes

1201-12	Expenses (Cigarette Taxes)	500.00
	Excise upon charges for meals (the following two items shall be payable from amounts collected under Chapter sixty-four B of the Tercentenary Edition of the General Laws.	

1201-21	Personal Services (Meals Taxes)	6,500.00
1201-22	Expenses (Meals Taxes)	500.00

Income Tax Division

	The following appropriation is to be made from the receipts from income tax	32,000.00
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\$54,585.45

In the case of the Meal Taxes—Personal Services, Appropriation it was noted that when the May 1946 pay roll was charged on the Comptroller's books which pay roll was paid on May 31, 1946 a deficit of \$1,662.34 appeared. The deficiency appropriation was not approved until June 3, 1946.

Purchase of Bookkeeping Machines: The previous audit reports have stated:

"It was noted that the Income Tax Division purchased six electric bookkeeping machines from the Remington Rand Company in August 1940. Invitations to bid were sent to fourteen companies and the Remington Rand Company was apparently the low bidder at a bid of \$10,500.00. Attention is called particularly to the fact that the bid states:

'Confirming our letter of March 9 and in reply to proposal requisition No. 126, Income Tax Department dated April 12, 1940, we will furnish and deliver free of all charges, six (6) Remington Accounting Machines model 83F, equipped with dual print mechanism, shuttle carriage and other machine features necessary to make tax bill, warrant and analysis breakdown (at one operation) for a gross price of \$10,500.00.'

"In discussing this matter with officials of the Income Tax Division, it was learned that the machines delivered under this bid were not used during the 1940 season for the purpose for which they were purchased because certain machine features were not available and the machines were used only for listing purposes.

"In May 1941, the Remington Rand Company informed the Income Tax Division that in order to properly equip these machines to do the work for which they were purchased, an additional expenditure of \$4,252.00 would be necessary to purchase seventy-five registers. It is worthy of note that when the cost of the seventy-five registers of \$4,252.00 is added to the first cost of \$10,500.00 it gives a total of \$14,752.00 which is higher than the other two original bids submitted—namely, Burroughs Company \$13,348.80 and the Underwood-Elliott Fisher Company \$11,907.00.

"In view of the language of their original bid, it is the opinion of this department that the Remington Rand Company violated the conditions of their bid and that the original bill should not have been passed for payment, since the machines when they were delivered were not equipped to do the work for which they were purchased. This matter was referred to the Attorney General by the Commissioner of the Department of Corporations and Taxation on May 21, 1942."

It was understood that as of May 1, 1946, no action had been taken by the Attorney General. As this same comment has appeared in several previous audit reports, no useful purpose is to be served by further repetition, consequently it will not appear in future audit reports.

DIVISION OF ACCOUNTS

Cash Books: Two cash books are in use in this Division, one for receipts on account of certification of notes and the other for receipts on account of sales of supplies. Transactions in advance money are not recorded in any cash book.

Previous audit reports have recommended that the Comptroller's Bureau provide a columnar cash book in which all cash may be recorded. Such a cash book has been procured and is expected to soon be in operation.

DEPARTMENT OF EDUCATION GENERAL DEPARTMENT

Old Accounts Receivable: It was again noted that a number of old accounts are being carried on the books, some of which date back to 1936. It is recommended that all accounts over one year old be turned over to the Attorney General.

Bookkeeping Records: On June 3, 1946 the general ledger had been closed for June 30, 1945; entries had been made in it to March 31, 1946; the last financial report on file was for June 30, 1945 and no monthly financial reports had been prepared for the 1946 fiscal year. There was on June 3, 1946 approximately \$276.00 in income receipts in the safe in the office of the University Extension Division made up of 51 items some of which had been there for months, not yet turned over to the business office.

It is recommended that the Comptroller's Bureau be requested to review the entire bookkeeping routine from the inception of the receipts to the end that some arrangement be provided so that all income receipts will be paid over to the Business office daily and all bookkeeping records will be kept up to date.

Bond Coverage: Apparently the business agent's bond of \$5,000.00 was the only bond in effect on June 3, 1946—as several persons in the department handle funds it is suggested this matter be revised so that adequate bond coverage may be provided.

Division of University Extension—Cash on Hand, Not Deposited and Not Recorded: The previous audit report stated "Attention is called to the following.

Constitution—Art. LXIII, Sec. I, "All money received on account of the commonwealth from any source whatsoever shall be paid into the treasury thereof."

G. L. Ch. 30, Sec. 27. "Except as otherwise expressly provided, all fees or other money received on account of the commonwealth shall be paid daily into the treasury thereof, but if in the opinion of the commission on administration and finance and the state treasurer the interests of the commonwealth require, payments may be made weekly in accordance with such rules and regulations as the state treasurer may prescribe."

The previous audit report then noted that there were numerous cash items in the safe in the Division of University Extension on December 13, 1944 which had been on hand for some time, from the following sources:

1. Partial Payments
2. Receipts a/c sales of course material to schools
3. Receipts a/c correspondence courses for Armed Forces

On June 3, 1946 the date of the current audit substantially the same situation was found—a summary of the cash items in the office of the University Extension Division on that date follows:

Items	Classification	Checks	Money Orders	Currency	Money Order Postal Notes	Total
9	Correspond. Courses	\$29.45	\$39.50	—	\$5.00	\$73.95
26	Miscellaneous Items	16.35	—	144.37	—	160.72
7	Veterans' Supplies	—	—	15.68	6.47	22.15
1	Sale of Material	—	—	2.00	—	2.00
8	Class Registration	—	—	17.00	—	17.00
51		\$45.80	\$39.50	\$179.05	\$11.47	\$275.82

This is a considerable improvement over conditions reported in the last audit.

Division of University Extension—Checking of Income a/c Class Instruction: The previous audit report stated:

"Enrollment fees with the applications are received at the office of the Division of University Extension either in person or by mail. The greater number of the fees, however, are collected by the organizer or secretary at the opening sessions of each class. When a fee is received by mail, a post card acknowledgment which serves as a receipt is mailed. This post card serves as a ticket of admission to the opening class and is supposed to be exchanged for a serially numbered ticket at the opening meeting. No duplicate is retained in the office for checking purposes. When a fee is paid in person, a receipt is given from a serially numbered receipt book. The same type of receipt

book is used in giving receipts for office payments both for partial payments and payments in full. These receipt forms are supposed to be exchanged for a serially numbered ticket at the opening meeting of the class.

"The organizer or secretary attending the sessions of the class uses both serially numbered tickets and serially numbered stub books. An assignment of serially numbered tickets is made by a clerk in the division's office to the secretary or organizer, based on the expected attendance. The secretary is also furnished with a receipt book. If the attendance is greater at the opening meeting than was estimated, the supply of tickets is, of course, exhausted and the receipt book is used to record additional receipts. The payments thus made on receipt forms are recorded in duplicate, the student is instructed to return the receipt on a subsequent session of the class and receive a regular form serially numbered ticket.

"It will be noted from the foregoing that any receipt for which a ticket is not issued is only supposed to be occasioned by an emergency or a partial payment. All receipts given other than tickets are supposed to be redeemed for tickets at a later date."

At the date of the current audit substantially the same conditions were found, consequently, it is recommended that the routine be studied.

Division of University Extension—Sales of School Supplies and Books to State Institutions and Others (Correspondence): The previous audit report stated: "Correspondence courses are furnished to patients in state and county institutions without charge for the instructions but books, lesson material and postage are charged for. Instruction without charge in these cases is authorized by statute. Postage used is handled as sale of material, but books and lesson material sold are handled as "Correspondence Fees" and entered on the Correspondence Enrollment Lists, consequently these charges do not get to the business office until paid where they are included in the monthly postings from the cash book to the ledger account entitled "University Extension Enrollment Fees." It would seem that the sales of books and lesson material should be classified as sales and not as fees and be forwarded to the business office when the charge occurs. No action has been reported on the recommendation.

Division of University Extension—Text Books: As stated previously in this report, a test physical inventory was taken of the text books on June 3, 1946 and reconciled with the stock cards. It was again noted that there is no general ledger control account for the stock ledger of text books and it is again recommended that the Comptroller's Bureau be requested to provide such an account.

Vocational Rehabilitation Reimbursement: The previous audit report stated:

"The Division of Vocational Rehabilitation pays for tuition, supplies, transportation and maintenance when required for person or persons who are receiving vocational rehabilitation training and when the training is completed the trainees are furnished the necessary tools to enable them to carry on their occupation. The trainee as he is able, reimburses the Division for the cost of tools furnished him, but he is not required to reimburse the Division for the cost of his training. In the case history folder for the trainee there is a copy of the acknowledgment of the reimbursement which shows amount paid and amount remaining unpaid. Also a book is kept in which receipts from trainees are recorded in chronological order. It was again noted that there is no form of control account showing the total amount of money which these trainees owe the Division and no index is kept of the trainees who are reimbursing the Division for tools furnished, consequently there is no way of knowing when an audit is made whether all the accounts are included."

It is again recommended that some form of control be set up.

Endowment Funds: It was again noted that accounts with the principal of the individual endowment funds are not carried in the general ledger. There is however, a general ledger account which shows the total of all endowments.

Appropriation Deficiency: During this audit there appeared to be a need for additional funds in the Division of University Extension to meet obligations incurred during the 1946 fiscal year. In this connection, the following letter was written to the Budget Commissioner:

C O P Y

June 10, 1946

Mr. Charles W. Greenough
Budget Commissioner
State House, Boston, Mass.

Dear Sir:

It has come to my attention that the Personal Service Appropriation of the Division of University Extension will be insufficient to meet obligations already incurred for the current fiscal year.

In endeavoring to arrive at the reason for this condition, it appears that, at the time legislation was passed, authorizing the Division to provide free class and correspondence courses for veterans in as wide a range of subject matter as possible, it was stated that the cost of the free courses to veterans would be absorbed by the Division without additional funds. This statement did not contemplate the large number of veterans who would be enrolled in one or more courses, as well as other demands for services to veterans which would be made upon the Division.

Since September, 1945, over 5,000 veterans have availed themselves of approximately 7500 courses, including 1700 veterans who have taken Civil Service Preparation Courses. As nearly as can be estimated the cost to the Division of free courses to veterans is approximately \$6.00 per course per person. In addition to the above, the Division has furnished many thousands of copies of syllabi for use by the Veterans Regional Education Centers. The large amount of work involved in furnishing the syllabi has made it necessary to employ additional temporary help. Likewise the service being rendered by the Division in the evaluation of high school credits earned in school, in the armed services, through tests, and otherwise, has placed an additional burden on the Division. There are at present being processed 3,000 applications for High School Equivalency Certificates.

The fact apparently was overlooked in admitting veterans to classes free of charge that the cost of instruction would be substantially increased, as practically all of the instructors in the Division are paid on a sliding scale based on the number of students attending classes.

In order to meet obligations already incurred for the present fiscal year, it is requested that the sum of \$32,000 be made available for the current fiscal year and that a corresponding amount be included in the supplementary appropriation bill for the fiscal year 1947.

Respectfully yours,

JOHN J. DESMOND, JR.
Commissioner of Education.

Despite this letter there was no supplementary appropriation made to the Division of University Extension, however, Chapter 619 of the Acts of 1946 included the following amendment which apparently makes it possible for the Department of Education to meet this deficiency:

"Item 1301-61 of section two of chapter three hundred nine of the acts of the current year is hereby amended in the second line after the word "positions" by inserting the following words:— for the year nineteen hundred and forty-seven and the previous year."

TEACHERS' RETIREMENT BOARD

Deficiencies in the Annuity Reserve Fund: Paragraph 2 of Section 9 of Chapter 32 of the Tercentenary Edition of the General Laws, as amended by Section 14 of Chapter 508 of the Acts of 1939, provides:

"The commonwealth shall in each odd -numbered year contribute such amount as is necessary to make good any deficiency in the annuity fund for active or retired members as of the preceding thirty-first day of December."

Deficits in the annuity fund from December 31, 1938 to December 31, 1944, inclusive have been as follows:

December 31, 1938	. . . . .	\$45,321.68
December 31, 1939	. . . . .	43,125.07
December 31, 1940	. . . . .	86,474.74
December 31, 1941	. . . . .	98,505.56
December 31, 1942	. . . . .	148,566.45
December 31, 1943	. . . . .	100,355.16
December 31, 1944	. . . . .	146,253.24
		<hr/>
		\$668,601.90

Provisions for reimbursing the surplus account and the annuity fund have been made as follows:

Item 1305-5, Ch. 419, Acts of 1943	. . . . .	\$45,000.00
		43,446.75
Item 1305-5, Ch. 370, Acts of 1943	. . . . .	100,000.00
Item 1305-7, Ch. 572, Acts of 1943	. . . . .	33,568.29
Item 1305-5, Ch. 370, Acts of 1943	. . . . .	100,000.00
Item 1305-7, Ch. 572, Acts of 1943	. . . . .	99,978.46
Item 1305-7, Ch. 404, Acts of 1945	. . . . .	246,608.40
		<hr/>
		\$668,601.90

The deficit of \$168,999.28 for December 31, 1945 was transferred from the surplus account to the Annuity Reserve Fund.

DIVISION OF THE BLIND

Pay Roll Checks—Woolson House Industry: Pay roll checks used for this industry do not bear the printed name of the industry or the printed check number. It is suggested that the bank in which the pay roll funds are deposited be requested to furnish checks bearing the printed name of the industry and the printed check number.

Bond Coverage: It was noted that several employees handling state funds are not bonded. The director, who signs all pay roll checks, is bonded for \$5,000.00, but this is not the blanket type of bond. The Director of the Division of the Blind has taken this matter up with the Department's Business Agent but it has not been settled as yet. It is again suggested that the matter of bond coverage for employees handling cash be given further consideration.

Accounts Receivable—Overdue Accounts: It is recommended that all accounts overdue since June 30, 1945 and prior be turned over to the Attorney General for collection. A number of small accounts of Woolson House Industries, Salesroom, Pittsfield shop and Worcester shop are long overdue and should be included in the next list to be turned over to the Attorney General for collection.

Included in overdue accounts receivable are two amounts of \$1,536.00 and \$1,382.40 due from the United States Navy Department. The two amounts were billed on June 6, 1945 for the manufacture of pillow cases at Woolson House Industries. Copies of signed inspection reports, and evidence of shipping receipts and receipts of merchandise at inspection depots have been forwarded to the Navy Department, and it is believed that the bills will be paid.

Journal Entries Not Signed: It is suggested that all journal entries be approved and signed by the person with authority to do so.

Physical Inventories—Industries, Shops, Salesrooms: It is suggested that all physical inventories of raw materials, stock in process and finished goods taken at the industries, shops and salesroom be listed on standard inventory sheets, and be signed by the person in charge at each agency of the division where such inventories are taken.

Finished Goods—Stock Ledger Sheets: It was noted that only unit figures appear on the stock ledger sheets, cost figures not being entered on the sheets. It is suggested that cost figures be used on finished goods stock ledger sheets.

Finished Goods—Mop Handles: In addition to mop handles used in the manufacture of mops, many are sold separately. Handles are requisitioned from raw materials stock in round figures. It is again suggested that sales of mop handles be controlled through separate requisitions from raw materials.

Finished Goods Stock Ledger Control—Cambridge Industries: In several of the previous audit reports it has been stated:

"As of September 1, 1937, the Comptroller's Bureau set up a materials and supplies count in the general ledger of the department controlling the raw materials section of the stock books. There is no account, however, which controls the finished goods on hand. It is therefore again advised that an account be set up in the general ledger to control finished goods, as a stock ledger without a control is of little value."

As this condition has not been changed it is once again brought to the attention of those concerned.

A physical inventory of finished goods is taken at the end of each fiscal year. Unit balances as shown by the physical inventory are carried forward on stock sheets to the beginning of the new fiscal year. As there is no general ledger for finished goods, any differences between stock ledger figures and physical inventory figures are not adjusted.

Finished Goods—Stock Ledger Sheets—Over and Short: A physical inventory of finished goods was taken on April 5, 1946. A comparison of balances as shown by the physical inventory with balances as shown by the stock ledger on April 5, 1946 indicates shortages and overages as follows:

Items	Over	Short
Brooms No. 6	—	15 1/2 dozen
Brooms No. 7	—	2 1/2 "
Brooms No. 8	—	71 1/2 "
Brooms No. 9	—	2 6/12 "
Rattan Mixed Brooms Nos. 8 and 9	2 3/12 dozen	—
Toy Brooms	4	—
Mops Nos. 8, 10 and 12	—	2/12 "
Mops Nos. 16	—	4/12 "

A shortage of 71½ dozen No. 8 brooms is indicated by comparison of the physical inventory total and the stock book balance as of April 5, 1946. The sales value of 71½ dozen No. 8 brooms at \$12.00 is \$858.00.

On June 30, 1945, the physical inventory balance of No. 8 brooms indicated 177 dozen on hand and the stock ledger balance showed 269 11/12 dozen, a shortage of 92 11/12 dozen.

It is possible that errors in recording brooms manufactured, lack of adjustment records for damaged goods, and lack of other records necessary for proper control may account for part of the differences shown by comparisons of physical and book inventories.

It is apparent that a system of control of finished goods is badly needed. As stated previously in this report, a finished goods control account has been suggested for several years, as a raw materials account was set up in the general ledger as of September 1, 1937.

Federal Participation—General Administration: In accordance with the approved plan of federal participation in the expense of general administration, aid to the blind, one-half of 5% of the salaries of the personnel in the book-keeping department is reimbursed by the Federal Government. The same percentage is applied to the expense of rent and light. One-half of 50% of telephone expense is reimbursed. The salaries of other members of the personnel are reimbursed by the Federal Government on the basis of 50% of the following percentages:

Director	20%
Secretary to the Director	20%
Telephone Operator	50%
Senior Workers with Blind (6)	100%
Guides to Blind Workers (2)	100%
Junior Clerks and Stenographers (2)	100%
Junior Clerk and Typist	100%
Worker with the Blind	*

* Percentage varies according to time worked on Federal Aid. For months of January, February and March 1946 the percentage used for this worker varied from 5% to 15%.

Jean M. LeBrun Fund: The income from the investment of this fund for the audit period was \$75.00, and the total income balance on April 5, 1946 was \$380.49. Income of \$25.00 received April 1, 1946 by the State Treasurer was not recorded on the division records on April 5, 1946 as the bookkeeper had not been notified of the receipt of the income. The principal of this fund is invested in U. S. Treasury Bonds, 2½% of 10-1-55.

The income is for use in the higher education of blind students and may be administered by the director. Two disbursements totaling \$270.00 were made during the period of the audit.

Michael F. McCarthy—Division of the Blind—Pittsfield Shop Fund: The income received from a trust for the above named Fund totaled \$2,210.05 for the audit period. No expenditure was made during that period.

The Workshop for the Blind located at 36 Eagle Street, Pittsfield, Massachusetts, is one of the beneficiaries from a trust under the will of Michael F. McCarthy of Pittsfield.

A copy of the will and citations has been sent to the Attorney General for an opinion as to the intended beneficiary. It is the belief of the Director of the Division that it was the intent of the benefactor to have the income from the trust used for the benefit of the workers of the Pittsfield Workshop for the Blind. The wording of the will making the Pittsfield Workshop for the Blind a beneficiary would not appear to be in accordance with the intent of the benefactor.

Lowell Workshop for the Blind: A fire at the Lowell Workshop for the Blind on February 5, 1945 resulted in the closing of the shop for several months for proper repairs. A blind worker lost his life in the fire. The value of the merchandise destroyed in the fire was not obtainable.

Fall River Workshop for the Blind: While the audit was in process the office of the Fall River Workshop for the Blind was broken into and the safe was stolen from the premises. The date of the robbery was May 17, 1946, and State funds amounting to \$142.59 were stolen. The loss of \$142.59 included \$117.69 of advance money and \$24.90 of income cash.

Army and Navy Contracts: The Cambridge Industries for Men has completed its contracts with the War Department and Navy Department for the manufacture of brooms and mops. The Woolson House Industries for Women is manufacturing pillow cases under contracts with both the War and Navy Departments.

MASSACHUSETTS MARITIME ACADEMY

Fund in Possession of Superintendent: Examination of charges against the clothing deposits of cadets showed that there were charges aggregating \$166.00 made against individual accounts on the basis of the following memorandum from the Superintendent to the Paymaster:

"Memo to paymaster: 16 March, 1946

Will you charge every Midshipman's Account \$1.00, who was on the rolls as of evening of 6 February, 1946.

On account of damage to government property.

Superintendent"

In addition to the \$166.00 deducted on the accounts, there was an additional \$51.00 deducted representing the value of Naval Science equipment which certain cadets failed to return. A check for \$217.00, payable to the Superintendent, was recorded as a cash disbursement on April 12, 1946. Supporting this entry is a receipt on file in the Paymaster's office, copy of which follows:

"Mass. Maritime Academy,
Hyannis, Mass.

March 30, 1946

Charges to Midshipmen of the Mass. Maritime Academy.

To Government Property lost by Midshipmen . . .	\$51.00
" " " damaged by Midshipmen . . .	166.00

Total	\$217.00
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Received payment,
Superintendent"

This payment of \$217.00, made to the Superintendent, was discussed with him, and he stated that the money was not paid to the Federal Government but had been deposited in a local bank in his name, and that it was his intention to use the fund to replace damaged or destroyed Federal equipment. On June 25, 1946, there was a balance of \$771.50 in this fund, and this fund was not entered on the records of the Massachusetts Maritime Academy.

It was also noted that \$2.00 was deducted from the individual clothing deposit accounts of 75 students of the first and second classes in January, 1945. The cash disbursement entries showed the amount of \$150.00 with the following explanation:

"Superintendent, Repairs to Placque . . . \$150.00"

The Superintendent stated that this amount is also held in the same fund mentioned previously. It was understood that the original amount of \$150.00 was deducted from the students to pay for a damaged bronze placque. To date, however, only a temporary placque costing \$23.50 has been installed.

In both of these cases, the deductions which had been made from the cadets' accounts had been made on a purely arbitrary basis, and, apparently, no attempt was made to find the individuals who were directly responsible for the damage. Neither was there any evidence submitted to this office to indicate that the amount of damage done compared with the amount of money collected.

Although similar mass assessments are often levied by the Army and Navy on enlisted personnel, this office objects to the practice of arbitrarily assessing innocent and guilty alike for damages to State and Federal property; however, if the Superintendent feels that such tactics are necessary to maintain discipline at the Academy, it is still contrary to regulations to leave the funds so raised deposited in his own personal bank account, and not recorded in the financial records of the institution.

In the case of the Federal property at the Academy, it is true that the Superintendent is the custodian. Under normal procedure, however, charges against cadets for damages would be paid direct to the United States Government and then only as a result of a Report of Survey.

In the case of the damaged plaque, the full amount of the damage should be ascertained and only the students responsible for the damage should be charged.

It is recommended that the Commission on Administration and Finance review this fund and reimburse the students for any improper charges, and that the fund remaining should be recorded in the official records of the Massachusetts Maritime Academy.

Secretary's Office: During the period under examination \$2,235.30 representing collections from Officers' Mess were recorded as Refunds Previous Years or Refunds Current Year. This amount should have been recorded as Income Receipts. It is recommended that the Comptroller's Bureau instruct the personnel in the proper methods of recording receipts of this type.

The accounts in the general ledger which control the clothing accounts at Hyannis have not been posted since October 1943. It was noted in the previous audit report that the Paymaster stated this was due to pressure of work. This condition was discussed with the Superintendent of the Academy who stated that he had requested assistance from the Comptroller's Bureau to bring the records up to date, but no representative of that Bureau had been at the Academy for that purpose.

Pay Roll Advance Money: The reconciliation of this fund as of June 10, 1946 showed that the sum of \$473.68 had been paid to an officer employee of the Academy for services. These payments were made without authorization of the Division of Personnel. Approval to put this employee on the Academy pay roll as of March 21, 1946 was received subsequently to the audit period.

The propriety of paying an individual from state funds before approval of the Division of Personnel is received is questioned and it is recommended that the Commission on Administration and Finance review the use of this fund.

In many cases it is impossible to reconcile specific payments as recorded in the cash disbursements to the pay roll. Payments may be by check and/or cash, and in the month of May 1946 an excess of \$50.00 was withdrawn from the pay roll bank account. The pay master furnished salary advance vouchers for the month of June 1946 and stated that the \$50.00 drawn from the bank account in May 1946 had been used for these advances. Duplicate entries for the withdrawal of this \$50.00 were recorded in May and June 1946.

Clothing Accounts Deposits: The Academy has funds of the cadets on deposit in two bank accounts. One account, which has remained inactive since May 1942, shows outstanding checks in the amount of \$25.41. It is recommended that this amount be transferred to surplus.

It was also noted that the sum of \$50.00 was used to transfer anticipated state income to the State Treasurer. The propriety of using these funds for this purpose is questioned.

An examination of the detail accounts showed that there were overdrawn amounts aggregating \$50.55 in accounts of cadets who had either been separated from the school or had died. These accounts apply to separations from 1939 to 1945. It is recommended that these deficits be charged against surplus.

An adjustment of the control account to bring it into agreement with detail accounts in the amount of \$194.05 was charged against the surplus account on May 31, 1946.

Officers' Mess: Employees of the Academy with the rank of officer receive \$1.00 per day ration allowance in lieu of subsistence in kind. These officers, together with officers of the United States Navy assigned to the Academy may eat at the officers' mess. Charges for meals are based on the United States Navy ration allowance of \$.70 per day.

Beginning in May 1942, purchases of food for the officers' mess have been paid from the Maintenance Appropriation.

On May 1, 1942, the cash balance in the officers' mess account was \$167.12; the balance in this account on June 10, 1946 was \$712.31 an increase of \$545.19 during the period in which the purchases were paid from the Maintenance Appropriation. This balance should have reverted to the Commonwealth as Income.

Attention is called to Article LXIII, Section 1 of the Amendments to the Constitution for the Commonwealth of Massachusetts, which states:

"All money received on account of the commonwealth from any source whatsoever shall be paid into the treasury thereof."

Attention is also called to the fact that the employees of the Academy, who receive \$1.00 per day ration allowance only pay for meals on the basis of \$.70 per day.

It is recommended that the \$545.19 on hand June 10, 1946, which represents increases since May 1942 while purchases of food have been paid by the Commonwealth, be transferred to the State Treasurer as Income Receipts and it is further recommended that the rate of \$1.00 per day be established as the basis for the cost of meals eaten by employees of the Academy at the officers' mess.

Attention is also called to Section 27 of Chapter 30 of the Tercentenary Edition of the General Laws, relative to the transfer of moneys received for the Commonwealth to the State Treasurer.

Canteen Fund: During the period under examination receipts aggregating \$140.15 were recorded in this account as commissions from telephone pay stations.

Previous audit reports have commented upon the practice of crediting receipts from this source to the canteen fund instead of being turned over to the State Treasurer as Income.

Attention is called to Article LXIII, Section 1 of the Amendments to the Constitution for the Commonwealth of Massachusetts, which is quoted in the comments on the Officers' Mess Fund, and it is recommended that the amount of \$140.15 be turned into the State Treasurer and that all future collections from this source be transferred to the State Treasurer, at the time of receipt by the Academy.

STATE TEACHERS COLLEGE AT FRAMINGHAM

Income: It was noted that a semester charge of \$25.00 carried on the books since 1934 was charged off, authority of the office of the Attorney General. It was also noted that a petition by one Lynch against the Commonwealth and the college was dismissed by the Supreme Judicial Court and the Attorney General's office so notified the President of the College by letter dated September 18, 1944. Two attempts by the college to collect the \$75.00 due have met with no response. On March 23, 1945 the college referred this item to the Department of Education and suggested the Attorney General handle the collection.

Surety Bonds: Previous audits have called attention to absence of surety bonds on certain employees of State Teachers Colleges. It is understood the Business Agent of the Department of Education has this matter under consideration and that a general position bond may be worked out to cover the persons affected.

STATE TEACHERS COLLEGE AT LOWELL

Key Fund: The freshman class of the current year continued to pay a 35 cent deposit for a locker key. It is understood that this fund is gradually being eliminated due to the fact that as new lockers are installed, the students are furnishing their own lock and key. This practice was put in effect by the Department of Education and eventually all students will be required to furnish their own lock and key. Because of the existent war time conditions, this arrangement has been temporarily deferred.

Music Course: Students formerly paid fees to the instructor of the instrumental music course. The procedure has been changed as the instructor is now paid by the college. However, there is a charge for the use of the instruments amounting to \$5.00 for each semester or \$10.00 for the school year. The students hire the instruments from the instructor who gives the course. Those instruments which this instructor does not have available are rented from outside concerns. Such fees are paid directly to the instructor or the outside firms and the State does not handle this money. This account was not audited. The State is the owner of a few instruments, namely, a viola, cello, double bass, small orchestra drums, clarinet, auto harp, and 12 sets of bells.

Fees: The fees for regular and special students remain the same as per the catalogue except that graduates of the school pay \$5.00 a point for research work done outside the school. One student made a payment for this work during the year.

STATE TEACHERS COLLEGE AT SALEM

Accounts Receivable: Transcripts of records, sales and telephone pay station commissions do not appear in the accounts receivable ledger although they are reflected in the control account. Charges for semester fees are entered prematurely in the accounts receivable ledger making it necessary to rebate the charges. In this respect it was noted that the names of students who did not appear at the institution after registering a desire to attend were included in the charges for semester fees.

Trust Funds: Accounts should be opened up in the general ledger for each of the trust funds.

MASSACHUSETTS SCHOOL OF ART

Locker Key Fund: It is recommended that the records of this fund be entered in a suitable book to expedite the auditing of this account.

Art School Associates, Inc.: It is noted that the directors of this association have engaged the services of an outside accountant to audit its books.

MASSACHUSETTS STATE COLLEGE

Student Charges: Previous audit reports commented upon the fact that student charges were set up only when paid. This matter was again discussed with the college treasurer and the assistant treasurer. Students are now billed from a student list received from the Dean's Office, but student charges are still set up on the books only when payments are made. It is again suggested that a control record be established for student charges.

Registration Receipt Forms: It is recommended that all registration receipt forms be used in sequence of the printed serial numbers.

Accounts Receivable Charged Off: Accounts receivable totaling \$29.40 were charged off by authorization of the Attorney General in a letter dated March 15, 1945. The individual accounts making up this total were entered in red ink in the sales register in March 1945, thereby reducing the total charges for that month by \$29.40.

It is recommended that all charge-offs or cancellations of accounts receivable be recorded through journal entry.

Lease of Bull: It was noted that the lease of an Ayrshire bull, No. 65790, had expired on July 15, 1945. The records did not indicate that this animal had been returned to the farm upon expiration of the lease, and he was apparently with the lessee on October 1, 1945. Permission to lease the bull for one year from July 15, 1944 was given by the State Purchasing Agent in a letter dated June 13, 1944, but no authorization for extension of the lease was found in the records. It is understood that the lessee has been contacted since the start of this audit, and it is his intention to pay the fee of \$60.00 for an additional year's lease to expire July 15, 1946. It is suggested that permission for this lease be obtained from the State Purchasing Agent.

College Production: Beginning in 1940 the budgetary classification "Farm" was changed to "Productive Enterprises" and included the following departments:

Dairy
Farm
Floriculture
Mount Toby
Pomology
Poultry Husbandry

The college general ledger now includes the following accounts relating to the farm activities:

Farm Production
Farm Storage
Farm Products Used
Clearing Account Prior
Farm Storage

These accounts show only transactions which come within the supervision of the Farm Department. If the titles of these accounts were changed, and the word "Farm" in each of the four accounts be replaced with the word "College" the production and disposition of all the college departments could be recorded on the financial records of the college treasurer and these accounts could reflect the entire production of all the college departments.

At the time of previous audits this matter was brought to the attention of the college treasurer and it was suggested to the treasurer that the college departments might be provided with the subsidiary forms now in use at the Farm Department so that the monthly production reports which are submitted to the treasurer's office could be verified to a record of original entry.

It is again recommended that the college refer this matter to the Comptroller's Bureau and with the co-operation of the Bureau install the necessary records or original entry and a complete centralized control of all college production and disposition.

Dairy—Processing of Milk—Records: Under the present system of dairy production records, it is not possible to check processing procedure. It is again recommended that the Comptroller's Bureau be contacted relative to the installation of complete processing records.

Interdepartmental Transfers of Local Produce: The following paragraphs are taken from a memorandum issued to department heads by the Treasurer of the College.

"I. Interdepartmental Transfers.

The following will be the procedure for handling interdepartmental transfers:

a. Local Produce.

Goods produced by the various departments of the College as a result of their education and research programs and including such items as apples, milk, flowers, poultry products, etc., may be transferred from the producing department to another department of the College where they may be needed in connection with the educational and research program without a cash transfer on the books. The transfer of goods should be on the basis of a memorandum from the department needing the goods to the issuing department. No credits or charges will be entered upon the treasurer's books."

Memoranda of transfer of local produce were not available for use by the auditors. It is suggested that such memoranda be used as the basis of transfers and that they be kept on file for audit purposes.

Boarding Hall: A previous audit report commented in detail upon the payment of an invoice which covered a payment for merchandise which had never been received by the Boarding Hall. The previous audit report stated:

"The seriousness of passing invoices for payment by the State Treasurer for merchandise never received by the Commonwealth is self-evident. It is, therefore, recommended that the Commission on Administration and Finance review all the elements of these two invoices and have the amounts expended reimbursed to the Commonwealth from the responsible employees."

This matter was again discussed with the college treasurer who stated that no reimbursement had been made to the college and attention is again called to the recommendation in that previous audit report.

Boarding Hall—Material and Supplies Stock Book: A physical inventory was taken of several items in the storeroom of the Boarding Hall and the count was compared to balances totaling \$3,673.67 appearing in the stock book accounts. The total value of the test inventory taken amounted to \$3,681.86. Overages totaled \$14.58 and shortages amounted to \$6.39.

It was also noted that no adjusting entries covering the differences between physical inventory values and stock book values, appear in the general ledger control account from October 1, 1944 to September 30, 1945. For better accountability, adjustments of these records should be made currently, and should be recorded as separate journal entries.

Differences recorded in the stock ledger accounts during the period covered by the audit totaled \$368.62, of which \$259.78 were shortages and \$108.84 were overages. Included in the total shortages was spoilage and shrinkages of \$41.15 of which \$40.24 represented spoilage of 1,006 pounds of cabbage. Other differences were due to clerical errors and changes in prices.

Boarding Hall—Accounts Receivable Ledger: A list of accounts receivable was taken from the ledger which is kept in the office of the Boarding Hall; the total of the accounts listed amounted to \$8,824.10. The balances were as of October 1, 1945, but were not listed until October 26, 1945, when posting to the ledger was completed. It is understood that the dining hall was opened on September 24, 1945. The basis for entries made in the so-called accounts receivable ledger is a daily list received from the Treasurer's office. This list gives the names of the students and the amounts paid by each for board. In most cases the amounts of the charge is entered when the amount of the payment is entered. No control account is kept in the general ledger for Boarding Hall accounts receivable, and it is apparent that this accounts receivable ledger has no value as an accounting record.

It is recommended that the Comptroller's Bureau be contacted relative to installation of a control account in the general ledger for Boarding Hall accounts receivable.

Meal Tickets: At present two types of tickets are still being used for board, one for a seven day week and one for a five day week. A third type of board on the basis of two meals a day is allowed. Charges at Butterfield Hall are based on a charge of \$7.50 per week and at Draper Hall on a charge of \$7.00 per week. It is impossible to check board through inventories of meal tickets now used. It is again suggested that at least three types of meal tickets be used, and if possible there should be three types of tickets for Butterfield Hall and three types of tickets for Draper Hall.

It was suggested in the previous audit report that further accounting supervision should be exercised over these inventories and stock records of the Boarding Hall by the treasurer's office of the College. Supervision of inventories and stock records should be continued.

Endowments: The previous audit report commented upon the following endowment funds.

Alvord Dairy Scholarship Fund: It was shown that the bequest under which this fund was established specified that the fund was bequeathed to:

"... The Massachusetts Agricultural College, Amherst, Massachusetts, provided that the present name and leading features of said college be not changed, to found a scholarship to be known as the Alvord Dairy Scholarship ..."

The name of the college was changed by Chapter 127 of the Acts of 1932 to the Massachusetts State College, and the question has been raised in previous audit reports as to whether the trustees are complying with the original bequest in continuing to retain this fund.

Nothing has been done during the current audit period to clarify this matter.

This condition was again discussed with the college treasurer who stated that he would bring it to the attention of the Board of Trustees.

Danforth Keyes Bangs Revolving Fund: This fund was established by the board of trustees by transferring \$5,000.00 from the Danforth Keyes Bangs Endowment Fund, which had been allowed to accumulate from the original bequest of \$6,000.00.

As the Danforth Keyes Bangs Fund was established by a bequest providing:

"... the income thereof to be used annually. . ."

It was recommended in previous audit reports that the Attorney General be requested to examine the establishing of the Danforth Keyes Bangs Revolving Loan Fund to determine if the fund could be properly set up under the terms of the bequest. As yet this matter has not been clarified.

Danforth Keyes Bangs Fund: Attention is also called to the fact that on October 1, 1945 there was accumulated income of \$2,042.90 in this fund consisting of cash and notes receivable. In accordance with the terms of the original bequest this income should be used annually and obviously this is not being done.

Disbursement of Endowment Income: In connection with checking the disbursements several items were noted which appear to be questionable charges against the various endowment funds.

While it is recognized that certain endowment funds, particularly the Burnham, Session and Wheeler Funds, are not restricted insofar as expenditures are concerned as distinctly as are some of the other funds, it is thought that certain expenditures made from them should have been more restricted.

Endowment Securities—Value at Which the Securities are Carried on the Books of the College: The previous audit report carried the following comment:

"Endowment securities are carried on the books, some at par value and others at cost. Securities should be carried on the books entirely at par value or entirely at cost. If carried at par, accounts "Premium on Bonds" and "Discount on Bonds" would be set up in the general ledger.

"It is recommended that consideration be given to setting up all securities on a consistent basis."

It was noted that all securities are now carried on the books of the College at cost, and this change made necessary a net reduction in the book values of securities of \$659.49.

Helen A. Whittier Fund Income: The bequest under which this fund was established specifies that only the income from the fund may be used for the purpose of establishing scholarships. The income from this fund was over-spent for the period covered by the audit as evidenced by a deficit income balance on October 1, 1945 of \$25.64.

Endowment Securities—Interest and Dividends in Arrears: Interest on \$2,400.00 Columbus-Venetian-Stevens 5 per cent First Mortgage Bonds—1955, is still in arrears. The records indicate that interest amounting to \$36.00 was received in May 1945 and \$60.00 was received in November 1945.

No dividends were received during the audit period on twelve certificates, Columbus-Venetian-Stevens Building, Inc.

Homestead: A previous audit report commented upon the method in use in the financing of the Home Management Practice House and the course given to the students who use the house. At that time it was recommended that the Commission on Administration and Finance require the College to maintain this course from funds appropriated by the Commonwealth and that all income collected by the College revert to the State Treasury in accordance with the provisions of Section 1 of Article LXIII of the amendments to the Constitution of the Commonwealth.

In this connection the following abstract from the minutes of a meeting of the Executive Committee of the Board of Trustees held November 17, 1943, and relating to the establishment of a revolving student trust fund to be known as the Homestead Association Fund, is shown:

"President Baker and Treasurer Hawley reported that the college desired to establish as a revolving student trust fund under the control of the College Treasurer the funds which the students have managed in the past as the Homstead Association Fund. This money is made up from deposits of women students living at the Homestead for the purpose of acquiring experience in the management of a household. From time to time, the auditor has questioned the handling of this fund outside the control of the College Treasurer, and the Administration has now worked out a plan with the Home Economics Department whereby this money can be handled in the same way as other student revolving funds and still permit the girls to have the experience of paying bills and handling the financial transactions of a household. After discussion, it was

Voted: To authorize the President and Treasurer to establish the Homestead Association Fund under the control of the College Treasurer as a revolving student trust fund."

Collection of Certain Delinquent Loan Funds: The previous audit report carried the following comment:

"It was again noted that, in certain instances, loans to students made from Loan Funds and which were several years overdue, had been collected by a collection agency to whom a commission was paid based on the accounts collected. This arrangement was questioned by the Department of the Attorney General under date of May 18, 1943 in the following letter:

C O P Y

DEPARTMENT OF THE ATTORNEY GENERAL
State House
Boston, Mass.

May 18, 1943

Mr. Robert D. Hawley, Treasurer
Massachusetts State College
Amherst, Massachusetts

Dear Mr. Hawley:

Thank you for your letter of May 17th furnishing us with information regarding the status of certain claims of the Massachusetts State College.

I doubt whether your Board of Trustees is authorized to write off these claims as uncollectible and to engage a commercial agency to attempt to collect the sum due your college.

I suggest that you request the Attorney General to render an opinion to you in regard to this matter and that you notify the agency to discontinue its attempts to collect these claims pending your receipt of this opinion from this office.

Yours very truly,

ROBERT T. BUSHNELL,
Attorney General

s/W. FORBES ROBERTSON
Director of Accounts

As a result of the foregoing letter, the following action has been taken by the Board of Trustees as is evidenced by this excerpt from the minutes of their meeting of June 23, 1943:
From Minutes of Meeting of Trustee Executive Committee and Finance Committee June 23, 1943, Parker House, Boston.

The Committee considered the matter referred to it by the full Board pertaining to collection of delinquent student loan fund accounts. Question was raised by the Director of Accounts of the Attorney General's Department as to authority of the Trustees to write off delinquent accounts and to attempt collection of such accounts through a commercial agency. This matter was described in a letter to the Executive Committee dated June 1, 1943. Following discussion, it was

Voted: By the Executive Committee to approve the recommendation of the Treasurer in his letter of June 1 (this letter is made a part of the minutes) and to authorize him to write to the Director of Accounts of the Attorney General's Department conveying this action of the Committee.

June 1, 1943

Executive Committee
Board of Trustees

Gentlemen:

At the meeting of the Board of Trustees held in Amherst on May 22nd, the Treasurer read a letter from Mr. W. Forbes Robertson, Director of Accounts in the Department of the Attorney General, of which copy is attached hereto. Since there was insufficient time for the consideration of the matter at the Board meeting, it was referred to the Executive Committee with power.

The practice of writing off delinquent Trust Fund accounts by the authority of the Board of Trustees is one of long standing and I believe this is the first time it has been called into question. The accounts to which Mr. Robertson refers were written off upon the authority of action of the Finance Committee at its meeting on January 26, 1943.

The accounts in question are all more than ten years old and all but two of them were referred to the Attorney General for collection May 1, 1940. He secured a collection of \$100.00 on one note in September, 1941, but we have had no report from him since then.

These accounts were referred to the American Credit Bureau for collection in March, 1943, by authority of an action of the Board of Trustees on January 23, 1941 "that the Treasurer be requested to collect delinquent loan accounts of Trust Funds in such manner as appear to him advisable."

I had opportunity to discuss this matter with Mr. Bartlett on May 25, and it was his opinion that the Executive Committee would authorize me to reply to Mr. Robertson's letter indicating that the Trustees have felt that they had full power under Section 7 of Chapter 75 of the General Laws to administer these Trust Fund accounts, that for a great many years they have acted from time to time to write off uncollectible accounts. In accordance with their belief that full authority is invested in the Board, they have entered into a contract with a Commercial Collection Agency for the collection of these ten accounts which have run more than ten years and they do not feel that they can abrogate this contract unless they are specifically advised by a formal opinion of the Attorney General that they lack the necessary authority.

Since no early meeting of the Executive Committee is planned, I am referring this matter to members of the Committee by mail with the request that they indicate to me by return mail whether or not they approve the action indicated above.

Very truly yours,

s/R. D. HAWLEY
Treasurer

According to the records of the College, eight notes with unpaid balances totaling \$560.45 and dated back in 1930, 1932 and 1933 are still in the hands of the American Credit Bureau for collection. No collections by this company appeared in the records for the period covered by the audit.

A copy of a letter to the Attorney General dated February 6, 1945, forwarding a list of accounts for collection included the note balances totaling \$560.45. The accounts included in this total had been previously canceled by the Board of Trustees of the College in January 1943, just prior to turning them over to the American Credit Bureau for collection in March 1943. The \$560.45 was not included in the Notes Receivable control account balance in the general ledger as of October 1, 1945.

As these accounts have been returned to the Attorney General for collection it is believed that the total of the accounts, \$560.45, should be included in the control account balance.

Notes Receivable: The balance shown in the control account on October 1, 1945 was \$1,573.34. Of this amount \$726.04 was in the office of the Attorney General for collection. All accounts are overdue, several belonging to former students who are still in the armed forces.

In some instances the principal has been paid in entirety but interest is still unpaid. An attempt is still being made to collect interest due.

Although notes receivable of record up to October 1, 1945 bore endorsements, it is understood that loans up to \$100.00 are being made to veterans with no endorsements being required.

Interest Due on Notes Receivable: It is recommended that interest on all overdue notes be added monthly so that interest due may be a matter of current record.

Promissory Note Included in Cash Balance: The balance of a note dated September 29, 1939, \$24.75, is included in the cash balance October 1, 1945 as a voucher in lieu of cash. The note was for three months and of the original \$134.00, \$109.25 has been paid, the last payment being received on February 13, 1940. The note was given by a former student to obtain funds for her board. The balance of \$24.75 was included in the list of accounts forwarded to the Attorney General for collection on February 6, 1945.

It is suggested that a separate appropriation be requested of the legislature in order to obtain funds to liquidate this unpaid balance of the note, \$24.75, which is being carried along as a part of the cash balance.

College Store: The activities of the college store are divided into three classifications:

Text Books
Supplies
Luncheonette

The Text Book section represents the transactions in the purchase and sale of text books to students.

The Supplies section represents the purchase and sale of candy, tobacco, notions, etc., to students.

The Luncheonette section represents the transactions in the purchases and sales of sandwiches and an ice cream bar.

Because the accounting system is not designed for the ready verification of sales through inventories, conversion of selling prices was not attempted and inventories were not taken.

The installation of a so-called "Retail Value" system of accounts so that the sales could be readily checked and verified through inventories was discussed with the college officials. It is again recommended that the Comptroller's Bureau be requested by the College authorities to install a retail value system of accounting in the Text Books section and the Supplies section of the College Store.

A net profit of \$1,124.35 is shown for the Fiscal Year ended June 30, 1945.

Net Profit Before Depreciation and Breakage		\$1,895.33
Depreciation	\$760.85	
Breakage	10.13	770.98

Net Profit for Fiscal Year Ended June 30, 1945 . . . \$1,124.35

The Sales for the year ended June 30, 1945 show a decrease of \$436.33 from the sales of the previous year, and expenses for the year ended June 30, 1945 decreased \$1,681.15 over the previous year.

Inter-Collegiate Athletics Reserve Fund: The previous report carried the following comment:

"For the purpose of setting up this Reserve Fund, \$10,000.00 was transferred from the Amherst National Bank to the following Savings Banks:

Amherst Savings Bank \$4,000.00, Ware Savings Banks \$2,000.00, Easthampton Savings Bank \$2,000.00, and Mechanics Savings Bank of Holyoke \$2,000.00. The following is a copy of authorization from the Treasurer to make the transfer:

Memorandum

From: E. S. Carpenter

Dated April 14, 1944

To: R. D. Hawley

Copy to Curry Hicks

At the Joint Committee Meeting on Inter-Collegiate Athletics held on April 4, 1944, it was moved and voted that the College Treasurer be authorized to set up a reserve fund of \$10,000.00, same to be deposited in Savings Banks or the savings department of commercial banks. This reserve fund to be used only upon authorization of the Joint Committee.

(s) Earle S. Carpenter
Secretary"

Verification Statements were received from the four savings banks to which the \$10,000.00 Inter-Collegiate Athletics Reserve Fund was transferred. The statements indicated that interest totaling \$250.03 had been added to the four balances. The interest had not been entered on the College records up to October 1, 1945. The amounts of the interest and depositories are as follows:

Amherst Savings Bank	\$100.63
Ware Savings Bank	53.75
Easthampton Savings Bank	50.40
Mechanics Savings Bank of Holyoke	45.25
	\$250.03

Contract with United States Army Air Corps: The report to the Trustees of the College relative to the termination and financial settlement of the contract is as follows:

December 4, 1944

MASSACHUSETTS STATE COLLEGE

Report to Trustees on Termination of Army Air Forces Training Contract

The contract between the Army Air Forces and the College for the pre-flight training of cadets extended through the period March 1, 1943 to May 18, 1944. Since the completion of the training program, there has been a complete audit of college accounts with reference to this contract by Army Auditors and negotiations between the College and the Contract Office of the Army Air Forces concerning final settlement. The Comptroller's Bureau of the Commonwealth has been represented at negotiation conferences at the College and has been kept informed of all proceedings in this matter.

We are now ready to make a final settlement of this Contract having agreed between the Army Contract Office and the College upon the terms of such settlement. The form for terminating our Contract, as set up by the Army, is by the execution of a Supplemental Agreement to the original Contract

which sets forth the terms of the final financial settlement and otherwise provides for the termination of the Agreement. This form was referred to Mr. Roger Clapp, Assistant Attorney General of the Commonwealth, for his opinion as to form and he has replied that he will approve it as to form when it is executed.

Financial Settlement

This was a cost contract which intended to provide that the College would neither gain nor lose financially through its operation. In the beginning, an estimate was made of costs under the various articles of the contract and allowances set up which were paid to the College monthly during the operation of the program. Final audit of our accounts indicates that these allowances provided payments in excess of costs under two of the articles; namely, Instruction and Subsistence, and were inadequate to meet costs in three of the articles. However, the total overpayment is greater than the total underpayment, after all adjustments are made, by the amount of \$32,487.82. Therefore, this amount is due the Army Air Forces as a refund—the detail of these figures is shown in the tabulation below.

A.A.F. CONTRACT NO. W2620 AC — 97
FINAL TERMINATION SETTLEMENT

	Payments	Ledger Cost Account	Adjustment	Adjusted Cost	Net Amounts Due College	A.A.F.
Art. 1—Activating .	\$23,048.09	\$23,048.09	—	\$23,048.09	—	—
Art. 2—Use of Facilities . . .	62,813.85	67,298.93	—	67,298.93	\$4,485.08	—
Art. 3—Instruction .	278,344.44	273,794.66	(\$31,837.08)	241,957.58	—	\$36,386.86
Art. 4—Medical Service	33,355.35	37,002.84	(2,438.00)	34,564.84	1,209.49	—
Art. 5—Subsistence	278,888.36	279,886.82	(16,102.09)	263,784.73	—	15,103.63
Art. 6—Maintenance and Operation .	100,030.42	125,605.58	(12,267.06)	113,338.52	13,308.10	—
	\$776,480.51	\$806,636.92	(\$62,644.23)	\$743,992.69	\$19,002.67	\$51,490.49
					\$19,002.67	19,002.67
						\$32,487.82

December 4, 1944

MASSACHUSETTS STATE COLLEGE
AUDIT ADJUSTMENTS ARMY CONTRACT ACCOUNT

	Additions	Deductions	Net
Article I—Activating—None			
Article II—Use of Facilities—None			
Article III—Instruction:			(\$31,837.09)
1 Vacation Salary Accruals		\$22,376.91	
2 Eliminate Administrative Salaries		4,230.04	
3 Salary Charges Claimed Not Applicable		4,272.36	
4 Elimination of Laundry Charge for Towels Covered by Athletic Fee, Art. VI		2,311.97	
5 Towel Purchase—Art. VI		588.85	
6 Library Fee, Not Charged	\$1,233.86		
7 Eliminate Textbook Handling Charge		694.92	
8 Telephone and Other Charges Claimed to be in Administration 3% L.		1,224.11	
9 Administration Fee Not Charged	3,594.21		
10 Small Miscellaneous Adjustments		966.00	
	\$4,828.07	\$36,665.16	

Article IV—Medical Service:

(\$2,438.000)

1	Pro Rate Civilian Costs		\$1,104.77
2	Transfer of Maintenance Building to Art. VI— Amount Reduced to \$1,539.15 to Eliminate Duplication of Janitor's Salaries		3,877.26
3	Transfer of Raw Food Costs from Art. V	\$3,544.31	
4	Kitchen Wages Transferred to Art. V		2,109.40
5	Depreciation and Administration Not Charged	906.91	
6	Small Miscellaneous Adjustments	202.21	
		<u>\$4,653.43</u>	<u>\$7,091.43</u>

Article V—Subsistence:

(\$16,102.09)

1	Duplication of Activating Expenses		\$2,944.52
2	Infirmiry Kitchen Wages Trans.	\$2,109.40	
3	Capital Items Charged as Supplies		1,423.01
4	Civilian Student Charges		1,574.60
5	Loss on Potato Inventory		539.50
6	Adjustment on Meal Charged Employees	2,143.02	
7	Utilities Charged Under Art. VI		10,294.26
8	Transfer of Raw Food to Art. V		3,544.31
9	Reduction of Depreciation Charge		1,143.84
10	Difference in Auditor's Base Figure	1,399.15	
11	Small Miscellaneous Adjustments		289.62
		<u>\$5,651.57</u>	<u>\$21,753.66</u>

Article VI—Maintenance and Operation:

(\$12,267.06)

1	Eliminate Grounds Wages and Fraternity Main- tenance Wages		\$1,427.63
2	Supplies for Grounds, Fraternities		5,808.57
3	Administrative Expense Covered by 3% Allowance		2,795.81
4	Items Charged Elsewhere (Activating)		921.88
5	Inventory Adjustments and Accruals		929.80
6	Capital Items Charged		4,684.71

Article VI—Maintenance and Operation (Continued):

7	Administrative Allowance Not Charged	\$1,426.26	
8	Infirmiry Maintenance	2,419.35	
9	Other Small Adjustments	455.73	
9	Other Small Adjustments	455.73	
		<u>\$4,301.34</u>	<u>\$16,568.40</u>

Army Contracts W-19-073 AST (SC 1)-37 and W-19-073 AST (SC 1)-44: Terminations and final settlements of these contracts are indicated in the following letters:

C O P Y

ARMY SERVICE FORCES
Headquarters First Service Command
Boston 15, Mass.

HLS/an

SPBTK 161

Mr. Robert D. Hawley, Treasurer,
Massachusetts State College
Amherst, Massachusetts

Dear Mr. Hawley:

Enclosed for signature by the appropriate officials of Massachusetts State College are eleven (11) copies of Supplemental Agreement No. 2 to AST Contract No. W-19-073 AST (SC 1)-37, and eleven (11) copies of Supplemental Agreement No. 1 to AST Contract No. W-19-073 AST (SC 1)-44. These constitute the Termination Agreements under both Contracts.

The figure for Dental Aid-Temporary in Exhibit III of the Audit has been corrected to read \$498.03 instead of \$398.03. This additional amount of \$100.00 in favor of the College has been apportioned under Article 4 of both Supplements by adding \$86.30 and \$13.70 under Medical Expense to Contracts No. W-19-073 AST (SC 1)-37 and No. W-19-073 AST (SC 1)-44 respectively.

This revision indicates a net balance owing to the Government of \$4,474.25, as summarized below:

CONTRACT W-19-073 AST (SC 1)-37

Article	Payments	Costs	Allowances Over Costs
II Use of Facilities	\$ 6,715.35	\$ 6,800.60	(\$85.25)
IV Medical Service	7,218.29	9,446.04	(2,227.75)
V Subsistence	73,115.85	66,757.72	6,358.13
VI Maintenance and Operation	8,142.03	7,641.42	500.61
	<u>\$95,191.52</u>	<u>\$90,645.78</u>	<u>\$4,545.74</u>

CONTRACT W-19-073 AST (SC 1)-44

Article	Payments	Costs	Allowances Over Costs
II Use of Facilities	\$ 1,041.33	\$ 1,340.53	\$(299.20)
IV Medical Service	1,100.00	1,499.54	(399.54)
V Subsistence	11,853.05	10,822.44	1,030.61
VI Maintenance and Operation	1,094.13	1,497.49	(403.36)
	<u>\$15,088.51</u>	<u>\$15,160.00</u>	<u>(\$71.49)</u>

After these agreements have been signed will you please return all copies to this Headquarters for signature by the Contracting Officer for the Government. A completed copy will then be returned to you for your files.

Yours very truly,

MORTON SMITH,
Colonel, General Staff Corps
Director, AST Division.

H. L. Shuster,
1st Lt. QMC.

2 incls.

Supp. to Cont. 37 (11 copies)
Supp. to Cont. 34 (11 copies)

C O P Y

THE COMMONWEALTH OF MASSACHUSETTS
Council Chamber
State House, Boston

July 12, 1945.

Hugh P. Baker, President
Massachusetts State College
Amherst, Massachusetts

Dear Sir:

At a meeting of the Governor and Council held Wednesday, July 11, 1945, it was voted to approve the following Supplemental Agreements:

- Supplemental Agreement No. 1 to Contract No. W-19-073 AST (SC-1)-44.
- Supplemental Agreement No. 2 to Contract No. W-19-073 AST (SC-1)-37.

It is understood that the above Supplemental Agreements refer to termination of the two contracts which covered training program from July 5, 1944 to April 28, 1945 and involve a refund of \$4,474.25. Eleven copies of each Supplemental Agreement are enclosed herewith.

Very truly yours,

JOHN H. LOUDEN,
Executive Secretary.

Copy to Francis X. Lang, Comptroller.

Army Contract No. W-19-073, AST (SC-1)-48 Cycle No. 2: This contract covers Army Special Training and will continue through January 1946. Charges for the months of August and September were not entered on the records of the College on October 1, 1945, as no billing was made on this contract until November 1945. The charges for the months of August, September and October 1945 totaled \$20,220.70.

Army Contract No. W-19-073-AST (SC-1)-49 Cycle No. 3: A second contract, also for Army Special Training, will continue through June 1946, unless terminated before that time. Charges for the month of September 1945 were not entered on the College records on October 1, 1945, but are included in a billing totaling \$32,154.81 made in November and covering charges for September and October 1945.

BRADFORD DURFEE TEXTILE SCHOOL

Trust Funds: Section 43 of Chapter 74 of the Tercentenary Edition of the General Laws, reads:

"The board of trustees of each said schools shall be a corporation for the purpose of taking by gift, bequest or devise any real or personal property."

As has been stated in previous audit reports, the Board of Trustees voted on November 4, 1932, to transfer the management of all trust funds entrusted to its care to the B. M. C. Durfee Trust Company.

The agreement in effect allows the trust company to retain the custody of the securities, collect and distribute the income, subject, however, to the direction and vote of the trustees.

For these services a nominal charge is made by the trust company and the question is again raised as to whether this expense was contemplated by the several donors of the trust funds.

Bookkeeping: Previous audit reports have stated that only the accounts relating to the regular state funds, including students' deposits, were carried in the general ledger and advised that at least controlling accounts be set up in the general ledger for other classifications of accounts.

In this connection it was noted that the Board of Trustees voted on April 18, 1944 to set up controlling accounts in the general ledger for the trust funds. This vote, apparently, did not cover the Athletic Fund and Key Deposits as controlling accounts for these two funds have not been set up.

On April 21, 1944, the following journal entry was made to bring the trust funds on the general ledger:

Cash—Trust Funds	\$2,451.06	
Endowment Securities	26,615.76	
E. P. Charlton Jr. Scholarship Fund		\$19,178.58
Frank S. Stevens Scholarship Fund		6,425.98
Students' Aid Fund		1,285.20
Income on Endowment Securities		2,177.06
	<hr/>	<hr/>
	\$29,066.82	\$29,066.82

The figures for the above entry were furnished by the Trust Company and are as of March 31, 1941.

Apparently, the bookkeeping method employed by the Trust Company in recording trust funds is not the same as the method established by the Comptroller's Bureau for the various state departments and institutions. For instance, the Trust Company did not make any distinction between principal and accumulated income at the time it took over the funds on November 4, 1932, but it classified all securities and cash received as principal.

For this reason the cash balance, the securities and income on hand, as carried on the books, are incorrectly stated. In other words, this entry prepared by the Trust Company does not set up the actual cash, principal and accumulated income on hand.

It is to be noted, also, that the securities are carried on the books at market value instead of par value and there is no account in the general ledger showing the par value. For instance, the \$25,604.56, (\$19,178.58 and \$6,425.98) on account of the Charlton and Stevens Fund securities, shown in the foregoing entry, is made up of securities belonging to the principal account, cash belonging to the income on securities account, and partly because the securities are carried on the books at market value.

As the donors of the two scholarship funds specifically stated in their bequests that the income must be spent for scholarships it is necessary, therefore, that the income be segregated.

It is again recommended that the figures be corrected to conform to the established bookkeeping practice of the state.

LOWELL TEXTILE INSTITUTE

Lowell Textile Associates, Inc.: This entity maintains the book store at the Institute.

Up to July 9, 1945, the following items have been transferred from the Co-operative Store accounts to a Special Fund:

Transfers to Special Fund

Transfer of securities (book value), June 12, 1935 . . .	\$10,029.50
Notes receivable, June 12, 1935	1,117.73
Transfer for purchase of securities, June 12, 1935 . . .	1,200.00
Transfer of cash, May 17, 1937	2,000.00
Transfer of cash, November 19, 1938	1,050.00
Transfer of cash, June 18, 1940	1,000.00
	<hr/>
	\$16,397.23

United States National Defense Training: The United States Department of Education has provided four courses known as "Engineering Science in Management of War Training."

The funds so received are endorsed by the President of the Institute and Commissioner of Education and then deposited with the State Treasurer. The bills are vouched at the Institute, signed by the President, sent to the Commissioner of Education for approval, and then sent to the State Treasurer to be paid.

This training was terminated as of June 30, 1945, the account is still open as there are some outstanding accounts.

Athletic Fund: At the meeting of the Board of Trustees in January 1945, it was voted to reinstate athletic activities at this school and the fee for the remainder of the school term was fixed at \$5.00.

Navy Defense Training: The Institute and the Polaroid Corporation had entered into an agreement for the training of Navy Personnel in elements of radio.

Certain staff members of the Institute were giving this course augmented by instructors who were employed expressly for this purpose.

The contract with the Polaroid Corporation was terminated in May 1944.

The balance of \$20,109.02, which remained in the fund, was turned over to the Institute during the audit period as payment for miscellaneous sundries and was in turn remitted to the State Treasurer as income.

Unpaid Accounts: Under date of January 11, 1945, the Institute received from the Attorney-General's office authority to cancel and charge off as uncollectible accounts receivable in the amount of \$531.81. Of this amount, \$510.63 was for day students' tuition and \$21.18 for evening students' deposits.

DEPARTMENT OF PUBLIC WORKS GENERAL DEPARTMENT

Financial Records in General: At date of audit, November 5, 1945, two separate sets of financial records (including the cash) were being kept; one for the Division of Waterways established within the Department of Public Works by Chapter 407 of the Acts of 1938, and the other relating to the activities of the Highways Division. Separate monthly financial reports are also prepared.

Salary Advances to Employees: It was noted that on February 1, 1946, yellow slips totaling \$5,156.53 for 17 employees had been approved by the Department of Public Works and had been cashed at the State Treasurer's Office before the employment of these employees was authorized. This practice is contrary to state regulations and should be immediately discontinued.

HIGHWAYS DIVISION

Highways—Revision of Accounting System: Item 2940-01 of Chapter 419 of the Acts of 1941 provides as follows:

"For expenses incidental to the revision of the accounting systems in the department of public works and the metropolitan district commission, under the direction of the commission on administration and finance \$25,000.00."

The work of revising these two accounting systems was turned over to the Public Administration Service of Chicago, Illinois, by the Commission on Administration and Finance. The following is an analysis of expenditures under this appropriation to November 5, 1945:

Recapitulation of Expenditures

Personal Services	\$27,824.00	90.8%
Traveling Expenses	1,302.75	4.3%
Rental of Machines	904.11	2.9%
Cost of Accounting Manuals	600.00	2.0%
	<hr/>	
	\$30,630.86	100.0%

It will be noted from this recapitulation that the amount expended exceeds the original appropriation by \$5,630.86. This deficiency was provided for by intra-fund transfers from the War Emergency Fund. Of the total money involved, the Public Administration Service received \$29,726.75.

Attention is directed to a letter dated November 12, 1941, from the Public Administration Service to the Chairman of the Commission on Administration and Finance with reference to the work to be done under this appropriation, which in referring to the scope of the work states as follows:

"Public Administration Service will undertake the following project relative to public works expenditure accounting in the Department of Public Works and in the Metropolitan District Commission. . . ."

It will be noted from the foregoing that the Public Administration Service undertook to revise the accounting system of both the Department of Public Works and the Metropolitan District Commission. As of the date of this audit, although the appropriation has been entirely expended, no work has been done by the Public Administration Service at the Metropolitan District Commission.

As to the completion date, the same letter reads as follows:

"... We estimate that the installation could be completed by August 1, 1942. . . ."

So far as completion of the work by August 1, 1942, is concerned, attention is directed to the fact that no work has been done at the Metropolitan District Commission, and with regard to the Department of Public Works, on the date of this audit it appears that a satisfactory operating business machine system has not yet reached the stage of completion. For example, in the matter of inventory control, on November 15, 1945, test inventories were taken at store No. 1 and store No. 2 totaling 361 items. Immediately following, the Business Agent's office was requested to submit necessary records for comparative purposes, but it was not until December 20, 1945, that they were able to produce these records. In 115 of the 361 items the balances as shown by the control record failed to agree with the physical count, (see Schedules VII and VIII appended herewith).

Finally, as to the cost of the work, the letter states:

"... We estimate that the services specified in this proposal (including services rendered beginning October 27, 1941) can be rendered for a total cost not to exceed \$23,200. . . ."

With relation to the cost of the work performed by the Public Administration Service, it will be noted that they have already received \$6,526.75 more than the original amount agreed upon and 50% of their work has not yet been started.

It will be noted that the original appropriation provides that this work be done under the direction of the Commission on Administration and Finance. It is recommended, therefore, that the Commission on Administration and Finance call upon the Public Administration Service to fulfill the terms of their agreement and at no further cost to the Commonwealth —

bring the accounting system of the Department of Public Works to an efficient basis and —
proceed with the installation of a bookkeeping system at the Metropolitan District Commission.

Highways—Advance Money: Previous audit reports have noted that a total of \$52.20 advanced to former employees of the department had not been returned. In addition to this sum there was also an unpaid account in the amount of \$6.00 for an advance to a former employee of the maintenance shop.

In the Highways appropriations, Item 2900-02 of Chapter 404 of the Acts of 1945, provision has been made for a loss of advance money amounting to \$58.20. It was also noted that as of November 5, 1945, there was a balance due from J.L.M., a former temporary employee, of \$50.00. This account was referred to the Attorney General for collection on July 18, 1945.

It is suggested that all advances to employees be turned back to the department prior to June 30 of each year, and that the entire amount of the advance money be returned by the department to the State Treasurer at one time.

Highways—Active Accounts Receivable: It is suggested that all accounts over one year old be given to the Attorney General for collection.

When the cash was balanced on November 5, 1945, it was again noted that there was a voucher check of the Rheem Manufacturing Company of Providence, Rhode Island, dated April 6, 1943, for \$146.68 on hand but not entered in the cash book. On the back of the check is typed:

"Payment in full of all claims for rental and damages to Berger Transit and Buff Transit rented by us to Rheen Mfg. Co. and, or, Brown & Mathews, Inc."

Apparently the check was being held because of the qualifications on the back of the check, as the concern in question had been billed for \$173.34, the difference being in dispute. On July 18, 1945, the Commissioner of Public Works in a letter to the Attorney General requested his advice on this matter. It is understood that the Attorney General intends to authorize the department to write off the disputed charge of \$26.66. When such authorization is received, the check for \$146.68 will be deposited.

Highways—Bookkeeping Records: The previous report contained the following comments:

"It is suggested that a general ledger be installed in the Highways accounting office and that necessary journal entries be prepared monthly.

"It is also suggested that accounts receivable individual accounts be segregated alphabetically under each sub-control classification.

"It is also suggested that the advance columns, both receipts and disbursements sides of the cash book, be analyzed at the end of each month. This analysis should show the correct pay roll figures for each month."

A general ledger was started July 1, 1945.

Accounts receivable individual accounts are now segregated under each sub-control classification.

It is again suggested that a summary analysis of pay roll columns be entered in the cash book at the end of each month. The analysis should show the total amounts of pay roll items for the month, cancelled checks, replacement checks, and any other amounts entered in the pay roll columns. Such a breakdown would show the correct amounts of pay roll actually disbursed, and the actual amounts of pay roll reimbursed by the State Treasurer. A summary of the miscellaneous column in the cash receipts book should also be set up at the end of each month.

Highways—Pay Roll Deductions: The last audit report contained the following comment:

"It was noted that the amounts for tax withholding and retirement deductions for the month of January 1945 were not entered in the cash book until February 1945 as disbursements. This same procedure is followed monthly, and the correct cash balance is not shown at the end of the month. It is suggested that such deductions be recorded as disbursements in the month to which they apply."

Starting in July 1945 withholding tax deductions and retirement deductions are entered as cash disbursements in the same month to which they apply.

Highways—Empty Drums Returned for Credit: The previous audit report contained the following recommendation:

"At present the refunds received for empty drums returned for credit are entered in the account Prior Year Refunds, because of the difficulty in determining the account to which the charge was originally made. It is recommended that a record be kept of drums received and returned, and that proper information be relayed to the accounting office from the various storerooms so that credit for refunds may be made to the proper account."

As no change has been made, this recommendation is repeated.

Highways—Sale of Motor Vehicles: Four autos were turned in by the Department of Public Works toward the purchase of four 1942 sedans for the Department of Public Welfare. A check for \$100.00 was received on March 19, 1945, from the Newton Motor Sales in payment for these four cars. The

value of these four cars according to OPA ceiling prices amounts to \$1,117.00, however, none of these cars were in operating condition according to a letter written on January 29, 1945, by the Commissioner of Public Works to the State Purchasing Agent in which he describes the vehicles in question.

"S-816—Equip. No. 1543, a 1937 Chevrolet Carry-all, overturned in an accident in Malden, now at Methuen.

S-38 —Equip. No. 351, a 1937—60 H. P. Ford Coach, vehicle completely worn out, mains and connecting rod bearings burned out. Now at Meuthen.

S-411—Equip. No. 326, a 1937 Ford Coach, motor transmission completely worn out. Now at Meuthen.

S-711—Equip. No. 1196, a 1937 Ford Pickup involved in an accident in Cambridge striking bus. Owing to age of vehicle and extremely high mileage and condition after accident, not advisable to repair. Now at Gaffney Street, but will probably be sent to Meuthen."

Highways—Sale of Used Tools: A quantity of used tools formerly stored at Commonwealth Armory were sold to A and G Trading Company and to Hardware Distributors Company of 185 Summer Street, Boston. The sales were authorized by the Purchasing Agent for the Commonwealth, and the successful bidders were required to deposit with the Department two checks of \$1,150.00 and \$2,000.00. Available records indicate that 2562 shovels and 642 crow bars sold for \$1,121.40, and this amount applied against the \$1,150.00 deposit. Applying against the deposit of \$2,000.00 are sales totaling \$1,821.11 made up of 8849 picks, \$1,032.68; 8236 pick handles, \$100.00; and a group of miscellaneous types of used tools, \$688.43.

The value of the remaining tools stored at Commonwealth Armory, as indicated by card ledger balances on November 5, 1945, was \$3,843.00.

Highways—Outdoor Advertising Renewal Permit Fees: The rules and regulations of the department provide that applications for renewal of permits shall be made not later than thirty days prior to the expiration of a permit previously granted and that such application shall be accompanied by a fee of \$2.00.

From the records of the department it was noted that on June 8, 1945, the Director of Outdoor Advertising wrote to a local advertising company forwarding to them 222 renewal applications "for the maintenance of advertising signs for permits which expire June 30, 1945." On August 31, 1945, the Director again wrote to the same company stating:

"Under date of June 8 we notified you that we were forwarding (222) renewal applications for the maintenance of permits for your signs, and requested fee of \$444.00. To date this does not appear to have been paid."

Of the 222 renewal applications mentioned in these letters, 13 were cancelled and 209 were returned dated December 4, 1945. Cash in the amount of \$418.00 was received and entered in the records on December 7, 1945.

It is suggested that in the future the collection of all fees be made in accordance with the rules and regulations of the department.

Highways—Advance to Engineers: A total of 85 verification notices, indicating advances outstanding on November 5, 1945, of \$10,376.89 were sent out to Highway engineers. Of this number 82 were returned as being correct. The remaining 3 notices representing advances of \$225.00 were not returned.

Highways—Federal Aid: The balances shown in the accounts receivable ledger as being due from the Federal Government amounted to \$751,416.57 on November 5, 1945, covering billings from April 7, 1942, to date. In addition, on November 5, 1945, there was approximately \$590,000.00 on 33 completed projects on which final vouchers had not been submitted to the Federal Government. The completion dates of the work under these projects ranged from June 1941 to date.

Federal Aid is granted following the signing of a "Project Agreement" for each project. This is a Federal Government form and is signed by the Commissioners for the Department of Public Works and by the Federal Commissioner of Public Roads or his assistants.

Federal Aid is authorized by the Federal Highway Act and amendments thereto. Generally speaking, Federal Aid is 50% of final estimate of cost on regular and secondary roads and 100% on Grade Crossways Eliminated and Defense Access Roads on which there are project agreements. However, because of items for which the Federal Government will not make reimbursement, such as certain landtakings, certain preliminary engineering and engineering costs in excess of 10% of the contract price, the Federal reimbursement is rarely 50% or 100%, as the case may be, of the total cost of the project.

WATERWAYS DIVISION

Waterways—Logan Airport, East Boston: This subject was completely covered in the audit report issued by this department on July 5, 1945, and no steps have yet been taken to correct the situation.

The Logan Airport was leased by the Department of Public Works to the City of Boston for a term of 20 years beginning August 10, 1928. This lease was terminated on December 1, 1941, and the airport reverted to the control of the State Department of Public Works in accordance with Chapter 695 of the Acts of 1941, which reads in part as follows:

"Upon the termination date, the Commonwealth shall accept as tenants and licensees, under the terms of existing tenancies the licenses which were in effect on March 31 of the current year. . . ."

On December 1, 1941, when the Commonwealth took over the airport, there were no leases or licenses to airline companies in effect; two companies, the American Airlines, Inc., and the Northeast Airlines, Inc., were using the airport as tenants-at-will of the City of Boston.

Up to March 31, 1939, under ten year contracts with the City of Boston, these two companies had used the facilities of the airport. Under these contracts both companies paid certain rentals, and the American Airlines paid landing fees which were included in their contract, while the Northeast Airlines paid landing fees even though their contract was not written to include them. When these contracts expired, the City of Boston was unable to grant new ten year subleases because the city's lease from the Commonwealth expired in less than ten years; however, both lines continued to use the airport and both paid rentals and landing fees to the city until the airport was turned over to the Commonwealth on December 1, 1941. The position of both of these airlines at the time the Commonwealth took over the operation of the airport was, therefore, that of tenants-at-will of the City of Boston, and under the provisions of Section 4 quoted above, they continue under the same arrangement with the Commonwealth. Both of these airlines continued payment of various rentals for hangars and other facilities at the airport to the Commonwealth. The American Airlines continued to pay "Scheduled Landing Fees". The Northeast Airlines stopped paying these fees, and to date of this audit have consistently refused to resume such payments.

A letter from the Treasurer of the company dated January 29, 1944, written to the Commissioner of the Department of Public Works is probably the best explanation of the attitude of this company. The letter states in part:

"I wish to acknowledge receipt of your letter of January 21, 1944 with reference to the landing fees for planes of the Northeast Airlines, Inc., and again I must repeat what I said in my previous letter that I know of no agreement, either oral or verbal, that I can find in the files of the company which requires the Northeast Airlines, Inc., to pay a Flight Schedule fee for the use of the East Boston Airport as it presumably is included in the rent which we pay to the State of Massachusetts."

The Treasurer was correct in his statement regarding "agreement, either oral or verbal," however, he certainly must have been aware that the Northeast Airlines was paying landing fees to the City of Boston before the Commonwealth took over the airport and obviously in his letter has carefully avoided bringing that subject into discussion.

A statement included in a letter dated November 7, 1944, written by the President of the Northeast Airlines to the Commissioner of Public Works indicates that the position of the airlines is purely arbitrary and that they have taken advantage of the situation.

"You are quite correct that there is no provision in our lease for the payment of landing fees. We do not believe that the fact that American Airlines pays landing fees is necessarily a reason why Northeast should also pay them."

The statement "there is no provision in our lease for the payment of landing fees" is in error—for the Northeast Airlines Inc., has no lease.

The facts of the situation come down exactly to this—that two airlines have constantly used the airport since the Commonwealth took it over on December 1, 1941; one of them has paid no landing fees during all of that time, and the other has continued to pay previously agreed on landing fees. This situation has placed the Commonwealth in a position where it has favored one of two competitive airlines.

The entire matter was referred to the Attorney General on July 11, 1945, by the Commissioner of Public Works and to date no reply has been received.

The Department of Public Works, while they have through correspondence during the past two years attempted to correct this situation, obviously must be criticised for placing the Commonwealth in a position whereby the Northeast Airlines, Inc., has received favored treatment. The company's statement is perfectly true that no lease exists which provides that they pay landing fees, but it also is true that no lease exists which permits them to land without paying scheduled landing fees. The Department could have immediately corrected the situation by refusing the facilities of the airport to that company.

The Department of Public Works can be further criticised because the amounts due to the Commonwealth from the Northeast Airlines have not been set up in the accounts receivable of the Department of Public Works.

It is recommended:

- (1) that the amounts due the Commonwealth from the Northeast Airlines, Inc., be set up in the accounts receivable of the Department of Public Works,
- (2) that the Northeast Airlines be advised immediately of the amount owed to the Commonwealth by them and that they also be notified that they will no longer be allowed the facilities of the airport until payment is made.

Since the date of this audit it is understood that the Northeast Airlines, Inc., have been billed for \$26,700.00 for landing fees from December 1, 1941, to March 1, 1946.

Waterways—Permits: Permits to five airlines for operations at the Logan Airport were approved in a board meeting on August 24, 1945, and forwarded to the Attorney General for his examination. As of the date of the audit, these permits had not actually been issued; however, the companies concerned are using the facilities of the airport, and when these permits are finally issued, retroactive payments will be made in accordance with the following schedule:

Monthly Scheduled Landings	Amount
No. 1 to No. 5 inclusive	\$100.00 each
No. 6 to No. 9	50.00 "
10th and additional	25.00 "

It is proposed to issue these permits to the American Airlines, Inc., Eastern Airlines, Inc., Transcontinental and Western Airlines, Inc., United Airlines, Inc., and Northeast Airlines. Four of these permits will expire on March 31, 1946, and one on April 30, 1946. No collections to date have been made in connection with these permits.

With regard to the permit proposed to be issued to the Northeast Airlines, Inc., it is recommended that approval of this permit be withheld until such a time as the company pays the Commonwealth in full for scheduled landings made at the Airport since December 1941.

Since the date of this audit the five companies involved have been billed for the landing fees covered in these permits.

Waterways—Bedford Airport: Bedford Airport, known as Lawrence G. Hanscom Field—Boston Auxiliary Airport, was leased August 11, 1942, to American Airlines, Inc., for the period from July 1, 1942 to June 30, 1946, at \$600.00 a year. On November 24, 1942, a draft of a lease to the United States War Department was presented in board meeting, and it was voted, that two copies of the lease be sent to the Commanding General, First Service Command, with one set of plans. On April 27, 1943, the lease was signed by the Commissioners. Under the terms of this lease, it became retroactive to July 1, 1942.

Paragraph 12 of this lease makes it:

"subject to a lease by and between the Commonwealth of Massachusetts and the American Airlines Inc. for use of the field and air carrier . . . when undesirable conditions or unforeseen emergencies disrupt the normal conditions prevailing at Commonwealth Airport, East Boston."

The American Airlines lease of August 11, 1942, gives American Airlines the right to operate as an air carrier. . .

"In common with others to whom leases may be given."

It was noted that the American Airlines continued to pay the rental of \$50.00 a month to the Commonwealth for the entire period during which the airport was occupied by the Federal Government.

Waterways—Active Accounts Receivable: The unpaid accounts receivable totaled \$38,737.49 on November 5, 1945, of which \$21,363.95 represented charges in 1942 and prior years. Many of these accounts are still in dispute, for instance, the accounts with certain steamship companies contain charges for wharf storage at Pier No. 5 and No. 1 incurred during the truck strike in the year 1937 and other disputed charges during the years 1938-1940. These unpaid charges on November 5, 1945, were as follows:

	1937	1938-1940	Total
Commonwealth Pier No. 5:			
American-Hawaiian Steamship Co.	\$2,781.83	\$ —	\$2,781.83
Luckenbach Steamship Co.	1,996.80	681.93	2,678.73
Norton, Lilly and Co.	458.89	1,081.50	1,540.39
	<u>\$5,237.52</u>	<u>\$1,763.43</u>	<u>\$7,000.95</u>
Commonwealth Pier No. 1:			
Cunard-White Star Line	\$ 320.60	—	\$ 320.60
John T. Hall & Co.	1,894.73	—	1,894.73
	<u>\$2,215.33</u>	<u>—</u>	<u>\$2,215.33</u>
	<u>\$7,452.85</u>	<u>\$1,763.43</u>	<u>\$9,216.28</u>

These items are still carried in the active accounts receivable, and apparently no progress has been made toward collection or settlement.

The previous audit report carried the following comment:

"Another charge of \$5,269.85 represents the balance due on a bill rendered to the United States Navy Department on September 26, 1942. The charge was for water and electricity furnished by the Department at Pier No. 5."

These accounts should have been turned over to the Attorney General for settlement in accordance with previous recommendations made for all accounts more than one year old.

Waterways—Cancellation of Accounts Receivable: The previous audit report carried the following comment:

"An amount of \$7,790.75 is due from the Boston and Maine Railroad since July 27, 1941. This amount represents a charge for tidewater displacement of 31,693 cubic yards at \$.25 per cubic yard. This work was performed under license No. 968, granted December 4, 1928."

The minutes of a meeting of the Commissioners and the Director of the Division of Waterways held on December 19, 1944, includes the following:

"A memorandum dated December 19, 1944, from the Director was presented relative to license No. 2719, signed by the Commissioners on December 12, 1944, authorizing the Boston and Maine Railroad to fill solid in Millers River at its property in the cities of Boston and Cambridge. The memorandum states that, inasmuch as the work has been completed, definite figures can now be given and recommends that the following charges be approved: \$5,043.50 for tide water displacement—\$20,306.25 for occupation of Commonwealth tide lands. The memorandum further recommends that the charge of \$7,990.75 which was made for tide water displacement under license No. 968 be cancelled, inasmuch as the equivalent was dredged from tide water and placed on land of the Commonwealth as fill.

Voted, that these recommendations be accepted and that the matter be submitted for approval when an agreement is reached with the Boston and Maine Railroad concerning the boundary line of property on Nashua Street, Boston."

This cancellation was authorized by the Board on December 19, 1944, but was not recorded as a cancellation in the accounts receivable ledger until June 28, 1945.

It is suggested that all cancellations of accounts receivable be recorded immediately upon receipt of the authorization to cancel.

Accounts receivable totaling \$18,603.73 were cancelled on the books of the Division of Waterways during the period from February 1, 1945, to November 5, 1945. Among those cancelled were the several accounts of concerns still doing business.

These accounts were in dispute for various reasons and were cancelled on the authority of the Attorney General.

Two charges against Cunard White Star Limited totaling \$5,975.29 were cancelled by the Commissioners at a meeting held on November 13, 1945. The charges were made for dockage in connection with the landing and departure of troop ships in 1943.

Waterways—Suspense Accounts Receivable: On November 5, 1945, the total of the accounts receivable carried in suspense was \$573.83, representing amounts due from C. N. Churbuck as follows:

Rental of Space Cape Cod Canal Pier—1937	.	.	.	\$200.00
Rental of Space Cape Cod Canal Pier—1938	.	.	.	225.00
Wharfage—1937	.	.	.	148.83
				<hr/>
				\$573.83

Waterways—Contract Placing Hydraulic Fill at the Logan Airport, East Boston: A proposal submitted September 26, 1944, by the Gahagan Construction Company for placing hydraulic fill at the Logan Airport, East Boston, at 21.7 cents a cubic yard amounts to \$2,170,000.00. This proposal was accepted by a vote of the Board, and a contract, No. 803, was awarded to this Company.

Four extra work orders were issued to November 20, 1945:

No. 1	.	.	.	1-5-45	\$ 651,000.00
No. 2	.	.	.	4-10-45	16,875.00
No. 3	.	.	.	6-28-45	2,604,000.00
No. 4	.	.	.	11-20-45	1,736,000.00
					<hr/>
					\$5,007,875.00

Extra work orders 1, 3 and 4 covered the placing of \$23,000,000 additional yards of hydraulic fill. The validity of the extra work orders was questioned by the Commission on Administration and Finance. It is understood that the Attorney General has rendered a written opinion to the effect that the extra work orders were valid and the allotments of funds made by the Governor for the carrying out of such orders were likewise valid.

Waterways—Advances to Employees: Verification notices of balances due on advances as of November 5, 1945, were sent to 32 employees. All notices were returned and signed as being correct.

It was noted that two open balances, one of \$164.45, and the other \$24.15, had not changed since July 1, 1944. Apparently, neither balance has been turned in since prior to that date.

It is suggested that all advances be turned in to the accounting office prior to June 30th of each year so that the actual amount of the advance received from the State Treasurer may be returned to the State Treasurer on June 30th, the end of the fiscal year.

Waterways—Employees Bonded: The head administrative clerk of the division is bonded for \$10,000.00. It is suggested that other employees handling state funds be placed under bond.

Waterways—Refund to Mullins Fish Gear Inc.: A court judgment for Mullins Fish Gear, Inc., against the Commonwealth of Massachusetts for damages of \$2,778.00 was paid by means of a Refund of Receipts Voucher dated May 25, 1945. The cash book of the Division carried a red ink entry reducing receipts, and a reduction of funds transferred to State Treasurer also in red. It is believed that an appropriation should have been obtained to meet this payment since the transaction applied to a previous year.

Waterways—Bookkeeping Records: It is again suggested that the complete general ledger installation as prepared by the Comptroller's Bureau be put into operation.

It is again suggested that accounts receivable individual accounts be segregated alphabetically under each sub-control classification.

Waterways—Refunds of Personal Telephone Calls: Cash totaling \$12.90 was being held in the Division office. This cash represented collections for personal telephone calls of current year not turned over to the State Treasurer on November 5, 1945. It is again suggested that all cash received be deposited with the State Treasurer within a reasonable time after receipt.

Waterways—License Charges Outside Boston Harbor: License charges authorized by the Governor and Council are not included in the accounts receivable ledger of the Division until such charges are paid. The period between the time of authorization and the time of payment may be a year or more, as the licenses are held open for one year.

The following licenses were authorized during the period covered by the audit but charges were not recorded in the accounts receivable ledger.

License No.	Name	Amount
2764	Marshall B. Hall, Jr.	\$ 138.75
2734	William A. Robinson	1,179.00
2786	Dorothy D. Babbitt	33.75

It is believed that such license charges should be recorded when authorized by the Governor and Council, but the Division holds that they should not be recorded in the accounts receivable ledger until they are taken up by the applicants. It is again suggested that the Comptroller's Bureau be asked for a decision in this matter.

Waterways—Sale of Land and Property: The previous audit report included a comment that a parcel of land on Nashua Street, Boston, was sold on May 20, 1941, for a \$100,000.00. The terms of the agreement called for a down payment of \$6,500.00, the balance to be paid in eleven equal payments of \$8,500.00 payable with interest at 4%. The down payment of \$6,500.00 was made but no further payments of principal or interest have been recorded. A supplemental agreement was reached by both parties on November 16, 1943, which was approved by the Council on December 27, 1944. This supplemental agreement states in part:

"... that the further payments on the purchase price of said premises as required by the terms of said agreement of May 20, 1941 shall be suspended for the duration of the unlimited National Emergency as declared by the President of the United States on May 27, 1941.. ."

Waterways—Commissions on Pay Stations: Verification of income from commissions on pay stations indicated that \$235.11 was not recorded on the books of the Division. This income was credited in error to miscellaneous account 10415-600 of the Commission on Administration and Finance in August 1945. A request has been made to the Comptroller's Bureau to transfer this income to the Division of Waterways.

Waterways—Coin Lock Privileges at Logan Airport: Coin Lock privileges have been authorized at Logan Airport, and the Department is receiving certain revenue from such privileges. However, no contracts or agreements were found covering such privileges. It is suggested that all privileges extended for coin lockers, vending machines and the like be covered by contract or agreement.

Waterways—Appraisal of Land Adjoining the Logan Airport: Land adjoining the Airport, East Boston, Wood Island Park, Neptune Road, Lubec, Moore, Bayswater, and Thurston Streets was appraised. Bills of the three appraisers amounting to \$2,250.00 each were approved by the commissioners on October 2, 1945.

Waterways—Rentals of Sections of the "E" Street Storehouse: This storehouse had been rented to Wiggin Terminals Inc., under an agreement approved by the Department of Public Works on June 10, 1942, which provided for monthly rentals of \$125.00 per section per month or 50% of the gross receipts of the Company for storage and rentals, whichever sum was greater.

This agreement with Wiggin Terminals Inc., was apparently terminated by Permit No. 4558 dated September 11, 1945, which transferred the property to C. Pappas Company, Inc., at an annual flat rental of \$16,500.00 to be paid at the rate of \$1,375.00 a month in advance beginning on date of occupancy of the premises. Wiggin Terminals Inc., was ordered to vacate on or before November 1, 1945.

It is worthy of comment that under the agreement which the Department of Public Works had with Wiggin Terminals Inc., the Commonwealth received \$21,177.42 for the calendar year 1944 and had received \$18,653.29 for the calendar year 1945 up to date of audit.

REGISTRY OF MOTOR VEHICLES

Refunds of Fees Account of Applications for Licenses to Operate Motor Vehicles: The previous audit report stated: "At present applicants file applications, together with the fee of \$4.00, with the examiner at the examination point. The \$4.00 covers the examination fee of \$2.00 and the license fee of

\$2.00. Should the applicant pass the examination, he receives a temporary license and a permanent license is mailed to him later. If the applicant fails in his examination, the license fee of \$2.00 is refunded to him in cash by the examiner. The same arrangement applies in re-examinations, except that the re-examination fee is \$1.00, so that the applicant deposits \$3.00 instead of \$4.00. It is again recommended that the Comptroller's Bureau review the routine of handling examination fees and provide some method that will eliminate the present practice of refunds being made by the examiners." Since no action has been taken, the recommendation is repeated.

Reconciliation of Income at the Branch Offices: Schedule No. VI indicates overages and shortages found at the branch offices when the individual branches were visited. It is again suggested that all overages and shortages be turned in to the Boston office when they occur.

Reconciliation of Advance Money at the Branch Offices: Schedule No. VII indicates shortages found at six branch offices when the individual branches were visited.

Reconciliation of Earnings and Deposits—Branch Offices: The section of Schedule No. VIII showing the reconciliation of overages and shortages between earnings and deposits as per the general cash book in the cashier's office, Boston, indicates total overages of \$11.90 and total shortages of \$21.20 on May 1, 1946.

Duplicate Issues of Renewal Licenses: The previous audit report carried a comment as follows:

"As the result of the check-up on a renewal license of a person arrested for a violation of an automobile law, it was discovered that duplicate numbers had been issued on renewal licenses, and that the fees received for such duplications had neither been recorded nor deposited. In some instances the same number was issued three times and in one instance four times. The great majority of duplications were issued from the branch office at Haverhill, although some were traced to the mail section in Boston.

"On July 29, 1943 the Registry of Motor Vehicles was reimbursed \$550.00 covering the amount of fees on duplicated renewal license numbers issued for which no fees were recorded or deposited.

"The reimbursement was made by two persons, one of \$300.00 not accepted as a payment in full, the other for \$250.00 accepted as payment in full. The copies of receipts on file indicated that the payments were not an admission of guilt or responsibility."

Since the time of the reimbursement of \$550.00 additional duplicate issues amounting to \$116.00 were found, and on November 29, 1944, the Registry was reimbursed \$112.00. Two renewal duplicates were not included in the reimbursement and are still listed on the records as \$4.00 due.

Incorrect Fees Charged for 1946 Registrations of Heavy Duty Semi-Trailer Units, Non-Gasoline Driven Tractors: Incorrect fees were charged for eight Diesel heavy duty semi-trailer units for registration in 1946. A letter to the firm registering the units indicated that the original charge of \$1,104.50 was incorrect, and that an additional amount of \$1,303.50 was due in accordance with the maximum fee set by Chapter 595, Acts of 1945, Section 33, Clause 2. Checks for \$1,303.50 have been received from the company who registered the units.

Mail Section: Of the total business handled at the main office of the Registry of Motor Vehicles for the 1945 fiscal year, about 60 per cent was handled through the Mail Section. It is believed that the original plan was to have the Mail Section handle the plate distribution of persons in outlying districts far removed from either the Boston office or a Branch office.

The postage expenditures from the appropriation of the Chief Accountant for the 1945 fiscal year is recorded as \$83,780.49.

Missing Records—Daily Cash Sheets: Book No. 533, containing cash sheets as of December 28, 1945, 1945 Business, was missing from the cash book files, and was not returned during the period of the audit.

Applications Missing From the Files: It was noted that certain registration applications were missing from the file, and no memorandum filed as to the whereabouts of the applications.

It is suggested that a printed numbered requisition be used to file in place of an application which is removed from the files. Such a requisition should bear the name and location of the person taking the application, the date of removal and the reason for removing the application.

Fees Received from Examination Failures: Failure applications are kept on file in the Examinations Section. An attempt was made to reconcile the failure fees for the calendar year 1945 as shown by the analysis of daily cash for that year with the failure fees as indicated by the failure applications for the 1945 calendar year, on file in the Examinations Section. It was not possible to reconcile the two figures without an excessive amount of checking.

It is suggested that a reconciliation of the figures be made by the Division at the end of the 1946 calendar year.

Beach Wagons, Station Wagons, Jeeps, Towing Cars—Ruling on Fees To Be Charged: It is apparent that no set ruling has been made relative to the fees to be charged for the registration of the above named vehicles. It is suggested that the method of computing fees to be charged for registration of these vehicles be established by proper ruling.

North Adams Branch: A shortage of \$1.00 has been carried in the North Adams Branch for three years. It is again suggested that this shortage be cleared through the cashier's office, Boston.

Oak Bluffs Branch: It is again suggested that returns be made to the Boston office at more frequent intervals.

Mailing Section Cash Sheets: It is understood the mailing section cash sheets are checked in that section, while all other cash sheets are checked in the checking section. It is believed that all cash sheets should be checked in the checking section.

Postage Stamps—Cashier's Office: It is again suggested that 8 cent and 12 cent sheets of postage stamps carried in the stamps on hand inventory in the cashier's office be exchanged for postage of a denomination which is used more frequently. The two stamp denominations named have been carried in the inventory for quite a period of time at the same inventory figure as there has been no call for their usage.

Advance Money—Chief Accountant: It is recommended that the Comptroller's Bureau be contacted relative to the installation of a cash book to record receipts and disbursements of advance money in the office of the Chief Accountant.

Advance Money: Advances to employees should be returned by June 30th. Indications were that all advances were not turned in on June 30, 1945, and that advance cash on hand was not deposited on that date.

DEPARTMENT OF PUBLIC HEALTH GENERAL DEPARTMENT

Sales of Biological Products: The previous audit report stated:

"It is noted that the Public Health Council on August 8, 1944 approved the prices at which five additional products may be sold by the Biological Laboratories."

At this same meeting the Council voted as follows:

"That as soon as personnel shortages permit, a thorough cost estimate of biological products be undertaken with the aid of professional analysts as consultants."

It was noted that to date of current audit the cost estimates had not been made.

Advances to Clinics: It was noted that during the quarter ended June 30, 1945, the department advanced the sum of \$11,500.00 to the Health Department of a certain city from the Federal Grant for "Tuberculosis Control" and that the city purchased from this advance a Westinghouse X-Ray Machine without securing competitive bids under authority granted by the Mayor and further that the Mayor of this particular city had the authority to waive the getting of competitive bids under the provisions of a special legislative act. It has been the practice of the department to require the local agency to follow the same procedure in making expenditures from advances as they follow in making expenditures from their own funds. It is suggested that in the future when advances are made from Federal Grants to local agencies, it be with the understanding that the local agency will get competitive bids before making purchases in all cases where it is practical.

Inventories: The department now has on file in the office of fiscal management an individual inventory card for each piece of equipment owned by the department. These inventory cards show considerable detail including values and were compiled in the several divisions of the department. It is understood that the department hopes to set up controls over these inventory records.

The biologic laboratory at Jamaica Plain was visited and it was noted that a considerable stock of expendable items was being carried in a storeroom and that for each item there was a stock card kept in the office of the laboratory, but there was no record showing the total value of the stock. The department was requested to take an inventory of the items which it did. This inventory showed a total value of \$12,931.92. It is suggested that this matter be called to the attention of the Comptroller's Bureau to determine whether it would be practical to install the standard stock records, including a control account.

LAKEVILLE STATE SANATORIUM

Accounts Receivable: It is recommended that all accounts receivable dating from 1944 and prior years be submitted and in some cases re-submitted to the Attorney General. It was noted that three accounts, totaling \$380.00, with the City of Cambridge, were settled for \$164.75.

Materials and Supplies Adjustments: In connection with the adjustments in the materials and supplies account it was noted that they were numerous and particularly excessive in the case of grain. It was learned that during the emergency it was difficult to obtain standard brands of grain and the storage facilities at this institution are inadequate, making it almost impossible to take accurate inventories.

Annual Financial Statement: The set-up of the "Annual Financial Statement" (Sheet B) of the Farm Report does not reflect the actual gains or losses of the various projects, as it does not take into account the increases or decreases in the livestock inventories.

Farm Sales: The 1943 and 1944 farm sales could not be checked in total from the farm reports to the financial reports because the financial report for the month of December 1943 was not compiled. One report operates on a calendar year and the other on a fiscal year, therefore December 1943 affected both years.

Monthly Livestock Census: The 1943 and 1944 monthly livestock census reports have not as yet been prepared. It is understood that this was due to lack of help. It is suggested that these reports be prepared so the livestock inventory can be verified.

Canteen Funds: The canteen inventory of December 6, 1945 reflected an overage of \$43.44 which is equivalent to 1.49% on sales.

NORTH READING STATE SANATORIUM

Accounts Receivable: It was noted that a previous audit recommendation regarding small sales had been carried out. The sum of \$26.47 covering such sales was written off by journal entry approved as to form by the Comptroller's Bureau.

Other old cities' and towns' charges in the amount of \$657.00 were charged off on authority of the Attorney General's office.

It was also noted that a recommendation in a previous audit report regarding the charging of farm sales on the books in the month in which they occur is now being carried out.

Materials and Supplies Account: Following a recommendation made in the last audit, the stock ledgers have been reviewed and certain accounts which were "expense" accounts were eliminated. It is understood that there are a few more such accounts remaining and these will be reviewed in the near future.

Trust Fund: It is noted that a proper recording of the Agnes J. MacNevin Fund, mentioned in the last audit report, has been made. The general ledger account is entitled "Endowments".

Farm Report: An examination of the sales section of the 1944 Farm Report shows a total of \$23.22 as sales of vegetables. Included in this amount is \$12.22 supposedly covering a sale of 611 lbs. carrots. These carrots were actually fed to the swine and were placed in the sales column on the farm report through error. Omitted from the sales column were egg sales for the year amounting to \$1,071.60. Financial Report sales for the Farm amounted to \$1,082.60 covering eggs and vegetables.

A further study of the sales column shows a sale of 2100 lbs. of onions at \$10.00. Inasmuch as onions were inventoried at 2c a lb. the sale should have been recorded (for distribution and ending inventory purposes) at \$42.00. It is believed that this is now understood by the institution treasurer and that future farm sales will be correctly reported on the production and distribution section of the annual farm report.

RUTLAND STATE SANATORIUM

Farm Records: The farm report for the fiscal periods ending December 31, 1944 and December 31, 1945 had not been compiled on date of audit, consequently they were not examined.

WESTFIELD STATE SANATORIUM

Pay Roll Bank Account: There are checks aggregating \$174.50 outstanding since prior to April 1945. It is suggested that these funds be turned into the state treasury as Unpaid Checks.

The reconciliation of the bank account of February 18, 1946 showed a deficit of \$6.18. This deficit was discussed with the institution treasurer who stated that there was a difference in "Blue Cross" which she was endeavoring to find. Due to the shortage of help and reconciliation with the records of the Blue Cross, it had not been located.

Bookkeeping Recommendations: It is suggested that the Comptroller's Bureau make the following revisions in the account and bookkeeping forms at this institution:

1. Deposits Register—in which all information pertaining to the individual checks deposited would be recorded. This register could be used as the detail of duplicate deposit slips.

2. Accounts Receivable—It is again suggested that the cash book be revised so that receipts from tubercular patients and cancer patients will be separated and that separate control accounts for this type of income also be provided.

3. Patients' Funds—It is again suggested that additional forms and records be provided for the better recording of transactions in these funds.

4. Canteen—It is again suggested that the system in operation be reviewed by the Comptroller and the necessary receipts forms and sales records be installed.

5. Trust Fund—It is again suggested that this account be separated from the canteen fund and set up in the General Ledger as an independent fund.

Income: It is again noted that sales are not recorded on an accrual basis. It is suggested that all sales be recorded on the financial records of this institution when they are made.

It is again recommended that the Comptroller review the method of recording receipts from outpatients with a view to properly controlling income from this activity.

Materials and Supplies: It is suggested that the Comptroller instruct the institution so that the values of adjustments made in the stock ledger will be shown in the control account in the General Ledger.

Farm: It is recommended that individual records be maintained in the herd books for all animals in the herd.

Canteen: The previous audit report stated:

"Canteen—the system in operation to be reviewed by the Comptroller and the necessary receipt forms and sales records be installed. The employee who has charge of the canteen sales, for which he is paid at the rate of \$10.00 per week, turns over to the treasurer at various intervals his cash receipts which are entered in the canteen cash book, but for which no substantiating records are available. There are a large number of charge sales to both patients and employees. Certain employees have access to the stock on hand available for sale. The treasurer refuses to accept any other responsibility for the canteen than entering the cash handed to her and paying the bills. Because of the continuing shortages which have appeared for the past several audits, it is obvious that some revisions are necessary in the routine. At the present time it is difficult to obtain candy, cigarettes and cigars for sale. It is suggested that all sales be on a cash basis and that the entire responsibility for operating the canteen be placed in one individual."

During the period under examination, charge sales for other than newspapers have been discontinued and the \$10.00 per week paid to an employee was reduced to \$5.00 per week, otherwise the comments in the previous audit report still apply to the operations of the canteen.

A reconciliation of the merchandise available for sale with recorded sales for the period from September 28, 1944 to March 11, 1946 was made and an inventory shortage of \$84.23 was noted. This was equal to 1.7% of the value of merchandise available for sale. Sales during the period consisted chiefly of newspapers, cigars and cigarettes, with some candies and gum being sold.

When the cash in the treasurer's office was counted on February 18, 1946 a shortage of \$3.00 was noted which was increased to \$12.72 upon verification of the cash book footings.

The canteen records have not been maintained efficiently. The institution treasurer stated that there was a shortage of help and, therefore, some of the work was not done.

Funds Transferred to State Treasurer: Comment in the previous audit report which called attention to the requirements of Section 27 of Chapter 30 of the Tercentenary Edition of the General Laws was discussed with the institution treasurer who stated that the requirements of this section were being carried out.

PONDVILLE CANCER HOSPITAL

The Pondville Hospital has been operated since 1927 as a cancer hospital and during all this time the hospital has maintained an excellent reputation in the care and treatment of cancer patients.

It was noted in the course of this audit that the patient population had decreased from an average of 127 patients in the fiscal year 1940 to an average of 37 patients in the fiscal year ending June 30, 1945. As of the date of the audit there were 30 patients in the hospital. As a result of this decrease in population, the gross weekly cost per patient has increased from \$52.64 in 1940 to \$130.92 in 1945.

This institution differs from most state hospitals inasmuch as the number of patients it can handle is based largely on the number of nurses available to care for them. Practically every patient upon admittance is almost immediately subject to a major surgical operation and as a result their subsequent treatment requires considerable nursing care and so the decrease in patient population has been caused entirely by the fact that the institution has been unable to fill numerous vacancies in the nursing staff. Every reasonable attempt has been made by the institution to fill these vacancies but with very little success. Obviously, therefore, the institution must be excused for the increase in its per capita cost.

The successful treatment of cancer depends almost entirely upon its quick detection and immediate treatment. Under the present circumstances, the institution has been compelled to refuse or to delay admission of patients whose lives might be spared if the facilities of the hospital were immediately available to them.

It is extremely urgent that some means be found to relieve the situation without delay.

DEPARTMENT OF PUBLIC WELFARE GENERAL DEPARTMENT

Accounts Due from Municipalities—Tewksbury State Hospital and Infirmary Cases: Previous audit reports stated:

"It is suggested that all accounts over one year old be referred to the Attorney General."

This was discussed with the assistant director of the Bureau of Accounts, who felt that because of the difference between state, cities and towns fiscal periods and the delays by the cities and towns in the payments of bills, due to the need for deficiency appropriations, that it would be more practical to have accounts over two years old be referred to the Attorney General.

Accounts with Attorney General for Collections: The previous audit report commented in detail on accounts which had been submitted to the Attorney General and cited a case as an example of the condition existing in the matter of unpaid bills in the Division of Aid and Relief.

During the period under examination there were accounts aggregating \$8,402.95 charged off the records by authority of the Attorney General relating to the following divisions:

Child Guardianship	\$2,999.94
Aid and Relief	5,403.01
	<hr/> \$8,402.95

On the date of this examination, the department records showed accounts of the Division of Aid and Relief aggregating \$7,783.94 as having been referred to the Attorney General for collection. Verification of these accounts with the office of the Attorney General showed that accounts in the amount of \$2,420.79 had been returned to the Settlement Division of the department, but the records in the Bureau of Accounts still showed the accounts as being with the Attorney General.

Accounts Receivable—Division of Aid and Relief: The outstanding balances of accounts receivable on April 3, 1946 were verified on a test basis. One account with a municipality showed outstanding items amounting to \$535.50. In reply to the request, the town stated in part:

"All the accounts listed on the statement totaling \$535.50 have been paid."

The charges for the \$535.50 were analyzed as applying to the following years:

1944	.	.	.	.	\$403.50
1945	.	.	.	.	61.50
1946	.	.	.	.	70.50
					<hr/>
					\$535.50

In tracing the individual items it was necessary to check them against the records of the State Infirmary, where it was found that the charges were for private patients and all but \$10.50 had been paid.

Charges for board originate in the Settlement Division, where so-called, billing cards are kept. The cards are sent to the Bureau of Accounts when the bills are made out and there a copy of the bill is kept on file; the billing cards being returned to the Settlement Division when the bills have been completed.

There is an apparent division of functions on billing cities and towns between the Bureau of Accounts and the Settlement Division. All changes originate in the Settlement Division, while all payments by cities and townes are made to the Bureau of Accounts. Adjustments of charges on the records of the Bureau of Accounts originate in the Settlement Division. In the case shown previously in the amount of \$535.50, the charges originated in the Settlement Division, but payment was made to the State Infirmary.

In relation to the charges for board of private patients at the State Infirmary and reimbursement for transportation, previous audit reports stated:

"It was noted that charges for such items are not set up in the accounts receivable at time of billing, entry not being made until bill is paid. It is suggested that charges be set up in the accounts receivable when the bills are rendered.

"Referring to board of private patients, it is understood that the social service section of the department makes this determination and apparently the only records of such cases in that section are in the particular case history folders. It is suggested that the social service section keep a segregated record of private cases authorized which will provide a basis of auditing this type of income."

Attention is again called to the foregoing suggestion and it is recommended that the Comptroller review this phase of the department's operations so that the method of recording charges for board of inmates and adjustments thereof and collections therefor will be effectively maintained.

The previous audit report stated that closer co-ordination between the Bookkeeping Department and the Settlement Division is necessary if old accounts are to be cleared up. It is understood that statements on outstanding accounts are sent out each quarter, by the Bureau of Accounts, prior to the billing of the new quarter, which calls the attention of the respective city or town to the amount shown as due from them. A copy of the statement also is sent to the Settlement Division for their information and guidance.

In view of the facts, that accounts aggregating \$2,420.79 had been returned to the Settlement Division by the office of the Attorney General and no changes had been made on the records of the Bureau of Accounts and that one account with a municipality, which showed outstanding items since 1944 aggregating \$535.50 on April 3, 1946, of which only \$10.50 remained unpaid, attention is again called to the comment in the previous audit report:

"Closer co-ordination between the Bookkeeping office and the Settlement Division is necessary if old accounts are to be cleared up. Often a bill sent to a municipality is not paid in its entirety."

Items unpaid are being called to the attention of the Settlement Division and should be promptly followed up to determine the reason for non-payment. The Settlement Division should notify the Bureau of Accounts in all changes in any accounts coming into its possession or called to its attention.

Ledger Accounts with Municipalities a/c Division of Aid and Relief: Previous audit reports stated:

"It is again recommended that each ledger account with a municipality be backed up by a ledger account with each person included in the make-up of the account—at present there are ledger accounts with the municipalities but the detail is shown only on duplicate bills."

The detail as shown by the duplicate bills showed a difference of \$3.28 with the account for the City of Boston Institution's Department. It is suggested that the authority of the Comptroller be requested to make an adjustment in the control account.

Ledger Accounts with Municipalities Account of State Minor Wards: It was stated in previous audit reports:

"It is again recommended that each ledger account with a municipality be backed up by a ledger account with each person included in the make-up of the account—at present there are ledger accounts with municipalities but the detail is shown only on duplicate bills."

As this suggestion has not been followed, attention is again called to it.

Division of Child Guardianship—Income Received from Probation Officers: The previous audit report stated:

"In the case of children committed to the care of the division by court order, the court may order the parent to pay for the support of the child, whatever amount the court determines. These payments are made by the person concerned to the probation officer of the court, who in turn transmits them to the Division of Child Guardianship. A separate card is kept for each case. On April 1, 1944 the card file showed 393 probation cases, of which 121 cases showed that no payments had been received during the period of January 1, 1944 to April 1, 1944.

It is suggested that some regular follow up method be provided."

Starting in April 1946, follow up letters have been sent to individuals from whom no payments had been received since February 1946. A study of methods and record forms, to be used as a follow up on payments due from probation officers or individuals, is in process.

It is suggested that this section of the department's activities be reviewed by the Comptroller, and if it is found practical, have the accounts accruing from probation officers or individuals set up on the records.

Division of Child Guardianship—Storeroom: A complete physical inventory was taken on April 3, 1946. Comparison with the stock ledgers showed over-ages of \$269.04 and shortages of \$374.69.

The storage facilities as mentioned in previous audit reports have not improved and it is again recommended that proper storage facilities be provided.

Division of Aid and Relief Trustee Accounts: Previous audit reports stated:

"These funds are received in the first instance in the office of the Assistant Director of the Division, located in the State House, are placed in an envelope and sent daily to the bookkeeping office, located in the Ford Building, where a receipt in duplicate is made out for each item and the funds deposited in individual savings bank accounts. The duplicate copy of the receipt is retained in the bookkeeping office and the original copy of the receipt is sent to the office of the Assistant Director of the Division who sends them to the social service section, where some have been filed in case history folders and some have been placed in an envelope.

"Apparently the receipt forms merely serve as inter-office memos and it is suggested that this matter be brought to the attention of the State Comptroller to the end that the receipt forms may be used for the purposes intended."

As this suggestion has not been followed, attention is again called to it.
State Employees' Unemployment Fund: Previous audit reports stated:

"This fund is not carried in the general ledger of the department, and it is suggested that an account with this fund be set up in the general ledger."

As this suggestion has not been followed, attention is again called to it.

DIVISION OF JUVENILE TRAINING

Boys' Parole Branch—Irregularities in Wards' Accounts: The previous audit report issued in connection with an examination of the accounts of the Division of Juvenile Training included comments that many irregular withdrawals had been made from active and inactive wards' savings bank deposits in the Boys' Parole Branch. The previous audit report also indicated that although examples of such withdrawals could be proved the exact number or the amount involved could not be determined until all of the wards had been contacted and questioned regarding their accounts.

When these withdrawals were first discovered, reimbursements in the form of direct payments to the wards were made by two employees of the Department who were in no way involved in the discrepancies. As the number of claims resulting from the irregularities increased, the Board of Trustees from their own private funds made available a sum of \$475.00 for payment of future claims.

Therefore, as matters stood as of the date of the last audit, it was known that these irregularities existed and that the Board of Trustees had contributed \$475.00 for repayment to the wards. During the course of this audit it was noted that the sum of \$1,000.00 had been received from the widow of a former employee and had been set up in a special fund to reimburse wards as further claims arose. When this contribution was received, the trustees were reimbursed the \$475.00 which they had contributed and other members of the Department were also reimbursed for money previously contributed.

From examination of the previous audit report it will be noted that the Executive Secretary and the Board of Trustees first learned of the discrepancies early in April, 1944. To this date, neither the Trustees nor the Executive Secretary have referred these irregularities to either the Commission on Administration and Finance or to the Attorney General but they have proceeded to handle this situation entirely on their own initiative.

The procedure used by the trustee in attempting to dispose of their problem has been arbitrary, unorthodox, and inconclusive.

- I. We question the right of the Board of Trustees to have assumed the authority, without reference to the Attorney General or the Commission on Administration and Finance, to deal with a situation of this nature.
- II. The action of the trustees in allowing their representatives to approach the invalid widow of a former employee and to obtain from her by threats of publicity the sum of \$1,000.00 in settlement was both unfair and cruel since the husband was no longer alive to defend himself. It is also worthy of comment that the widow herself died soon after this transaction was completed.
- III. In view of the fact that the full amount of the defalcations have not been determined and cannot be definitely arrived at, it is obvious that the Trustees had no authority to make an arbitrary settlement of the case for the sum of \$1,000.00.

It is recommended that the Governor and Council conduct an investigation into the methods used by the Board of Trustees and their employees in collecting the so-called contribution.

Despite the fact that these difficulties have arisen in the handling of their funds, the Board of Trustees have not learned that certain fundamental precautions are essential in handling accounts of this type. At one time it was the practice of the Board to verify the balances in the wards' accounts by checking the balances in the accounts monthly by mail with the individual wards. Had this practice been continued, these shortages would never have occurred. Since the date that these shortages were originally uncovered, no attempt has been made by the Board of Trustees or by the Director and Executive Secretary to verify the balances in all accounts not questioned in the previous audit reports.

It is recommended that steps be taken immediately to contact all wards and verify the current balances in their accounts.

Boys Parole Branch—Special Account: During the current audit period it was noted that a Special Account had been created by the Trustees for the purpose of handling reimbursements to the various wards resulting from irregularities covered in last year's audit report. This account is in the custody of a member of the Board of Trustees. The account was not audited, however, a list of transactions in the account was furnished by the Executive Secretary. Reimbursements to wards were traced from this list to deposits in their savings accounts or to affidavits or statements signed by them indicating a receipt of funds.

The status of the Special Account on date of the audit as reported by the Executive Secretary and Director is as follows:

	RECEIPTS	PAYMENTS
Trustees	\$ 475.00	
Contribution	1,000.00	
Reimbursements a/c Payments to Sundry Wards:		
To Former Acting Supervisor of Boys' Parole	\$12.41	
To Executive Secretary	55.81	
		\$ 68.22
Returned to Trustees		475.00
To Boys:		
No. 18103	\$80.00	
9868	25.00	
9477	53.56	
10004	50.00	
9003	13.53	
17587	24.00	
9534	25.00	
18506	30.00	
18048	35.00	
17135	35.10	
9258	40.00	
17967	75.00	
17641	55.44	
10097	40.00	
		581.63
To Commonwealth of Massachusetts:		
Male Wards' Trust Fund Income	\$46.00	
Refunds Previous Year	156.05	
		202.05
Bank Charges		1.12
	\$1,475.00	\$1,328.02
Balance Available February 20, 1946		146.98
	\$1,475.00	\$1,475.00

All payments included in the above statement were made to wards whose accounts were questioned in the previous audit report with the exception of the amount of \$55.44 paid to Ward. No. 17641. This amount was withdrawn prior to the period covered by the previous audit. No action has been taken on certain other accounts which were questioned in the previous audit report.

Boys' Parole Branch—Lyman School, Inventories: Previous audit reports have commented on the unsatisfactory arrangement as well as lack of proper control over the clothing of boys owned by the Division of Juvenile Training Boys' Parole, but stored at the Lyman School for Boys in Westborough.

Adjustments totaling \$129.25 on account of overages and \$134.80 on account of shortages were noted during the current examination.

Overages totaling \$72.94 and shortages totaling \$137.63 were noted in connection with a physical inventory taken on February 28, 1946; a net shortage of 3½%.

Girls' Parole Branch—Uncollected Income: The previous audit report stated:

"At the time of placing a girl in a foster home a printed list of instructions made up by the Supervisor of Girls' Parole Branch is given out as a means of making clear the relations between the employer, the girl and the division. Among many other things, these instructions provide:

'You are expected to pay girl's carfare to your home and transportation of her trunk.'

"While the above policy was discontinued in June 1939, previous audit reports commented on the amount of \$125.81 that had been uncollected. Comments were also made to the effect that the accounts, no doubt, were probably now uncollectible and recommended that permission be obtained from the Attorney General so that the accounts may be charged-off. It is, therefore, again suggested that permission be obtained from the Attorney General to write these accounts off the records."

Under date of September 18, 1944, permission was received from the office of the Attorney General through the Director of Accounts, to charge-off these accounts.

Accounts Receivable: It was again noted that unpaid wages accounts billed prior to October 1, 1937 are not included in the control accounts receivable. It is again advised that the Division of Juvenile Training compile a list of all unpaid wages accounts not now included in the control account and request the Comptroller's Bureau to provide the necessary entries to bring these accounts on to the financial records.

Monthly Wage Reports: It was noted in a test check made of wards' wage reports that in certain instances these reports were not approved. Purchases such as articles of clothing, etc., are in certain instances listed on the monthly report and credit for these purchases is taken by the employer. The wage report provides a space for the wards' approval of the wage report. Therefore, these wage reports should be approved in every instance.

INDUSTRIAL SCHOOL FOR GIRLS

Farm Records: The Failure of this institution to prepare the various reports required from their farm activities has made a proper examination of the farm impossible.

Monthly Inventory of Livestock: The head farmer of this institution was appointed to that position on May 15, 1944.

From that date to the date of the current examination of this institution's accounts, the monthly inventory of livestock has not been prepared.

Daily and Monthly Farm Produce Reports: It was noted that subsequent to March 1945 neither a daily nor a monthly farm produce report had been prepared. The information necessary, therefore, to prepare the farm report for the year 1945 is not available. The information on production will have to be obtained from the stock ledger since fresh vegetables harvested during the summer season were issued directly on requisition from the farm to the various cottages. For the balance of the production the only record available is an 8½" by 11" sheet prepared by the head farmer which purports to be the total farm production that was not sent directly to the various cottages. The following is an exact copy of that record:

FIELD AND GARDEN CROPS HARVESTED IN ADDITION TO THOSE DISTRIBUTED
FROM THE FIELDS, SEASON 1945

Produce	Pounds
Hay	164,200
Corn Stocks with Ears Grown for Hogs	19,700
Corn for Gain 39,550 (Fed on Cob 19,780)	
Mangels	30,500
Potatoes	44,430
Squash	24,445
Beets	25,690
Cabbage	55,200
Carrots	46,740
Onions	21,110
Turnips, white	11,950
Turnips, yellow	16,900

In connection with this report by the farmer, it is understood from the institution's bookkeeper that this is the only report received from the farmer and there is no supporting detail as to how the poundage of produce was arrived at.

Spoilage and Shrinkage of Vegetables: From the farm report for the year 1944, it was noted that shrinkage of 14 tons and spoilage of 8 tons of vegetables was reported. The following is an analysis in pounds of certain of these accounts:

	Inventory Jan. 1, 1944	Production 1944	Total Available	Consumed	Shrinkage	Spoilage
Beets	18,808	13,033	31,841	19,956	10,518	
Carrots	24,043	14,684	38,727	11,959	13,532	
Turnips	12,744	9,796 $\frac{3}{4}$	22,540 $\frac{3}{4}$	16,908 $\frac{3}{4}$	2,214	
Cabbage	26,410	7,385	33,795	18,955		14,840

From the above it will be noted that the shrinkage on beets was approximately 50% of the consumption and that the shrinkage on carrots was more than the amount consumed. It will be further noted that the spoilage on cabbage was approximately 75% of the total consumption. It is recommended that steps be immediately taken to place this farm on an efficient basis.

Poultry: The institution's 1944 farm report shows that exclusive of inventories the poultry plant was operated at a loss of \$1,528.00. Taking into consideration the opening and closing inventories, the operation of the poultry plant shows a loss of \$1,444.00.

In connection with this loss, it will be noted that the grain cost is \$3,656.00 as compared to the credit for eggs produced in the amount of \$2,940.85 and dressed fowl in the amount of \$1,255.52.

Piggery: The institution's 1944 farm report shows that exclusive of inventories the institution's piggery shows a loss of \$3,528.28 for the year. Taking into consideration the opening and closing inventories, the loss for the year amounts to \$2,368.28.

In connection with this operating loss, it will be noted that the grain cost amounted to \$5,910.30 as compared to a pork production credit of \$4,610.16 for the year.

Slaughter of Hogs: The following report was submitted to the Agricultural Co-ordinator under date of January 7, 1946:

C O P Y

January 7, 1946

Mr. Harry A. Talmage, Agricultural Co-ordinator,
State House, Room 212C,
Boston 33, Mass.

Slaughter's License—Class 2
No. 2B-3-243

My dear Mr. Talmage:

Following is a report of slaughter of hogs during the month of December: no cattle kept:

Dec. 13 20 Hogs slaughtered: Dressed Weight 2,408 lbs.

Dec. 27 19 Hogs slaughtered: Dressed Weight 2,126 lbs.

Live weight is not kept.

Very truly yours,

ANNA I. WALSH,
Acting Superintendent.

From the foregoing report it will be noted that the 39 hogs slaughtered show an average dressed weight of one hundred and sixteen (116) pounds.

In connection with these hogs, the following table sets forth the weights of some of the component parts of these hogs.

	Pounds
Smoked Ham	6¾
Smoked Shoulder	4½
Strip of Smoked Bacon	4
Smoked Fat Back	7¼

An examination of the bacon and fat back cuts from these hogs shows that after the rinds on the bacon and fat back are removed there is very little bacon left for consumption.

It is the opinion of this office that the slaughtering of these hogs at this particular time was inadvisable. It is generally accepted that the largest part of the expense in raising pigs comes in developing them to the weight which these pigs had reached when they were slaughtered and that further expenditures for bringing them to the proper weight of over 200 pounds would have been considerably less. Some further explanation is needed, particularly in view of the fact that more than 19,000 pounds of corn were allowed to rot in the field which could have been used to bring the hogs to more desirable weight for slaughtering, and also it is worthy of comment that only half of the appropriation for grain had been expended at the time these pigs were slaughtered.

Corn Not Harvested on January 10, 1946: On January 10, 1946, it was noted that approximately 2¾ acres of field corn had not been harvested. The farm records for the year 1945 show an inventory item of 19,700 pounds of corn stalks with ears of corn. On January 10, 1946, the head farmer stated in relation to the item that this represented an estimated amount of the field corn that had not been harvested. This also is the understanding of the institution's bookkeeper. From a visit to the corn field it was noted that none of the corn is now fit for consumption.

General Laws Relating to Disposal of Corn Stubble, etc., Have Been Violated: Section 31A of Chapter 128 of the Tercentenary Edition of the General Laws, as amended by Chapter 144, Acts of 1943, provides as follows:

"Section 31A. In any town or part thereof in which an order issued under section thirty-one in connection with the suppression of the European corn borer shall be in effect, every person in possession of land on which corn of any kind has been grown shall, except as hereinafter provided, not later than December first of the year of its growth, plow or cause to be plowed the field in which it was grown, so as to bury the stubble to a depth of at least six inches, or pull up said stubble or cause it to be pulled up and destroy it, or cause it to be destroyed, by burning, and every person having in his possession corn stalks shall, not later than April tenth of the year following that of their growth, completely dispose of such corn stalks by using them as fodder or by burning them. Whenever it shall be determined by the director that such plowing or burning would be detrimental to soil conservation or to the production of food or feed crops, he may issue an order or permit which shall authorize postponement of such plowing or burning, or shall authorize replanting without plowing, under such conditions not inconsistent with the purpose of this section as he may specify. Such an order or permit may be issued to apply to an individual field, to a farm, or to a geographical or political unit. Whoever violates any provision of this section or any order or permit issued hereunder shall be punished by a fine of not less than twenty-five nor more than five hundred dollars."

As of the date of the audit, no order or permit had been issued authorizing this institution to allow this corn to remain in the field.

Three Acres of Beans Not Harvested: On January 10, 1946, the head farmer admitted that approximately three acres of beans grown for table consumption were not harvested in the fall of 1945.

Miscellaneous: During the course of the audit it was noted that hogs privately owned have been slaughtered and dressed at the institution while the hogs belonging to the institution have been slaughtered and dressed by a private packer at a cost of \$4.00 per animal. The head farmer at the institution also admitted that he had given a dead brood sow to a packer located in Clinton on his own initiative and without permission of the acting superintendent. Subsequent to this discussion with the head farmer, a receipt for the animal was obtained from the packer.

LYMAN SCHOOL FOR BOYS

Stock Ledger Adjustments: An examination of the adjustment requisitions which relate especially to food supplies showed that while physical inventories are taken approximately every month, adjustments are not made at these times. In this connection it was noted that differences noted between the monthly physical inventories and stock ledger balances are allowed to accumulate in certain instances for several months before any adjustments are made. Obviously this policy defeats the very purpose of taking a physical inventory.

MASSACHUSETTS HOSPITAL SCHOOL

Stores: As a result of a fire which occurred shortly after the date of audit, it will be necessary to charge off stock to the value of approximately \$133.00. This loss was almost entirely due to groceries being damaged by water dripping through the floors into the basement storeroom.

Accounts Receivable: It was noted that receipts from telephone commissions and from Federal meat subsidies do not pass through the accounts receivable.

Grains for Farm: Farm grains are not under the care of the storekeeper, but are kept at the barn and are available to the farm employees. It is recommended that the system be brought in line with other institutions, the grains being under the control of the storekeeper and issues made once a week to the farm.

Adjustments Account Board: Journal entries covering adjustments of board accounts bear no authorization other than that of the treasurer. It is recommended that these adjustments also bear the approval of the superintendent.

Endowment Funds: In view of the fact that certain items of securities bought or sold are not shown in the present ledger, and also because the present ledger is inadequate to handle the records of the endowment funds, it is recommended that a new ledger and cash book be opened. It is further suggested that separate accounts be opened for each type of security, one account for interest and one for principal. These accounts should be checked at least annually with the custodian of the fund, the Boston Safe Deposit and Trust Company, to insure their being no unnotified changes in principal accounts.

TEWKSBURY STATE HOSPITAL AND INFIRMARY

General: The notes and comments which follow demonstrate that the financial records at this institution are loosely maintained, and examination disclosed that numerous inaccuracies existed and there was a general disregard of accounting principles and state financial regulations.

Cash Book: Audit was started on March 25, 1946 and it was immediately noted that daily postings had not been made since February 28, 1946 on state, patients or Community Store cash books. As a result of this condition, although the cash on hand was counted and bank statements obtained on March 25, 1946 the Community Store cash could not be balanced until March 26, 1946.

It is recommended that postings shall be made to the various cash books to record transactions on the same day that they occur and that receipts and disbursements of cash shall be entered at the same time the cash is received or paid out.

Bonding of Employees: Clerks employed in the office of the Treasurer handle money in connection with their duties, and it was noted that these employees are not bonded.

State Accounts, Over and Short Fund: In reconciling the cash on hand on the date of audit it was found that there was \$1.70 on hand which had not been recorded. The Treasurer stated that this amount represented accumulated overages in various accounts and that the fund was maintained to make up shortages that might occur. The institution was notified that this procedure was contrary to regulations and the full amount of \$1.70 was turned over to the State Treasurer as income.

State Accounts, Telephone Refunds: In the cash, \$14.66 in coin was found in three envelopes which had not been recorded on the cash book and represented refunds on account of personal telephone calls made by institution employees. The money had accumulated over a period of several months. Upon recommendation of this department, the money was sent to the State Treasurer.

It is recommended that in the future such transactions be entered promptly in the cash book and turned over to the State Treasurer immediately thereafter.

State Accounts, Accounts Receivable: Balances totaling \$1,656.08 representing 190 accounts were found in the accounts receivable. Most of these charges result from professional medical services on account of emergencies. An examination of the medical records showed further incidents where medical services had been rendered for which no charges had been made. These services included first aid treatment of accident cases and X-rays. When called to the attention of the Treasurer, it was explained that the reason that these cases had not been billed was due to the fact that addresses of the persons treated were not available.

It is recommended that, in the future, medical records include the address of the person treated.

Included in the balance of accounts receivable was an item "Board of Inmates, Charitable, State Infirmary" with a balance of \$117.82. No further explanation of this account was included and the person or persons to whom these charges were made could not be identified. Several instances were noted where charges for services were not made until four months after the services were rendered. This is probably one of the reasons why the institution has incurred so many small unpaid accounts.

It is recommended that some effort be made to collect the fees at the time the service is rendered and that all accounts over one year old be referred to the Attorney General for settlement.

Patients' Funds—Bank Deposits: The last audit report commented on the fact that Patients' Funds totaling \$15,000.00 to \$16,000.00 had been deposited in one bank. The report recommended that these funds be split up and deposited in several banks.

Attention is called to the fact that deposits in banks are insured to a maximum of \$5,000.00 by the Federal Deposit Insurance Corporation. On April 9, 1946, after the start of this audit, \$7,500.00 was withdrawn from deposit with the Union National Bank of Lowell and an account opened in that amount in the Appleton National Bank of Lowell. It will be noted that despite this transfer of funds there still remains in each bank approximately \$7,500.00.

It is recommended that further transfers be made to bring each deposit under a maximum of \$5,000.00.

Patients' Funds—Withdrawal by Patients: The last audit report commented on the fact that proper control had not been established over the withdrawal of funds by patients. The report read in part:

"The withdrawal slips at the present time are signed by the patient, nurse, or social worker, usually for the sum of 50 cents weekly. The money is put in a sealed envelope and given to the nurse or orderly to distribute.

"It is recommended that these slips be serially numbered and the balance noted to eliminate overdrafts of the patients account. The overdrafts were due to the fact that there was no clerk on these funds for three or four months.

"At the present time these slips are not numbered and are distributed loosely in the various wards."

Some attempt has been made by the institution to follow this recommendation. The slips are still distributed loosely in the various wards, however, a number is written on the slip in the Treasurer's Office at the time the amount is posted to the cash book although this number is not inserted in the cash book.

It is recommended that these slips be printed and serially numbered by a printer and that the printed number be inserted in the cash book at the time of posting.

Overdrafts in patients' accounts ranging from \$.05 to \$17.32 were noted during this audit. The total of these overdrafts was \$75.85. This department can make no suggestion as to how these shortages can be recovered, however, it is obviously the duty of the institution to correct this situation without further delay and without loss to the remaining patients.

Patients' Funds—Savings Accounts: On date of audit there were 42 savings bank accounts in the custody of the institution's Treasurer with balances totaling \$8,234.78. It is recommended that an account be opened in the general ledger to record transactions in these accounts.

Canteen Accounts—Reconciliation: A complete physical inventory of the merchandise available for sale in the Community Store was taken on the date of audit. Reconciliation of the sales for the audit period showed an overage of \$518.78, and it was also noted that an overage of \$1,028.56 existed at the time of the last audit.

The Purchases Marked to Selling Price column was footed, and an error of \$900.00 was found in the month of August, 1945. This error was brought to the attention of the Treasurer and when the correct total was used in reconciling the sales it resulted in a shortage of \$381.72 for the audit period. Errors were also found in the calculating of selling prices.

Canteen Accounts—Loss of Discounts: Examination of the cash book indicates that payments of bills are usually held until the last day of each month. This practice has often resulted in the loss of discounts. A rebate of \$168.22 was found which the Treasurer explained as a refund from one firm for discounts which the institution had failed to take.

Canteen Accounts—Federal Taxes: Failure to pay a Federal tax on sales of toilet articles resulted in a penalty charge of \$15.53 and interest of \$6.55 which was charged to Operating Expenses.

Canteen Accounts—Ledger Account: A ledger account for Social Security and Withholding Taxes has been labeled "Accounts Receivable."

Canteen Accounts—Daily Variations in Cash: Cash register readings were checked with the cash book for the period from April 1, 1945 to March 31, 1946, and it was noted that practically in every instance the amount shown by the cash register tape did not agree with the entry in the cash book. The difference for the period amounted to \$63.89 on account of overages and \$99.60 on account of shortages.

Canteen Accounts—Bonds: It was noted that the three clerks employed in the canteen are not bonded.

Canteen Accounts—Duplicate Payment: It was noted that during the audit period the canteen received a check for \$81.92 as a result of a payment for goods which had been duplicated by the institution.

Canteen Accounts—Cash Balance: It was noted that the cash balance of the Community Store account on date of audit was \$6,631.33. Of this amount, \$6,245.00 was on deposit in a checking account with the Union National Bank

in Lowell. The average bank balance in this checking account for twelve months ending March 31, 1946, was \$5,798.87. Obviously there is no need for maintaining such a large balance in a checking account, and it is recommended that part of this cash be transferred to a savings account in order that interest payments will be earned for the further benefit of the Community Store Fund.

Farm Accounts—Herd Books: It was noted that there were no sheets maintained in the herd books for bulls. Bulls are considered a part of a herd and are included in inventories. It is recommended that a sheet be opened in the herd book for each bull.

Farm Accounts—Horse Book: It was noted that there was no horse book maintained at this institution. It is recommended that this record be set up.

Farm Accounts—Census Reports: The 1944 monthly census report shows 52 deaths among calves and that 12 cows also died during the period. Thirty-six cows were slaughtered and used for beef. The December 1944 census report showed a shortage of 15 turkeys and 20 pigs. The head farmer explained the high death rate among calves in 1944 had been due to an epidemic of white scours. The average milk production for a cow was 7,438 pounds in 1944 and 8,386 pounds in 1945.

The monthly census reports consists only of a pencil copy and they are not approved by the Superintendent. It is recommended that in the future these records be kept in ink and approved by the Superintendent in the space provided for his signature.

DEPARTMENT OF MENTAL HEALTH GENERAL DEPARTMENT

Patients in Family Care: This income has ceased to exist as a departmental function. Such cases are now handled by the individual State hospitals and income accruing therefrom is included with the regular hospital income.

Unpaid Institution Board Accounts Referred to the Attorney General: When the department is unable to collect an account or there are considerations which require legal counsel, these cases are referred to the Attorney General. This fact is noted on the ledger card in red ink together with the date of that reference. The amount referred for collection is not noted on the ledger card and in some cases the charges are increased at a date subsequent to the accounts being referred. The ledger cards representing those cases which have been referred to the Attorney General for collection are kept in a separate file. When the Attorney General settles a case the money is forwarded to the Department. If it is determined by the Attorney General that a case is uncollectible, he so notifies the Department and this constitutes the authority for the Department of Mental Health to cancel the charge.

Attention is again called to case No. 19184 who was a patient who died at the Westborough State Hospital May 1, 1940. A bill for \$600.00 has been rendered to the administrator of his estate for board at that institution. A bankbook on the Londonderry Savings Bank of Londonderry, Ireland, has been sent to a Solicitor in Londonderry by the Attorney General. This book is in the name of the decedent and shows a balance of 174 pounds, 18 shillings and 6 pence.

Patients' Board—Ledger Accounts: The ledger accounts for board of patients are governed by various memoranda, usually in pencil, rather than by official postings. As a result of these procedures, the informal method of writing off outstanding charges and the failure to record certain journal entries originating with the various institutions or the Comptroller's Bureau, certain inaccuracies have developed. For these reasons the ledger balances are obviously incorrect.

The following instances are examples of the differences noted:

Ledger account—Danvers 37794 outstanding	\$149.00
Trial balance—outstanding	180.00
	<hr/>
Unexplained difference	\$31.00

Ledger account—Danvers 35163 outstanding	\$370.38
Trial balance—outstanding	371.00
Unexplained difference	\$1.00
Ledger account—Boston State 41710 outstanding	\$110.00
Trial balance—outstanding	
This account was transferred to Danvers, but the Boston State accounts were not credited with the transfer.	
Ledger account—Metropolitan 3388 outstanding	\$18.00
Trial balance—outstanding	
Unexplained difference	\$18.00
Ledger account—Worcester 36079 outstanding	\$633.49
Trial balance—outstanding	633.49
The Division authorized this case as non-payable January 25, 1939	
Ledger account—Fernald School 8205 outstanding	\$5.53
Trial balance—outstanding	5.53

Case Histories: In connection with checking the admissions appearing on the weekly returns from the several institutions to the case histories on file in the Division of Probate and Support in the Department, it was again noted that in certain instances the typed case histories were not in the files. An attempt was made to locate the missing histories by searching through the files of the several investigators in the division, as well as in the alphabetical section, without a great deal of success. Apparently, the investigators carry many of the unlocated histories about with them on their regular daily visits. These histories are given to the investigators in the order of the locality in which a patient resides, as each investigator is assigned a certain section of the state to visit. In some cases the histories might be in the investigator's personal file, but apparently there is no way of knowing definitely where the histories are located. The final decision as to whether a patient is a reimbursing case and the rate of reimbursement to be charged often requires considerable time be spent by the investigator and might not be reached for a number of weeks, and the investigator might have the histories with him all this time. Difficulty has always been experienced in locating the case histories and it seems necessary that some method of indexing be adopted by the Department which will facilitate the finding and examination of these missing histories. Out of 724 cases checked, 400 were missing from the files.

Charges Discontinued on Six Months Delinquency: There appears to be a custom apparently unsupported by authority to discontinue billing when an account is six months in arrears. If the delinquent payments are made the billing is resumed. It has been previously recommended that all billing continue until the account appears on an official discontinuation list. As this recommendation has not been adopted, attention is again called to it.

Official Discontinuation Lists: It was formerly the custom to set up quarterly discontinuation lists which included those persons the Division considered could or should not pay. These lists were signed by the Commissioner. For this audit period such discontinuation lists have not been set up. Charges were either dropped by the clerk without authority or they were continued without further billing. If this department has the authority to write off its outstanding accounts then such authority should be expressed in each case, either by the Commissioner or by his duly delegated representative. The financial clerk should have official information of all such alterations in the form of journal entries.

Check of Receipts, Board of Patients: It was noted that Wrentham State School credited \$18.22 to "Miscellaneous Income". This was a sum of money belonging to deceased patients formerly supported by the state. The department credited this money to "Board of Patients" as other institutions do in similar cases. The method of accounting should be uniform.

A check in the sum of \$415.00 was drawn by the department to the order of the Gardner State Hospital. This check was mailed in error to the Foxborough State Hospital, credited by them and cleared through their bank account. This money was account "Board of Patients" and had not been corrected as of the day of audit.

Bid and Specification Deposits: Previous audit reports have recommended that a time limit be fixed for the return of deposits made on account of plans and specifications and that in cases where a bidder does not request the refund of his deposit within such time limit, the deposit be declared forfeited and turned over to the State Treasurer as departmental income. No specific time limit has as yet been fixed for the return of deposits to bidders without forfeiture.

A balance of \$5.00 was on hand on account of deposits on plans and specifications on the date of this examination. It is again recommended that in case of future deposits account of plans and specifications a definite time limit be fixed by the Department during which bidders shall request the return of their deposits without forfeiture.

Wages of Supervised Girls: Individual wage accounts are carried on ledger cards for the supervised girls who are working and receiving wages. These sheets show the name of the girl, name of employer, rate of pay, the monthly record of time which the girl has worked, the money earned and the date when it has been received at the Department. A multigraphed form is mailed to each employer on the first day of the month, which, when filled out and returned by the employer, shows the amount the girl has earned and how much has been spent for her by the employer. Any money which remains is forwarded to the Department and deposited in the girl's savings bank account. Previous audit reports have recommended that the Comptroller's Bureau be requested to install an individual record account for the supervised girls' wages, but as yet no such control has been set up.

A previous audit report cited the case of a supervised girl, Miss S. J. — Employer Mr. B. — January 3, 1936 to December 23, 1936 in which the employer owed her the sum of \$66.00 for wages. This account had been referred to the Attorney General for collection. A copy of a letter from Ralph Rogers, Assistant Attorney General to the Second Assistant Commissioner, dated December 18, 1943 determines this account to be uncollectible. Accordingly the account was written off the books of the department.

War Bonds and Stamps: War Bonds and Stamps belonging to the supervised girls held in custody by the Department are not recorded. A control account governing these items should be set up and maintained.

Patients' Cash Account: This account is inflated by the sums of money owed the girls by the employers. Accounts receivable should be kept separate from the cash account.

Alterations: All alterations in the girls' accounts should be governed by journal entries.

Numerical Control: Numerical control of bills to employees would give a better control of these accounts.

Collection Cost per Dollar of Institution Income: A statement was prepared showing the collections account of board for the 1943, 1944, and 1945 fiscal years in relation to the cost of maintaining the Division of Probate and Support for those years.

This statement shows that the collection cost per dollar was as follows:

Year	Collection Cost per Dollar
1943	\$.036
1944 . . . . .	.036
1945 . . . . .	.035

BELCHERTOWN STATE SCHOOL

Cash: It is recommended that the amount of \$20.30, representing an uncashed check in the pay roll checking account, be turned into the State Treasury as an unpaid check.

Repairs and Renewals: There were two projects in this section of the 1945 Maintenance Appropriation:

(1) Painting Exterior—Industrial Buildings—This project was discussed with the Institution Maintenance Foreman, who advised that work on this project would be done in the spring of 1946. Shortage of help and other work which had to be done prevented working on this project.

(2) Dishwashing Machine: The amount of \$647.50 was set up as an Accounts Payable item of June 30, 1945. Materials had not been received on January 14, 1946.

Materials and Supplies: Adjustments made during the period were examined and the adjustments made in the accounts of the Meat Section of the stock ledger were tabulated. This tabulation showed the following adjustments.

Fresh Beef: The only adjustment in this account was a shortage adjustment of 443 pounds made in October 31, 1944.

Corned Beef: There were two overage adjustments made in this account:

June	30, 1945	833 pounds
September	30, 1945	301½ pounds

Fresh Pork: There were two shortage adjustments made in this account

October	31, 1944	262¾ pounds
April	30, 1945	179½ pounds

Veal: There were two shortage adjustments made in this account:

October	31, 1944	2 pounds
March	31, 1945	3 pounds

There were no adjustments made in the following accounts:

Salt Pork
Frankforts
Bacon
Ham

All of the above accounts are constantly active with receipts and issues of merchandise being recorded, and it is felt that the adjustments made on the accounts as shown previously, and the lack of adjustments in the four other accounts do not reflect the normal gains or shrinkages in the accounts.

Advance Extract DMD No. 1—1938 from the Business Agent of the Department of Mental Health states in part:

"Physical inventories of all stock items will be taken monthly, and adjustments made at time of inventory."

It is understood that physical inventories are taken each month, but a review of the adjustments made during the period clearly shows that adjustments are not made.

The taking of a physical inventory without adjusting variances noted by the inventory is ineffective, and proper control of inventory items cannot be maintained. Evidence of this lack of proper control was noted in the reconciliation of the physical inventory taken January 30, 1946, as shown by the analysis of the following two accounts, which are used as examples.

Carrots No. 10 Home Made: The only entries in this account were the products canned by the institution during August, September and October 1945, yet on the inventory of January 30, 1946 there was an overage of 101 units.

Cans for Canning: The last entries in this account were issues during October 1945 and the physical inventory of January 30, 1946 disclosed a shortage of 432 units.

The conditions noted above were discussed with the institution steward together with other variances found by the physical inventory and it was suggested to him that a complete physical inventory be taken at the end of February 1946 and each month thereafter and adjustments made for variances found by the inventories.

While variances in the inventory may be in part, clerical errors, a co-ordination of the storeroom, stock ledger and office sections of the steward's office would reduce all variances. Adjustments made during the period under examination together with the variances noted by the physical inventories of January 30, 1946 aggregated \$2,985.53.

It is recommended that the Comptroller's Bureau issue instructions to have adjustments of inventory variances be recorded in the Materials and Supplies account in the General Ledger.

Accounts Payable: In accordance with instructions from the Comptroller dated June 6, 1945, the institution submitted items aggregating \$1,725.40.

Closing entries for the year 1945 were received from the Comptroller on August 24, 1945, among which were two entries adjusting the amount of \$1,725.40, as submitted by the institution to \$1,582.37; the difference being, the amounts of two invoices paid by the Comptroller in 1945.

On December 31, 1945 the balance in the Accounts Payable account in the General Ledger was \$524.91, with outstanding obligations amounting to \$669.55. It is recommended that the Comptroller provide the necessary entries to correct this account.

Farm: Comptroller's Bureau instructions to institutions for maintenance of farm records have not been followed. Based upon these instructions the following sections of the annual Farm Report for 1944 were not in agreement with the financial records of the institution treasurer:

Sheet 1	Recapitulation of Farm Materials and Supplies
Sheets K-L-M	Farm Sales

The instructions were discussed with farm department personnel and the Head Farmer. It was understood that the instructions were not on file in the farm office. When a copy of the instructions was furnished to the farm department, it was stated that the farm records would be maintained in accordance with the instruction.

An examination of the annual farm report showed that the Farm Co-ordinator of the Department of Mental Health included Milk Shrinkage \$1,316.90 and Milk Spoilage \$44.11 as Cost items on Sheet D, "Dairyland Milk Productions". However, there were other shrinkage items amounting to \$1,587.12 and spoilage items amounting to \$440.32 not included among the costs on the respective project sheets.

Paroled Patients' Funds: No examination was made of this section of the institution activities. However, a survey of the methods in use at the institution for supervision of this activity was made and it was discussed with the superintendent and with the institution social worker.

Paroled patients are permitted to keep their bankbooks in their possession; the bank accounts being in the name of the Belchertown State School as trustee. Deposits are made by the patients but withdrawals cannot be made without the approval of the superintendent or the assistant superintendent.

Quarterly reports are required from each employer, showing the amount of earnings paid to the patient; the amount of expenditures made by or for the patient and the amount of the savings deposited by the patient. Each quarter the bankbook is submitted to the institution by the patient for verification.

Apparently there is no uniform method established for recording this type of activity in the three institutions of this type in the Department of Mental Health, and it is therefore recommended that the Comptroller review this section of the three institutions activities, so that a uniform method of recording earnings of paroled patients will be a part of the financial records of each institution.

BOSTON PSYCHOPATHIC HOSPITAL

Superintendent: Attention is called to Chapter 486 of the Acts of 1938, which reads in part as follows:

“. . . Said trustees, with the approval of the department, shall appoint a superintendent. . . .”

It was noted that since the date of this Act no superintendent has been appointed and only as recently as December 1, 1945, was an assistant superintendent appointed. The wording of the Act is obviously mandatory and it is not optional with the trustees as to whether or not a superintendent shall be appointed. It is recommended that this Act be immediately complied with.

Accounts Receivable: It was noted that the balance shown in the active accounts receivable as of the end of each fiscal year since 1941 was as follows:

11-30-41	. . . .	\$10,734.09
11-30-42	. . . .	19,513.95
6-30-43	. . . .	27,140.72
6-30-44	. . . .	42,680.50
6-30-45	. . . .	50,224.63

It is obvious from this listing that either the methods of determining charges for board of patients or the manner of collecting these charges is not effective.

The comments contained in the audit report of this institution every year have covered, at great length, correspondence between hospital officials and department officials regarding this problem. The net result of all this correspondence, as is evidenced by this listing of the accounts receivable balance, is, that the condition has not been corrected, and, as a matter of fact, has grown steadily worse.

There are no statutory limits to the rates charged for board in this institution as in most other state institutions. The charge is determined by the executive officer and any later adjustments in the charges for board are approved by this same officer. As a result of this arrangement, charges for board at this institution vary between \$2.50 and \$60 per week.

During the course of this audit we have made no attempt to analyze or examine the methods used at this institution to collect payments account of board. This department is of the opinion that if the amounts charged are fair, reasonable and equitable, great pressure should not be necessary to collect these accounts.

During the course of the audit, verification notices were sent out on approximately 10% of the accounts receivable. On this verification notice was plainly marked in red “THIS IS NOT A REQUEST FOR PAYMENT.” Also in large red letters on the bottom of the verification notice are the words “DO NOT SEND PAYMENT TO THIS OFFICE.” Despite the fact that these two statements are included on the verification notice, several checks were forwarded to this office in payment of accounts. Obviously there are other cases in the accounts receivable where further notification of the indebtedness would probably result in payment of the charges. It therefore follows that despite the voluminous correspondence between the institution and the department with regard to these old accounts, the institution has failed to attempt correction at its source, that is, by correspondence with the persons involved.

In this connection also it is worthy of comment that on January 2, 1946, the following accounts receivable were carried in suspense:

a/c 1941 Board of Patients	\$36.86
1940 Board of Patients	5,736.61
1939 Board of Patients	4,473.92
1938 Board of Patients	6,238.03
1937 Board of Patients	4,512.23
1936 Board of Patients	2,603.67
1935 Board of Patients	2,626.87
1934 Board of Patients	2,438.35
1933 Board of Patients	55.58
1932 Board of Patients	14.00
1930 Laboratory Charges	4.00
1929 Laboratory Charges	2.00
1928 Board of Private Nurse	28.00
	<hr/>
	\$28,770.12

The amount shown herein of \$28,770.12 agrees exactly with the amounts carried in the same suspense accounts on November 30, 1941. Those accounts were turned over to the Division of Probate and Support in the Department of Mental Health in 1941, and since not even one collection has been reported, it is an obvious conclusion that nothing has been done in connection with their collection or adjustment in a period of more than four years.

A letter dated July 7, 1942, from the Commissioner of the Department of Mental Health to the Chairman of the Commission on Administration and Finance included the following statement in regard to a comment in an audit report issued by this department:

"The department (Mental Health) is not satisfied with the collections at this institution and is at the present time making a comprehensive study of effective methods of collections of these many comparatively small accounts."

This department has not been advised of the results of this study, but its effectiveness may be judged by the fact that the total accounts receivable have climbed from \$19,513.95 in 1942 to \$50,224.63 in 1945.

It is recommended that:

- (1) the institution cease setting up in their accounts receivable impractical or uncollectible charges for board,
- (2) the institution so organize its office that charges for board may be properly and promptly presented to those responsible for paying these charges, and
- (3) the accounts now in suspense amounting to \$28,770.12 that have been in the hands of the Division of Probate and Support of the Department of Mental Health be turned over to the Attorney General for disposition.

Maintenance Stores: A complete physical inventory was taken on January 2, 1946. As a result of this stocktaking it was seen that there was a net shortage of .16%. During the audit period adjustments were made on 75 items, overages of \$493.74 and shortages of \$185.31.

Canteen Bond: Item 6 of Regulation No. 14 of the Handbook of the Department of Mental Health, dated 1944, relates to the bonding of employees working in the canteen and reads as follows:

"Suitable bond shall be required for employees regularly working in the Canteen and for the treasurer in charge of the Canteen Fund. The cost of such bonds will be paid from the Canteen Fund."

The canteen began operations on November 16, 1945.

The bonding of the canteen treasurer in charge of the Canteen Fund for \$2,000.00 and the senior clerk and stenographer (canteen caretaker) for \$1,000.00 did not become effective until December 20, 1945.

Board of Patients: In connection with a verification made of board charges it was noted that patient No. 45907 was admitted to this institution on February 4, 1945 and discharged on March 7, 1945.

The records showed that the person apparently responsible for the care of this patient agreed to pay for his care at the rate of \$10.00 per week.

No charge was seen in accounts receivable ledger for this account.

This matter was called to the attention of the treasurer who sent a bill on January 31, 1946, to the person who assumed the obligation for this charge in the amount of \$44.29.

Patients' Valuables: Section 39B of Chapter 204 of the Acts of 1932, which was further amended by Section 30, Chapter 291 of the Acts of 1936, relates to the disposition of unclaimed belongings at certain state hospitals known as "Patients' Valuables". This statute is also included on page 28 of the Handbook of the Department of Mental Health which was issued in 1944. This Act in substance provides for the disposition of patients' valuables by public sale under certain conditions if such valuables remain unclaimed for more than one year.

There are in the Treasurer's Office at this institution four large file drawers containing approximately 479 envelopes. Each envelope holds the valuables of a single patient. The contents of these envelopes represent the personal property of patients who are deceased, discharged, or transferred, and the property in each case has remained unclaimed for more than a year. Many of these envelopes were more than ten years old and some date back to the years 1913, 1914, 1918, and 1919. It is recommended that the institution comply immediately with the provisions of the Act.

Patients' Bankbooks: It was understood from the Treasurer of this institution that an index of patients' bankbooks was being kept. The patients' ledger account card which records any money or checks belonging to the patient serves also as an index to the bankbooks on hand.

An examination of these cards showed there were no bankbooks on hand on January 2, 1946.

A search of the files showed the following bankbooks in the possession of the treasurer:

Patient's No.	Bankbook No.	Name of Bank	Date Admitted	Balance Jan. 2, 1946
47088	6393	Brookline Federal Savings & Loan Assoc., Brookline, Mass.		
		—Savings Share Acct.	Dec 21, 1945	\$2,995.32
47059	9-54220	The First National Bank of Boston—Savings Dept. Up-town office	Dec. 9, 1945	390.06
47026	15-28486	First National Bank of Boston	Nov. 29, 1945	199.42

To locate these bankbooks involved the searching of the "valuables" files for every patient now in the institution who has property in the treasurer's office.

This institution has a moral if not a legal responsibility to protect the funds of patients in their custody. Obviously this institution is not accepting that responsibility. It is recommended that a control be set up for patients' bankbooks so that the financial interests of the patients might be adequately protected.

Funds of Discharged Patients: It was noted that funds of 14 discharged patients amounting to \$10.83 which were on hand at the time of the previous audit and were seven years old on that date had been transferred to the State Treasurer during the current audit period. Funds of 9 patients totaling \$6.00 were on hand on the date of the current audit which were seven years old or more and had not been turned over to the Department of Mental Health.

Funds of Patients Transferred: It was noted that funds of two patients who had been transferred to other state institutions several years ago were on hand on date of audit.

BOSTON STATE HOSPITAL

Special Pay Roll Bank Account: The previous two audit reports stated:

"The special pay roll bank account was not reconciled because the institution had not completed its own reconciliation since September 1942. A like situation was noted at the time of the previous three examinations. It is again suggested that an effort be made by the institution authorities to reconcile this account. The necessity for correctly reconciling all bank accounts is obvious and is very important in connection with maintenance of accurate accounts."

In this connection it was noted that this account is now in reconciliation, but the differences noted in the aggregate amount of \$50.73 have not yet been adjusted.

Stock Ledger Balances: It was noted in checking the stock ledger balances that several sales were made during the audit period to other state institutions for \$1.00 and recorded as income, when no corresponding entries were made on respective stock ledger sheets to reduce the balances. The balances left were to be reduced by subsequent issues, which is contrary to proper accounting principles.

It is recommended that proper journal entries be passed through the records.

Patient's Trial Balance: It was noted in taking the trial balance of the patients' individual accounts that there were approximately 500 ledger cards of discharged patients with balances ranging from \$.01 to \$150.00. The reason given for the large number of discharged patients' ledger cards being allowed to accumulate was explained by the institution authorities as caused by patients being allowed to leave the institution without calling at the treasurer's office for their personal property. In several instances after patients' were discharged, they have reported their bankbooks lost, and upon verification of the bankbook left at the institution the accounts were properly closed.

It is recommended that proper steps be taken to have all patients when discharged call at the treasurer's office for their personal belongings. This would eliminate extra handling of all the patients' ledger cards, bankbooks and other personal property, which is now cluttering up the files of the treasurer's office and it would also safeguard the patients' interest.

It was further noted that 50% or more of the 3,000 ledger cards in the active files are inactive.

Patients' Accounts—Uncashed Checks: There were several checks some of which date back several years which have not been endorsed by the patient and consequently have not been deposited for payment. The reason given is that the patient refused to endorse the checks. During the audit period the Department of Mental Health had sent to the institution two checks, one for \$150.00 dated May 15, 1944 — which apparently they have been holding since that time—made payable to a patient at the institution; also one for \$50.00 drawn by the Department of Mental Health made payable to the treasurer or the patient requesting the treasurer to hold said checks until the patient died.

No reason is seen for this arrangement. It would seem as though the checks could be deposited and the proceeds credited to the patients' accounts with the stipulation that no withdrawals to the extent of the amounts indicated be allowed.

This suggestion is in accordance with Regulation No. 9 second paragraph of the Handbook of the Department of Mental Health.

Patients' Personal Property Files: The patients' personal property files are so overloaded, that time would not permit a thorough examination.

It is suggested that the files be cleared of the personal property of all discharged patients through the means provided by statute.

Patients' Fund Trial Balance: In taking the trial balance of the patients' individual accounts as of June 5, 1946 it was noted that a difference of \$62.14 still existed between the individual ledger cards and the balances called for by the cash book. This amount has now been entered in the "Patients' Fund Suspense Account."

Canteen Account: A complete physical inventory of merchandise available for sale in the canteen was taken on June 5, 1946. After taking into consideration certain necessary adjustments it was noted that there was a difference between the physical and book inventory in the amount of \$340.05, this amount represents a shortage, which is equivalent to 3% on sales.

FOXBOROUGH STATE HOSPITAL

Patient's Funds: It was noted that the entire patients' funds totaling \$7,300.25 was in a checking account in the Foxborough National Bank. It was pointed out to the treasurer that this arrangement did not provide a maximum of safety. \$6,000.00 of this fund has now been transferred to savings accounts with the approval of the department and superintendent.

Canteen Fund: A preliminary tie up of the book and physical inventories revealed an average of \$.64. However, after an examination of the selling prices of the bills and the cash book footings, a difference of \$42.70 was noted making a shortage of \$42.06.

Accounts Receivable Ledger: The accounts receivable ledger has no control account. A sale of barrels in April has not as yet been charged to accounts receivable.

Farm Reports: This farm uses no horses, operates no dairy and keeps no swine. Most of the milk used is purchased from the Wrentham State School, and this school also receives the garbage for the hauling.

The 1944 farm report shows a production credit of \$209.20 for hen manure. There appears to be no record of its use of this manure or of its appearance in the inventory at the end of the year.

Hay Fields: In 1945 the costs of production decreased \$277.00 while production increased from 23 to 57.2 tons. The 1944 crop was principally timothy valued at \$20.00 per ton, while the 1945 crop was mostly green feed, all of which was sold to Wrentham State School.

Gardens: The production costs varied but little both years, but in 1945 production increased 202,000 lbs. over 1944.

Orchards: Production costs fell off \$368.00 in 1945. Most of the fruit crop was a dead loss in this year due to late frosts. However, an unusually large crop of strawberries more than made up for the loss of the other crops, causing an increased profit of \$340.00 over 1944.

Poultry: Costs decreased \$878.00 in 1945 while production increased \$381.00 changing a loss of \$354.00 in 1944 to a gain of \$915.00 in 1945.

Shrinkage and Spoilage: The following figures of shrinkage and spoilage appear excessive:

		1944	1945
Carrots	1943 crop . . .	29.8%	
Celery	1943 crop . . .	26.5%	
Onions	1943 crop . . .	27.4%	
Parsnips	1943 crop . . .	19.3%	
W. Squash	1943-4 crops . . .	16.6%	
Turnips	1943 crop . . .	39.2%	
Beets			
Onion Sets			
		1944 crop . . .	9.31%
		1944 crop . . .	55.3%

Egg production in 1944 averaged 240.4 eggs per hen, per year while in 1945 the average was 237.98.

Patients' Funds Accounts: A trial balance of the patients' funds cards was taken and proved to the cash balance on May 6, 1946. The bank account was reconciled.

Canteen Accounts: A complete physical inventory of the merchandise available for sale was taken and receipts account of sales were verified in this way. A loss in inventory of \$42.06 for the period was noted in relation to sales of \$8,569.23 or approximately .49%.

Bond Deposit Fund: A trial balance of the ledger cards was taken and proved to the cash balance on May 6, 1946. Receipts were traced to pay roll deductions and disbursements to canceled checks.

GARDNER STATE HOSPITAL

The farm report for the 1945 farm year had not been compiled, and, consequently, was not examined.

MEDFIELD STATE HOSPITAL

Sales of Rendered and Rough Grease: With exception of a sale of 750 pounds of rendered grease made on March 26, 1946, the institution's financial records do not report income from this source during the current audit period.

Farm Records: The farm records for the year ending December 31, 1945 had not been closed on date of audit, consequently these records were not examined.

Savings Bank Books: On date of audit the patients' savings bank books on file in the treasurer's office had not been sent by the institution for verification since the 1938 year.

Inventory Discrepancies: Records on file in the institution's treasurers office show that for the fiscal year ending June 30, 1945 there was a discrepancy of \$664.48 in the canteen's physical inventory and for the period from July 1, 1945 to March 31, 1946, there was a discrepancy of \$452.35 in the physical inventory. In both of the referred to discrepancies the physical inventory was less than the book inventory.

Monthly reports submitted by the institution to the Department of Mental Health show constant discrepancies in the canteen inventories.

Surety Bonds: The two employees who are assigned to the canteen are covered by surety bonds in the amount of \$1,000.00 each.

Cash Balance: On date of audit (April 1, 1946) there was a cash balance of \$11,711.72; there were no outstanding accounts payable as of that date.

METROPOLITAN STATE HOSPITAL

Income: It was noted that income received at this institution is deposited with the State Treasurer at the end of each month. Chapter 30, Section 20, of the Tercentenary Edition of the General Laws reads as follows:

"Section 27. Except as otherwise expressly provided, all fees or other money received on account of the commonwealth shall be paid daily into the treasury thereof, but if in the opinion of the commission on administration and finance and the state treasurer the interests of the commonwealth require, payments may be made weekly in accordance with such rules and regulations as the state treasurer may prescribe."

It is recommended that income be deposited in accordance with this statute.

Check Not Entered on the Records of the Department of Mental Health: On October 29, 1945, a check for \$159.38 representing balances in the accounts of twenty eight deceased patients was sent to the Department of Mental Health for deposit. On December 26, 1945, an attempt was made to trace this check to the Department of Mental Health and no entry could be found recording its receipt. The check was later found in a tray of unrecorded receipts. It is obvious, therefore, that the check was in the office of the Department of Mental Health approximately two months without being recorded.

Livestock Reports: The inventory on file at the institution showing the census of livestock recorded on December 31, 1944, showed that there were 1,025 hens and no chicks at the institution. An analysis of the individual monthly census reports for the twelve months ending December 31, 1944, showed that the inventories should have been 1,343 hens and 110 chicks. The difference, therefore, amounted to 318 hens and 110 chicks and this difference was not accounted for by the institution.

In addition to this unaccounted for difference it was noted from the institution's monthly census report that 106 hens and 250 chicks had died from disease during the 1944 farm year.

Requisitioning of Beef: When beef has been received at this institution from another state institution, it has been the practice to immediately issue a requisition covering the full amount of beef even though all or part of the beef is still retained in the storeroom. On November 3, 1945, this institution received 2,609 pounds of beef from the Taunton State Hospital. A requisition for the full amount of this beef was issued dated November 9, 1945. Actually 1,400 pounds of beef was corned and remained in the storeroom, and of the 1,209 pounds remaining, 582 pounds were still on hand in the storeroom on the date of audit. A quantity of corned beef was also on hand at the time of inventory and this apparently was what remained of the 1,400 pounds which had been corned on November 9, 1945.

The physical inventory of beef on date of audit was 1,847½ pounds compared with the book inventory of 837½ pounds. It was also noted that there was an overage of 1,035 pounds in an inventory dated October 31, 1945, taken by the institution's employees. Postings to the stock ledger were verified and it was found that an error of 274 pounds was due to duplicate postings and clerical errors.

It is recommended that requisitions indicate only the amounts actually issued from the storeroom and in no event should beef be issued on a requisition and held in the storeroom since inventory control is thereby lost.

It was also recommended that a corned beef account should be opened in the stock ledger, and it was noted that on December 15, 1945, this recommendation had been complied with.

Variations in Coal Inventories: The minutes of the trustees' meeting dated June 21, 1945, reads as follows:

"Dr. Gaebler reported that coal received during the past year and the records do not agree—this is undoubtedly a result of an inefficient weighing system. The hospital should have new scales."

An examination was made of the bituminous coal account and on a contract dated April 4, 1944, an analysis showed that 6,573 tons of coal had been purchased and that 6,139 tons had been consumed. This was verified from a record kept by the engineer of daily weights of coal used.

It will be noted that there is a difference of approximately 434 tons between the coal purchased and the coal consumed. Coal deliveries are made to this institution by truck. A delivery slip signed by a sworn weigher accompanies each load. The coal is signed for by an employee of the engineer's office although weighing facilities at the institution are not available to actually weigh the coal when received. Upon issuance, the coal is weighed as it is trucked from the coal pile for daily consumption. It was noted that the scale used for this operation is not sealed. A report of the Director of Standards dated August 28, and 29, 1944, stated that the scale was condemned. Since it will be noted that the scale was examined during the period in which the shortage occurred, it is entirely possible that the difference can be attributed to a faulty scale. It is understood from the Superintendent of the institution that \$500.00 has been requested as a repairs and renewal project for the repair of the scale.

No adjustment has yet been made to the stock ledger for the difference of 434 tons of coal.

MONSON STATE HOSPITAL

Nurses' Training School Fund: Attention has been called to this fund in previous audit reports which recommended that this fund revert to the State Treasurer. During the period under examination the only activity in this account was the receipt of interest on the savings account. In this connection an opinion was requested of the Attorney General under date of March 3, 1943, with reference to the disposition of this fund. The Attorney General's opinion reads in part:

"It appears that the fund in question should not be turned over to the State Treasurer, nor should it be applied at the present time to any particular use until such time as a judicial decree has been rendered with respect to its application."

It was noted that no further effort has been made by the institution to dispose of this fund.

State Cash: There was a variance of \$31.00 on December 5, 1945. A check which was deposited for collection on November 30, 1945 was returned by the bank on December 1, 1945 because of the lack of a signature. This check was returned to the drawer and no supporting entry was made on the records. On December 20, 1945 a check in the amount of \$31.00 was received by the institution and deposited in the bank account.

Materials and Supplies: Materials valued at \$18,144.86 were inventoried on December 5, 1945. Shortages of \$13.54 and overages of \$13.38—a net shortage of \$.16—was noted.

Farm Report: The previous audit report commented upon the fact that the farm report for the 1943 fiscal year had not been completed and was not available for audit in connection with that examination. On December 20, 1945 the farm report for the fiscal year January 1, 1944 to December 31, 1944 had not been completed. The comment in the previous audit report was discussed with the Head Farmer together with the 1944 fiscal year farm report. The Head Farmer stated that a shortage of farm help and sickness made it necessary for the farm employees to work overtime to maintain the farm. The Acting Farm Co-ordinator of the Department of Mental Health asked for the 1944 farm report on July 31, 1945 and September 28, 1945.

The annual farm report is the only report which shows all farm activities and if the report is of any value, it should be compiled as soon after the close of the fiscal year as possible. The annual farm report for 1943 was not completed, according to the Head Farmer, until about January 1, 1945, and the annual farm report for 1944 had not been completed as of December 20, 1945.

It is recommended that the Commission on Administration and Finance review this phase of the institution activities and establish a maximum time limit after the completion of a farm fiscal year for the submission of the annual farm report and that responsibility be placed with the Department of Mental Health to see that the report is submitted within the established time limit.

Patients' Funds: There was \$49.05 in funds of discharged patients and \$4.29 in funds of deceased patients on hand December 5, 1945.

Proof of Claims—Patients' Funds: Records of the institution show that a proof of claim for funds of a patient which were on deposit in a closed bank was sent to the Director of Liquidations of Banks on June 20, 1941. No dividends have been received on this claim.

Trust Funds: During the period under examination the institution received a bequest of \$300.00 under the terms of the will of Lucy G. Webber of Cambridge, Massachusetts.

NORTHAMPTON STATE HOSPITAL

Patients' Fund Cash Book: It was noted that the Patients' Fund cash book is closed at other times than the end of the month. It is suggested that the account be balanced on the last day of each month.

The previous report contains a recommendation that the Comptroller's Bureau set up a Trustee Account on the financial records of the institution for the control of patients' bankbooks. As this has not been done the recommendation is again made.

Accounts Receivable: Sales Slip book 14207 No. 15 covering a \$1.00 sale to the State Farm failed to pass through the accounts receivable. Sales book 10419 could not be found.

TAUTON STATE HOSPITAL

Maintenance Stores: The previous audit report stated:

"An attempt was made to take a physical inventory of the maintenance materials and supplies at this institution. Because of the lack of competent storeroom personnel this inventory, as taken, was accom-

plished with patients as assistants. As a result, the inventory was impossible of reconciliation with the stock ledgers and its value, as accounting expediency, was lost completely.

"It was learned that the person who last held the pay roll designation of permanent storekeeper entered the armed services in June 1943. Only recently, an individual has been designated on the pay roll as an assistant storekeeper, but it is understood that he is unwilling to accept the responsibility of functioning as storekeeper. The meat cutter has likewise declined the position of acting storekeeper. As a result, services of patients have been necessarily employed and the value of this type of employee from the point of view of placing responsibility is, of course, obvious.

"It is further understood that the institution authorities have made serious efforts to obtain competent employees but because of the prevalent employment difficulties, they have been unsuccessful to date. Needless to say, their problem is a serious one—and it is suggested that the Department of Mental Health be consulted relative to the necessary assistance.

"As a matter of record, it is also mentioned that the last complete inventory by institution personnel was taken on June 8, 1943. Since that time, however, only partial test inventories have been taken."

The same general conditions prevail in the storeroom as was reported in the previous audit report—lack of competent storeroom personnel. The test inventory taken February 27, 1946 resulted in no improvement over previous tests.

Transfer of Herd: It was learned that due to mastitis, and on the recommendation of the Farm Co-ordinator, all milk cows were sold to other institutions. The so-called young stock was transferred to other institutions and will be returned at a later date. Herd records were sent along with the cows.

Patients' and Canteen Funds: Large balances were noted in the checking accounts of the Patients' Fund and the Canteen Fund, so it was suggested that substantial amounts be transferred to savings accounts so that it would earn interest. This suggestion was immediately followed and on March 27, 1946, \$15,000.00 of the Patients' balance and \$3,500.00 of the Canteen balance was transferred to savings accounts.

Gift Fund: As Dr. O. J. Pollak is no longer an employee of the hospital, attention is called to the terms of the gift of the Dr. Lewis Michelson Research Fund, which reads as follows:

"I am enclosing a check for \$100.00, the same to be used by Dr. O. J. Pollak for research in the fertility work that he desires carried out."

It would appear that Dr. Michelson intended that only Dr. Pollak use this money. It is therefore advised that the hospital officials contact Dr. Michelson for clarification of the matter.

WALTER E. FERNALD STATE SCHOOL

Wage Accounts of Patients on Parole: Previous audit reports have stated:

"The system of handling the funds of paroled patients varies radically in each of the institutions in this group. It is suggested that the Comptroller's Bureau and the Department of Mental Health be requested to review the question of wages earned by patients on parole, and provide a uniform system, which will be acceptable to all concerned."

The last audit report indicated that this matter had been discussed with the Commissioner of the Department of Mental Health and that assurance was given at the time that the present arrangement would be studied and changes made. As of the date of this audit, no changes had been made.

In discussing the desirability of setting up wage accounts for patients on parole from this institution, it must be remembered that these are feeble-minded patients who could easily be imposed upon by their employers. This institution has a direct responsibility to see that those patients are receiving the agreed wages. Comments in the audit reports issued by this department dating back to 1941 have asked that the Department of Mental Health and the Comptroller's Bureau set up a satisfactory system of wage accounts. If these accounts are not provided by the date of the next audit, this department will no longer consider verbal statements of social workers that: "All paroled patients are receiving their wages", to be of sufficient assurance.

Funds of Patients on Parole: Funds of patients on parole at Belchertown State School and Wrentham State School in savings banks accounts are under the trusteeship of the respective superintendents of those institutions. In examining the savings bank accounts of patients from this institution, it was noted that in no instance was the superintendent of the institution the trustee for these patients. Joint accounts of the patients with the employer were noted as well as instances where the employer is trustee or guardian for the patient. This department is not satisfied with this arrangement since it is doubtful whether or not the patient's funds are properly protected.

Maintenance Stores Inventory: The last audit report recommended that an account be opened for corned beef and a further recommendation was made that requisitions for goods from the storeroom should be made on the basis of actual issues and that food and supplies issued on requisitions should not remain in the storeroom. Both of these recommendations have been complied with.

It was noted that overage adjustments amounting to \$1,941.21 and shortage adjustments of \$1,197.05 were made during the audit period. Issues during the same period totaled \$261,289.10. This represents a considerable improvement over the adjustments made during the previous audit period; however, it was noted that an overage adjustment of 6,965 eggs was made on June 30, 1945, and shortage adjustments covering 2,470 oranges were also made.

WESTBOROUGH STATE HOSPITAL

State Accounts—Cash: On date of audit, April 23, 1946, considerable difficulty was encountered in balancing the state cash. Two pay roll checks amounting to \$35.80, which had not been endorsed, cashed, or entered in the cash book, were included in the cash which was turned over to the auditor. Telephone refunds amounting to \$51.75, which had been entered in the cash book, were not included in the cash turned over by the institution treasurer to the auditor. After taking these amounts into consideration, the cash showed an overage of \$18.18. It will be noted that telephone refunds amounting to \$51.75 covering the period from January 16, 1946, were entered in the cash book under date of March 30, 1946, and recorded as having been forwarded to the State Treasurer, while actually on date of audit, \$51.63 was still on hand.

State Accounts—Inventories: The following table was compiled from the institution's records and represents purchases and issues of hay:

Date of Purchase	Pounds	Value	Pounds Issued	Value
Feb. 28, 1945	23,005	\$541.08	2,360	\$51.20
Apr. 27, 1945	46,800	973.14	2,350	50.97
	69,805	\$1,514.22	4,710	\$102.17

On April 23, 1946, the date of audit, there were 32½ tons of purchased hay on hand, valued at \$1,412.05. The length of time that this hay has been on inventory at this institution would indicate that the institution's hay requirements did not call for the quantity that was actually purchased.

This hay was purchased during the fiscal year ending June 30, 1945. It was noted that during that fiscal year, the following transfers were made by the institution:

<i>From</i>		<i>To</i>	
Food	\$11,200.00	Personal Services	\$1,225.00
Med. and Gen. Care	1,000.00	Heat and Plant Oper.	6,000.00
Repairs Ordinary	1,725.00	Farm	6,000.00
		Garage and Grounds	700.00
	<hr/>		<hr/>
	\$13,925.00		\$13,925.00

Considering the difficulties the various institutions encountered during the fiscal year 1945 in meeting food requirements, it is difficult to understand what necessity prompted the institution to transfer \$6,000.00 to the farm from the food account to purchase hay most of which on date of audit was still on inventory.

State Accounts—Adjustments: The previous audit report commented on the fact that inventory adjustments at the institution are not made on a monthly basis. Examination of the current audit period indicates that the institution is still not adjusting their accounts at the time of their monthly physical inventory. This omission defeats the purpose of monthly inventories and is also a direct violation of regulations of the Department of Mental Health.

State Accounts—Adjustments for Trimming: A letter issued by the Business Agent of the Department of Mental Health on January 19, 1938, states in part:

" . . . all stock ledger adjustments should be entered in a special requisition book, marked on the cover "Adjustments". This requisition book is to be of the approved type such as is issued to record distribution of all supplies, and it is to be issued for adjustments and for no other purposes."

In view of the fact that this institution has included meat trimmings in its adjustments, all such beef trimmings and lamb trimmings are unaccounted for.

It is the opinion of this department that all meat purchased for consumption should eventually find its way into the kitchen to be used in some form or other. Adjustment requisitions should include only inventory adjustments and should not be used for the purpose of removing from stock control, beef and lamb trimmings.

State Accounts—Adjustment for Spoilage: Examination of the institution's requisitions show that in August, 1945, 1300 pounds of cereal was charged off on account of spoilage. It was noted that there was on hand on June 30, 1945, 2100 pounds of cereal of which 800 pounds were issued in July, 1945, and the balance charged off as spoilage.

Canteen Accounts—Cash Shortage: Reconciliation of the canteen cash account on date of audit indicated a shortage of \$9.85 in the account. On date of audit, April 23, 1946, the last cash book entry recording cash receipts was dated April 15, 1946, and no cash book disbursements had been recorded since April 3, 1946. The cash book had not been closed from the month of March nor had the cash been balanced or the bank statement reconciled for that month.

Canteen Accounts—General Ledger: On date of audit, no postings to the general ledger account had been made since January, 1946, and the last trial balance of the general ledger was made in December, 1945.

Canteen Accounts—Accounts Payable: On date of audit, accounts payable for merchandise purchased totalled \$1,060.70, and accounts payable on account of benefits totalled \$71.92, making a grand total of \$1,132.62.

Canteen Accounts—Inventory Shortages: From available records the comparison of the physical inventory with the book inventory on date of audit indicates that the physical inventory was \$333.65 less than the book inventory.

The previous audit report indicated shortage of \$3,178.70 in the canteen. These shortages have been continuing for years and have been regularly commented upon in the audit reports of this department. It is recommended that a real attempt be made to find the cause.

It was also noted that from July, 1945, to date of audit, there have been constant variations in the comparison of physical and book inventories and no adjustments had been made. The value of merchandise given to patients, breakage, and spoilage, merchandise sold below mark-up, etc., had not been recorded on the treasurer's records but were taken into consideration in arriving at the inventory shortages.

Previous to April 12, 1946, no monthly reports of inventory reconciliations had been sent to the Department of Mental Health, and the Department apparently has made no effort to insist that the institution comply with regulations requiring this monthly report.

Canteen Accounts—Federal Sales Tax: Canteen disbursements failed to show any payments on account of Federal Sales Taxes, and the institution treasurer indicated that no payment had been made of this tax for at least two years. It is questionable whether any records have been maintained from which the amount of this tax might be determined.

Canteen Accounts—Benefit Payments: Cash disbursements indicate that \$50.00 was paid from the canteen funds to cover an overdraft in the "Library and Entertainment Fund." It was noted that this disbursement was not submitted to the Department of Mental Health for its approval.

Canteen Accounts—Newspaper Account: The treasurer's records indicate a deficit of \$37.38 in the newspaper account. This is difficult to understand since the newspapers are sold at their regular selling price and in one instance a 2c Worcester County paper was sold for 3c by the institution.

Patients' Accounts—Trial Balance: It was noted that the trial balance of the patient's ledger cards has not been in balance since December, 1945.

Patients' Accounts—Deceased Patients' Funds: It was noted that funds belonging to Patient No. 21433 who died on November 5, 1943, and Patient No. 18070 who died on November 8, 1943, are still retained by the institution.

Patients' Accounts—Transferred Patients: Patient No. 26031 was transferred to a Federal institution on October 28, 1943. It was noted that deposits to this patient's account were made on November 30, 1943, and in December, 1943; therefore, the institution received and recorded these deposits after this patient was transferred.

Patients' Accounts—General: It is recommended that the Department of Mental Health examine the present practices of this institution in maintaining the patients' accounts in order that improvements may be effected.

Trust Funds—Overdraft: It was noted that in January, 1946, the bank statement of the "Library and Entertainment Fund" showed an overdraft totaling \$29.22. In February, 1946, the amount of overdraft was increased to \$47.82. In addition, a check issued on January 16, 1946, drawn in the amount of overdraft was \$48.92.

The sum of \$50.00 was transferred from the "Canteen Fund" to the "Library and Entertainment Fund" in order to cover this overdraft.

WORCESTER STATE HOSPITAL

Laboratory Tests: In the audit report of the previous examination the following was stated:

"During the course of the previous examination of this institution's accounts the question arose as to whether or not this institution's personnel were conducting laboratory tests for certain private hospitals and other parties not connected with the institution, and if so, whether invoices were rendered for such services. At the time this question

arose the superintendent informed the representative of the Auditor's office that he would find out whether or not such was the case and notify this office as to his findings. To date the requested information has not been received by the Auditor's office."

In this connection, under date of November 14, 1945, Sales Slip No. 39, Book No. 13132, was passed through the institution's accounts and paid in the amount of \$121.00.

In connection with this sales slip, attention is called to the fact that it does not indicate the number of laboratory tests done, the unit price per test, the individuals or hospitals for whom the tests were performed and the dates on which the tests were made.

From conversation with the superintendent of the institution it was indicated by him that the date on the sales slip was not correct, yet no effort had been made to ascertain the correct date.

In further connection with the foregoing when the superintendent was asked as to how the amount of \$121.00 was arrived at he stated, that it represented 121 individual tests at \$1.00 per test and that the rabbits necessary for making tests were purchased from the personal funds by the senior physician who made the tests and that \$1.00 fee represented only the cost of laboratory services.

In further connection with the laboratory tests, in discussions with the superintendent, it was learned that on several occasions laboratory tests have been conducted by the institution's personnel for parties not connected with the hospital. It was noted however, that fees for this work, if there were any, have not been turned over to the institution treasurer's office.

It is suggested that the officials within the Department of Mental Health review the procedures involved insofar as laboratory tests are concerned, so that some consistent set of regulations will be available to institutions for their guidance.

It is the opinion of the department that this repayment of \$121.00 to the Commonwealth does not fully cover the costs of private laboratory tests made at the institution. It is, therefore, recommended that the Department of Mental Health conduct an investigation of the institution to determine just how much income is due the Commonwealth from this source. Also, in connection with this investigation, this department has complained for many years that income due the Commonwealth has not been recorded. This income should have resulted from medical services rendered to persons outside the authorized beneficiaries of the hospital and is in addition to fees for the laboratory tests which have been previously mentioned in this report.

Room and Board: In at least 2 instances it was noted that charges for room and meals were not set up on the accounts receivable records until several months after the charges had been accrued.

In this connection it was noted that a charge for room and meals from June 13, 1944 to September 29, 1944 in the amount of \$83.61 was not set up in the general ledger until June 30, 1945 and was not paid until July 6, 1945. It was also noted that a charge from May 19, 1944 to June 5, 1944 totaling \$27.62 was not set up on the general ledger until June 28, 1945, when it was paid.

In further connection with the foregoing it was noted that the approval of the first charge was not given until May 31, 1945.

In the other instance, attention is called to the fact that a letter dated October 10, 1944 from the Division of Personnel to the Commissioner of Mental Health states as follows:

"I am in receipt of your communication in reference to the remuneration to the Commonwealth of \$280.00 per annum by ——— for one room and two meals. This is a matter for the Comptroller's Bureau and I am sending them a copy of your request."

No indication could be found in the files of the institution to show that approval had been granted by the Comptroller's Bureau.

In connection with the foregoing, the policies which affect approvals for board and room charges appears to be indefinite. In certain cases this approval has been given by the Department of Mental Health. This arrangement is seriously questioned, as it is understood that all approvals of this nature should be given by the Division of Personnel in the Commission on Administration and Finance.

Renting of Furnished Apartment: It was noted that a furnished apartment at this institution was rented for the period from April 21, 1945 to June 21, 1945 at a monthly rate of \$40.00 to an individual not employed by the Commonwealth.

In this connection it was noted that the approval for this rental was dated June 22, 1945 or the day after the apartment was vacated and was not received by that institution until June 29, 1945. It is also noted that this approval was by the Department of Mental Health. In this connection it was further noted that the superintendent's letter requesting approval was dated May 2, 1945 or several days after the tenant first entered the apartment. The authority for the superintendent to rent apartments to individuals not employed by the hospital without first securing approval is questioned.

It was also noted that an individual who is listed on the Commonwealth's Research pay roll and who rents an apartment at the rate of \$15.00 per month receives laundry services free of charge. The question is raised as to whether or not this individual is entitled to free laundry services particularly since it is noted that other employees of the hospital who also rent apartments on the institution's grounds are not privileged to have their laundry work done gratis by the institution's laundry.

In this and in previous audit reports of this institution's accounts comments have been repeatedly made relative to board, meals, rent, maintenance, etc. Apparently no organized effort has been made to clarify the existing procedures and it would seem that all cases are not handled in a consistent manner. Needless to state this arrangement makes for a great deal of confusion both from an administrative and a control point of view, and therefore it is important that steps be taken to adhere closely to the existent regulations.

Professional Consultant Fees: The following is a copy of an invoice rendered by a physician employed by this institution to the County of Worcester, Worcester, Massachusetts:

Worcester Hadnemann Hospital
281 Lincoln Street
Worcester, Massachusetts

To County of Worcester
Worcester, Massachusetts

For Professional Services

Re: Commonwealth

Versus: Campbell

In preparation	\$50.00
In court May 9, 10, 16, inclusive	
1944 at \$50.00 per day	150.00

Total \$200.00

May 25, 1944

Approved

James C. Donnelly
J.S.C.

In connection with the foregoing it is worthy of mention that this same physician appears in the time records of this institution as having worked on the dates in question, that is, May 9, 10, and 16, 1944, and also it was noted that he was accordingly paid for these services by the institution. Question

is accordingly raised as to the propriety of his being paid by both the County of Worcester and the Commonwealth of Massachusetts in both instances from public funds, for services performed on the same business days.

Meal Charges: It was noted that employees connected with the Worcester Foundation for Experimental Biology have been receiving meals without charge at the institution's dining room. When this matter was brought to the attention of the superintendent he stated that he had obtained approval for this.

In this connection it is interesting to note that regular state employees are charged at the rate of \$80.00 per year for their noonday meals. This arrangement does not seem to be entirely proper, and no reason can be seen from a logical point of view, why state employees should be charged for their noonday meal while others not on the state pay roll should be entitled to that same meal without a definite charge.

Pay Roll Errors: Several instances were noted of refund adjustments of pay roll accounts. In this connection particular attention was called to an instance where an employee who was employed by the institution as a director of Clinical Research severed his connections with the institution on March 31, 1945. His name was allowed to appear on the pay roll for the month of April, 1945, and the check received by him in the amount of \$365.00 was returned. An examination of the time book for the month of April did not indicate any time being credited to this employee.

It will appear that some closer coordination of pay roll information and the pay roll would be necessary in order that this type of error will not occur.

Spoilage of Home Produced Canned Vegetables: An examination of the store accounts of the home produced vegetables indicated that the following home produced No. 10 cans of vegetables had spoiled.

String Beans	795 cans
Swiss Chard	536 cans
Carrots	83 cans
Corn	22 cans
Tomatoes	87 cans
Piccalilli	35 cans

1,558 cans

Patients' Funds: During the course of previous examinations of this institution's accounts the superintendent's attention was called to the provisions of the General Laws which relate to funds of deceased and discharged patients, as well as the fact that the provisions were not being carried out.

In this connection the following tables set forth the status of deceased and discharged patients' funds that were on deposit as of September 24, 1945:

DECEASED PATIENTS' FUNDS IN
ACTIVE LEDGERS

Year of Death	Amount
1934	\$1.00
1935 . . . . .	.11
1938	2.24
1940	22.75
1941	93.75
1942	90.46
1943	156.72
1944	150.54
1945	229.15

\$746.72

DECEASED PATIENTS' FUNDS IN
INACTIVE LEDGERS

Year of Death	Amount
1942	\$141.80
1943	356.10
1944	306.22
1945	3.96
	<hr/>
	\$808.08

DISCHARGED PATIENTS' FUNDS IN
ACTIVE LEDGERS

Year of Discharge Transfer or Escape	Amount
1932	\$1.00
1933	8.42
1935 . . . . .	.60
1936	1.61
1937	4.04
1938 . . . . .	.92
1939	70.80
1940	8.41
1941	38.65
1942	17.78
1943	30.69
1944	473.56
1945	165.51
	<hr/>
	\$821.99

DISCHARGED PATIENTS' FUNDS IN
INACTIVE LEDGERS

Year of Discharge Transfer or Escape	Amount
1938	\$10.51
1939	29.39
1940	90.49
1941	8.78
1942	133.19
1943	109.99
1944	78.94
	<hr/>
	\$461.29

SUMMARY

Deceased Patients' Funds in Active Ledgers	\$746.72
Deceased Patients' Funds in Inactive Ledgers	808.08
Discharged Patients' Funds in Active Ledgers	821.99
Discharged Patients' Funds in Inactive Ledgers	461.29
	<hr/>
	\$2,838.08

From these tables it is apparent that the instructions from the Department of Mental Health have not been complied with.

It was further noted that there are approximately 100 savings bankbooks belonging to patients, many of which appear to have large balances on deposit.

In this connection it was noted that the balances in many cases have not been verified for several years and in some cases for a period exceeding 10 years. Six instances were noted of bankbooks stating balances on hand even though the patient concerned had died, and 8 other cases were noted where the patient concerned had been discharged.

One case was noted where the patient died in 1938. There is a bankbook in his name at this institution for one deposit which was made in a bank which has been liquidated. No record could be found where a proof of claim had been filed for this patient with the liquidating agent of the closed bank.

Instances were noted of war savings bonds and stamps which belong to patients now dead or discharged that were still on hand at the institution.

It was further noted that approximately 15 insurance policies belonging to patients were on file at this institution. In this connection it was observed that some of the owners of these policies have been discharged or have died. It would seem that the attention of the probate division of the Department of Mental Health should be called to this matter, so that the best interests of all patients concerned would be protected.

A certificate representing 10 shares of stock was found on hand. The patient in whose name the certificate was written is no longer at the institution.

From the foregoing it should be obvious that the officials of this institution have been derelict in their trust insofar as the custody of patients' funds are concerned. It is contended that the custody of these funds, involves a responsibility comparable with that expected of state funds. The interests of these patients should be protected in every possible manner by the institution authorities. It is therefore recommended that these patients' accounts be reviewed and any possible step should be immediately taken so that all interests may be safeguarded.

Canteen: On the date of audit the canteen record showed a cash balance of \$8,988.79. It would seem that this amount of cash is greatly in excess of that needed for nominal canteen requirements and that means be determined so that it would be expended for the benefit of patients at the institution.

Attention is also called to No. 14 of Item 1 of the Department of Mental Health regulations which reads as follows:

"No person other than institutional employees shall be employed in the canteen."

In this connection it was noted that a salary is paid from canteen operations to an individual who is not a regular institutional employee.

Repairs Ordinary: An examination of the repairs ordinary section of the institution accounts will disclose that this institution has repeatedly abused the privilege allowed an institution in cases of emergency to purchase items locally without prior reference to the Purchasing Bureau. These conditions have been discussed with the Superintendent of the institution during previous audits. During the present audit period it was found that nearly 50% of the purchases under repairs ordinary made by this institution were made locally without prior references to the Purchasing Bureau.

WRENTHAM STATE SCHOOL

Canteen Fund: Due to the nature of the stock for sale in the canteen, inventories should show a small overage above the book balance. However, on the date of audit the inventory appears \$57.45 short of the book inventory. At the time of the previous audit an overage of \$127.47 was noted.

Stores: Adjustments appear to be reasonable in amount. However, it was noted that fresh pork, beef and lamb which should normally run short, have run over practically every time an adjustment has been made.

Farm Report: An examination of the 1944 farm report showed that the farm had sent \$90,689.97 worth of products to the institution whereas the general ledger account showed that \$90,819.11 had been received. This difference of \$129.14 was traced to the failure to include in the farm report the production and distribution of 4,304½ pounds of spinach in November 1944.

Spoilage and shrinkage on the following crops appear excessive:

	1944	1945
Mangels	—	.136
Apples No. 1	—	.54
Beets . . . . .	.095	—
Cabbage . . . . .	.32	.124
Parsnips . . . . .	.233	—
W. Squash . . . . .	.133	.138
Turnips	—	.13

In 1944 .26% of pigs born died, not including 32 stillborn. Deaths among the calves were .128% with 6 stillborn. In 1945 the deaths among calves were .136% with 5 stillborn. Among the pigs the rate was .288% with 27 stillborn.

Milk production was low in both years, being about 4,803 quarts per cow in 1944 and 4,315 quarts in 1945. The Department of Agriculture quotes an average production of 6,000 quarts per cow as a fair average for Holstein cattle. Egg production was good in both years being well above the average of 150 quoted by the Department of Agriculture as being necessary for profitable operation.

There were several wide variations between the gains and losses in some projects as shown:

	1943	1944	1945
Ensilage	(\$243.91)	\$298.70	\$426.61
Hay	(1,761.86)	(2,305.06)	134.74
Mangels	(5.38)	8.45	(17.58)
Gardens	3,184.46	(2,685.70)	4,186.25
Orchards	513.44	1,015.77	(915.32)
Dairy	31,246.62	16,777.19	7,503.64
Swine	2,136.88	(718.48)	2,232.90
Poultry	7,550.64	3,449.66	3,988.26

Ensilage: Production low in 1943, normal in 1944 and extra good in 1945.

Hay: Production fell off 98,000 lbs. in 1944. In 1945 though, costs increased \$1,000.00 crops increased 710,000 lbs.

Gardens: 1944 was a poor crop year, being 260,000 lbs. under 1943 and 477,000 under 1945.

Orchards: The 1945 crop was almost a complete failure due to late frosts after early blossoming.

Dairy: Costs have risen each year about \$2,000.00, while production of milk fell off 84,000 lbs. in 1944 over 1943. Cattle slaughtered fell from 31,967 lbs. in 1943 to 28,141 in 1944 and 20,510 in 1945.

Swine: Grain costs increased \$5,300.00 in 1944 over 1943. Due to a small inventory in 1945, grain costs fell off \$3,900.00.

Poultry: Production costs varied little in the three years. However, egg production fell from 51,303 dozen in 1943 to 42,475 dozen in 1944 and 39,585 in 1945. Poultry killed in 1943 was 17,212 lbs., in 1944 12,400 lbs. and in 1945, 15,981 lbs. These combined to cause a decreasing profit.

Reconciliation of Income: In attempting to reconcile the income sent to the State Treasurer for the 1945-1946 fiscal year with the Comptroller's income account, it was noted that the institution showed \$84.07 more income than the Comptroller's Bureau. After investigation it was found that this \$84.07 was funds belonging to George O. Langdon who escaped from the school in 1933. At the end of the usual seven year period the \$84.07 was sent to the State Treasurer as "Funds of Escaped Inmates." In December 1945 this former inmate made a claim for this money which was later paid to him on a "Refund of Receipts" voucher dated February 5, 1946. On the Comptroller's records this amount was journalized under date of February 28, 1946 and taken from account 1725-600, miscellaneous income.

Money Left for Patients: Attention is again called to a previous comment on the delay of certain cottage matrons in turning into the treasurer's office monies left by visitors for patients. In the case of one matron money left for a patient was held from March 6 to May 1 before being turned over to the treasurer. In another case an amount of \$1.00 left for a patient on November 4, 1945 has not yet been turned in.

DEPARTMENT OF AGRICULTURE GENERAL DEPARTMENT

Certificates of Registration for Dairy Farms: Section 16C of Chapter 94 of the Tercentenary Edition of the General Laws as most recently amended by Chapter 374 of the Acts of 1941 provides that the Director of Dairying and Animal Husbandry may issue certificates of registration for dairy farms for a fee of 50 cents, provided the dairy farm meets certain requirements and has been inspected.

DIVISION OF MILK CONTROL

Foreword: It is necessary to call to the attention of those persons who are studying this report that this entire audit was based on such records as the Milk Control Board deemed advisable to produce for audit. The absence of criticisms of certain phases of the financial activities of the Board, therefore, does not mean that these activities are not open to criticism.

The management and finances of the Milk Control Board were severely criticized in a report issued on January 12, 1944, by the Commission on Administration and Finance.

It was the desire of this department in the course of this audit to determine whether or not any improvement in the operations of the Milk Control Board had resulted from the reorganization of that department which followed the report by the Commission on Administration and Finance. This department was unable to accomplish that purpose because of the arbitrary refusal of the Milk Control Board to make available for examination the financial records upon which most of the critical findings of the Commission on Administration and Finance were based.

It is not a normal situation to have a department, which has been so severely criticized in the past, refuse to submit to a proper examination of their accounts, and such an attitude naturally does not increase public confidence in the agency concerned since it raises the question in everyone's mind as to the real motives behind such a refusal. The presumption can only be that the agency involved wishes to avoid the findings of an audit.

General: The two most important financial activities of the Milk Control Board are the collection of monthly assessments and the handling of bonds deposited with the Milk Control Board as collateral. Because of the refusal of the Board to submit to a proper audit of monthly assessments, it was impossible for this Department to determine whether the amount assessed was proper or whether such assessments had in every case been collected.

With reference to bond coverage, we were unable to determine whether or not the various dealers had submitted bonds in the amount required by law.

Monthly Assessments: Monthly assessments based upon the volume of milk handled by the dealer are required by law to be paid on or before the tenth day of each month for the month immediately preceding. These assessments are, in every sense, income of the Commonwealth, and the action of the Board in refusing to make the records, upon which income due the Commonwealth is based, available for audit, has made it impossible for this Department to verify the accuracy of the monthly charges. It was also noted that these payments are not set up in the accounts receivable of the Board until after payment is received.

It is recommended that these charges be set up in the accounts receivable of the Milk Control Board on the tenth of each month, even though it may be necessary in the case of delinquent accounts to set up estimated figures.

Estimated unpaid assessments as of February 11, 1946, totaled \$103,362.04. This is the Milk Control Board's own figure for unpaid assessments. This Department was unable to verify the fact that the amounts reported were correct or whether or not other unpaid assessments exist which were not reported by the Board.

1. OLD ASSESSMENTS WITH THE ATTORNEY GENERAL FOR COLLECTION

10-1-38 — 12- 1-41	Four dealers . . .	\$15,091.13
8-1-36 — 1-31-41	One dealer . . .	555.51
1-1-38 — 12- 1-41	One dealer . . .	25,257.60
10-1-35 — 12-31-42	One dealer . . .	1,039.40
		<u>\$41,943.64</u>

Writs have been entered in court against each dealer on this schedule. The assessments against five of these dealers are based on audits covering periods to December 1, 1941, and assessments against the other two are based on audits covering periods through January 31, 1941 and December 31, 1942.

2. OLD ASSESSMENTS DETERMINED BY AUDIT—NOT REFERRED TO THE ATTORNEY GENERAL

12-1-41 — 3-31-45	Three dealers . . .	\$8,173.38
12-1-41 — 4-30-45	One dealer . . .	24,977.55
10-1-40 — 12-31-44	One dealer . . .	4,741.16
(9-1-35 — 3-31-42		
(4-1-42 — 7- 1-45	One dealer . . .	10,115.88
Up to 8- 1-45	One dealer . . .	5,686.39
Up to 12-31-42	One dealer . . .	330.00
		<u>\$54,024.36</u>

A demand for payment was made December 13, 1945 against some of these dealers. No demand was made on the others at the time as it was understood that they had agreed to pay. Since no payment had been received through February 11, 1946, from any of these dealers, it is suggested that the accounts be turned over to the Attorney General for collection.

3. ESTIMATED ASSESSMENTS DUE

Number of Dealers	Number of Months Owning	Estimated Amount Owed
283	1	\$1,364.00
65	2	1,331.00
47	3	678.00
13	4	552.0
4	5	78.00
4	6	103.00
4	7	158.00
1	8	25.00
1	11	45.00
		<hr/> \$4,334.00

One old assessment balance of \$60.06 due from a dealer was not included in any of these three schedules. Minutes of a meeting of the Board held January 29, 1946, indicate that this dealer will pay \$5.00 per month on the old balance until it is paid up.

From an examination of the detail from which the foregoing schedules of unpaid estimated assessments were compiled, it appears that the Commonwealth has sustained a substantial loss because of failure to collect the amounts due. Examination shows that in every instance the dealers who are delinquent in paying their assessments are still in business and are operating under milk dealers' licenses. The Board undoubtedly has sufficient authority under existing statutes to collect assessments through their power to refuse to grant licenses.

It must be remembered that the collection of these accounts directly affects the rate of assessments upon the producers. Collection of these outstanding accounts would have the immediate effect of reducing current assessments.

At a meeting of the Board held January 22, 1946, it was voted:

"In each instance where a milk dealer's assessment report or payment is more than 60 days overdue, delinquency brought to the dealer's attention by call of a field representative, and the delinquency has continued for a period of seven days after such call, the Director is requested at once to refer the matter to the Enforcement Section. The Enforcement Section is to send a letter to the dealer indicating deadline for receipt of such report or payment some date not later than the 21st day after the expiration of said 60 day period."

This procedure is undoubtedly an improvement since it is a definite policy now, where none previously existed; however, the Board has announced no plan to deal with collections of accounts in the event that the dealer does not meet the deadline proposed to be set up by letter.

The Milk Control Board has the power and authority to deal drastically with dealers delinquent in the payment of assessments, and it is recommended that the Board announce such a policy.

The previous audit report contained the following:

"One Large Milk Dealer Has Not Filed Monthly Assessment Reports for the Past Seven Months: From an examination of the assessment ledger it was learned that a larger dealer, the account of whom is included as delinquent in the schedule of unpaid estimated assessments as owing substantial assessments from 2 to 9 years in arrears has not filed any monthly assessment reports for the past seven months.

From correspondence on file in the Board's assessment division as well as from discussions with an employee of the assessment division it was learned that this dealer has charged and collected assessments on sales of milk to other dealers but has failed to file a recent monthly assessment report and pay the Commonwealth the amounts due.

"This dealer's ledger card shows that the last payment on account of assessments was made on September 12, 1944 in the amount of \$4,000.00. This payment represented collections made from his customers up to June 30, 1944.

"In connection with the auditing of this dealer's accounts it was of interest to learn that while a firm of certified public accountants has recently been engaged to audit certain dealers' accounts that this dealer was not among the assignments given to that firm."

The assessment account of this dealer shows payments of \$3,000.00 February 1, 1945, and \$2,192.66 September 4, 1945. Apparently these two payments were on account as this dealer was not filing assessment reports at that time. Five payments totaling \$2,223.81 were entered on the ledger card December 26, 1945. Since that date the dealer has filed assessment reports with the monthly payments made through March 13, 1946.

Bond Coverage: Under Section 42B of Chapter 94 of the Tercentenary Edition of the General Laws, the dealer is required to file bond with the Commissioner. The amount of the bond—

"... shall be substantially equivalent to the total purchase price, as determined by the commissioner, of milk and cream purchased by the applicant from Massachusetts producers in the average period between payments by him to producers . . ."

Section 42C of the same chapter authorizes the Commissioner, in the event that any dealers are default in their payments for milk to the producers, to—

"... bring an action upon any bond given under the two proceeding sections, . . . and may sell any collateral deposited with him thereunder. He may apply the sum recovered in any such action, or the proceeds of the sale of any such mortgaged property or deposited collateral, or any cash deposited as security, toward the payment of any claims of producers. . . ."

Obviously, therefore, the intent of the Legislature was to protect the producer in the event that the dealer had failed to make payment for milk received. The Commission on Administration and Finance's report of January 12, 1945, stated in part:

"... the 551 milk dealers of Massachusetts owe producers \$280,829.81 in underpayments and, as of the date of their last audit, were in arrears to their producers in the amount of \$256,697.45."

Therefore, as of the date of this investigation by the Commission on Administration and Finance, the Milk Control Board definitely was not giving to the milk producers in the Commonwealth the protection to which they are entitled.

The last audit report issued by this Department showed that as of January 2, 1945, 40 milk dealers in the Commonwealth had gone out of business leaving with the Milk Control Board \$36,540.62 in collateral, and the total of the producers claims against these same dealers totaled \$90,593.90.

The present-day status of this phase of the Milk Control Board's duties could not be determined since the Milk Control Board refused to allow audit of that section of their financial records.

Services of Public Accounting Firm: The audit report of the previous year indicated that \$14,225.47 was expended by the division between the months of April 1944 and November 1944 for services rendered by a firm of certified public accounts in audits of certain milk dealers records.

In connection with the engagement of the services of this concern, it is understood that its services were found to be necessary because the division's auditing section was from 1 to 2 years tardy in their audits of milk dealers' records. While there is no written authorization to engage the services of this firm, it is understood that verbal permission was given by the Budget Commissioner at a cost not to exceed \$16,000.00.

In February 1945, an invoice totaling \$1,757.32 was passed for payment making the total payments against this appropriation \$15,982.79.

Under date of May 2, 1945, approval was granted by the Budget Commissioner to expend \$4,450.00 for these purposes, and there was actually expended \$4,384.76 for audits completed through March 31, 1945.

A letter dated November 1, 1945, indicates that further audits were assigned to private accountants but no letter was found requesting approval for additional funds for this purpose. It is understood that these audits were in progress February 11, 1946, and would not be completed for some time.

It was understood from Division of Milk Control officials that it would not be necessary to assign any more audits to outside concerns in the future.

Cash Collections A/C Income Exceed the Division's Maintenance Cost for Past Five Fiscal Periods: The following schedule which was compiled from the Division's financial records shows a comparison of cash collection on account of income with the Division's maintenance costs:

COMPARATIVE STATEMENT OF CASH COLLECTIONS ON ACCOUNT
OF INCOME
WITH DIVISION'S MAINTENANCE COSTS

Five fiscal periods ending June 30, 1945

	1941	1942	1943*	1944	1945	Total
Cash receipts account of income	\$152,036.37	\$188,577.70	\$130,115.11	\$184,447.35	\$191,729.73	\$846,906.26
Maintenance	154,064.99	159,706.51	90,852.62	179,553.12	187,587.29	771,764.53
Excess of income over expenses	(\$2,028.62)	\$28,871.19	\$39,262.49	\$4,894.23	\$4,142.44	\$75,141.72

*The 1943 fiscal period started December 1, 1942 and ended June 30, 1943.

The total of cash collected as reported by this statement does not include the \$103,362.04 owed to the Commonwealth by various dealers. Obviously if this amount had been collected, the amounts assessed upon dealers would be substantially reduced.

Reduction Made in Assessment Rate: The assessment rate in all areas except 11AB, 17, 18 and 19 has been reduced from 2c per hundred weight on milk and cream to .15c per hundred weight on milk and cream.

In areas, 11AB, 17, 18 and 19 the assessment rate has been reduced from .0135c per hundred weight on milk and cream to 1c per hundred weight.

These new assessment rates are effective for the first five calendar months of the 1946 calendar year and at the end of that period revert back to those which were effective prior to January 1946.

DEPARTMENT OF CONSERVATION

Accounts Receivable—Individual Accounts: It is again recommended that an accounts receivable ledger be added to the books and records of the department. Such a ledger would contain individual accounts for rents, concessions, sales, contracts, and other necessary accounts. At present individual accounts are kept on cards.

Stores Account: It is again recommended that the Comptroller set up a control account in the general ledger for the unissued supplies kept in the storehouse at Stow.

Journal Entries: General ledger account numbers should be entered opposite the account names on each journal entry. Each journal entry should be signed and should show an explanation thereon of the transaction or transactions covered by the journal entry.

Use of Standard Sales Books and Triplicate Receipts Books: Sales books or triplicate receipts books should be used for recording sales of pamphlets, game tags, and for other sales made for which no serially printed numbered form, receipt, or ticket has been provided. A record is kept of sales books or triplicate receipt books. The books are used in sequence, and used books are kept for audit purposes.

Gunning Stand Permits: There is no income from gunning stand permits. Federal regulations prohibit the use of live decoys. State regulations have been changed to coincide with the Federal law. Should the Federal Government relax its restrictions, the Commonwealth will again issue gunning stand permits.

Sale of Lumber and Wood Products: Printed serially numbered receipts are used for sales of lumber and wood products and for rent. The receipt form is of a special type to cover the various kinds of lumber and wood products sales which are made. One copy of each sales receipt used is kept in the bookkeeping office for audit purpose. A record of the assignment of such receipts is kept in the office.

Fulfillment of contracts for the sale of wood are not binding upon the contractor. On a contract for the sale of 1000 cords of wood the contractor might take delivery of a relatively small portion and at the end of two years the Department would cancel the contract. It is recommended that there be a more exact fulfillment of each and every contract.

Inventory Record—Cordwood, Logs, etc.: A physical inventory of cordwood, logs, and other types of cut wood was set up in book form. This record has not been kept up to date for the reason that monthly reports showing changes in inventories were not received from all the forest areas where such products were sold. It is suggested that an attempt be made to bring this inventory record up to date.

Financial Statements: At the end of the fiscal year a complete financial statement is prepared. At the close of prior monthly periods within the fiscal year an income statement is made up and appropriation balances and allotment balances are drawn off on work sheets. It is recommended that monthly trial balances be set up in the standard trial balance book as a permanent record and that complete monthly reports be prepared.

Pay Roll Time Records: Time books are kept by supervisors in charge of persons employed by and paid directly by the Department.

Pay rolls Paid Direct by the Department: All entries made on pay rolls are now made in ink. Any change in the original figures should be explained on the pay sheet, or by a notation attached to the sheet. The total amount of each **pay roll** appearing thereon should correspond to the amount paid, as appearing on the cash book. If adjustments of the original pay roll have been made a reconciliation of the pay roll total and the cash book figures should be attached to the pay roll.

Orders for Trees or Seedlings: When the original order of trees or seedlings is changed as to type or quality, a notation of such change should appear on the original order.

Order for trees or seedlings for which no charge is to be made should be marked or stamped "No Charge" on the face of the order.

Binocular Viewing Machines and Coin Lock Privileges: A binocular viewing machine concession is held by the Tower Optical Company, and coin lock privileges have been held by the American Lock Company, Inc. Both the concession and the privileges have been held by these two companies for some time and are based on terms agreed upon several years ago. It is believed advisable to get bids if they can be obtained, or at least to have agreements made to cover current periods.

Coin Lockers: Agreements were in effect with the American Locker Company to install lockers in five areas. Owing to war conditions lockers were installed in the Willard Brook area only. Agreements were in effect with the American Coin Lock Company to install and operate pay toilets at Standish Monument and the Mohawk Trail.

Concessions: Six food and drink concessions were granted for 1945 and five for 1946:

Concession granted for the 1945 Season:

			Paid
Otter River	\$50.00	{ \$25.00 May	25, 1945
Howe Pond	10.00	25.00 July	13, 1945
Willard Brook	15.00	June	21, 1945
Dean Pond	1.00	May	23, 1945
Wallum Lake	50.00	April	20, 1945
Fearing Pond	5.00	July	3, 1945
		July	26, 1945

Concessions granted for the 1946 Season:

Wallum Lake	\$200.00	\$50.00 May	24, 1946
Stearn Pond	75.00	25.00 June	3, 1946
Beamon Pond	100.00	25.00 May	29, 1946
Howe Pond	10.00		
Willard Brook	455.00	100.00 May	29, 1946

Bids for concessions are received as a result of notices posted in the several forests and in the neighboring towns. Concessions are granted to the highest bidder.

Ski Tow: A permit for a ski tow was issued to the G-Bar S Ranch of Great Barrington for \$25.00 per day of suitable skiing conditions. March 13, 1946 the Department received \$75.00 payment for February 3, 22 and 24.

A permit for a ski tow was issued to Mayland Morse at South Lee, as well as a food concession. The supervisor reporting no suitable ski weather no payment was made for that privilege. Twenty-five dollars was paid November 29, 1945 for the food concession.

Purchase of State Forests: Because of certain transactions in the forest lands and adjustments and land takings by the Federal Government it was found difficult to reconcile this account. Chapter 415 of the Acts of 1936 provided for the purchase of this land in an amount not to exceed 650,000 acres and at a price not in excess of \$5.00 per acre. It is recommended that the Comptroller's Bureau revise and set up a suitable accounting system for the control of the provisions of this act.

Division of Fish and Game: The following variances were noted in checking income from the sales of fish and game licenses:

Canton: No books returned. Claimed lost in the mail.

Somerset: Stubs 9719 and 9720 and license 9720 claimed lost.

Fish and Game Licenses: The income from these licenses was test checked by inventory control. Numerical control was difficult because of faulty printing and binding. Numbers were frequently not in sequence and numbers of originals and duplicates sometime differed.

Propagation, Fur Buyers, and Taxidermists Licenses: An accumulation of fees was found in the office on the opening day of the audit. It is suggested that fees received be entered immediately and the cash be transferred to the State Treasurer.

It is also suggested that a proper record be set up for the purpose of checking renewals from year to year.

New license forms with a separate printed serial number have been printed for use as renewals.

Division of Marine Fisheries—Dealers' Shellfish Certificates: When recording printed serial numbered Dealers' Shellfish Certificates, a separate set of licenses is used for: (1) No shucking \$1.00 Fee, and (2) Shucking \$5.00 Fee.

The standard type of sales receipt book is used when sales of lobster gauges, clam rings, and other types of sales are made.

Atlantic States Marine Fisheries Commission: Chapter 489, Acts of 1941 ratifies a proposed compact between the Commonwealth and certain other states mentioned therein, providing for better utilization of the fisheries, marine, shell and anadromous, of the Atlantic seaboard, and provides for the appointment and compensation of the members representing the Commonwealth upon the Commission thereby established.

Division of Wildlife Research and Management: Chapter 370, Acts of 1943, Item 1002-54 authorizes the Comptroller to establish on the books of the Commonwealth an account to record the excess, if any, of the aggregate amount of money received by the Division of Fisheries and Game and the Division of Wildlife Research and Management in the Department of Conservation during the period beginning December 1, 1942 and ending June 30, 1945, from license fees, fines and other sources, over the aggregate amount expended by or on account of the said divisions during the same period. The amount so recorded shall be available for appropriations for expenditure by or on account of the said divisions during the next fiscal biennial.

This account was not established on the books of the Commonwealth up to the time of this audit.

DEPARTMENT OF PUBLIC SAFETY

Boiler Inspections: Section 13 of Chapter 146 of the Tercentenary Edition of the General Laws reads as follows:

"The inspection of boilers and appurtenances shall be made by the division, under the supervision of the chief, or by the inspector of insurance companies authorized to insure steam boilers in the commonwealth."

The dual authority to inspect boilers as provided in this section often results in duplicate inspections of boilers by private insurance companies and by the Commonwealth. Oftentimes the situation is not known to the Department of Public Safety until after the charge for the inspection by the State has been set up in the Accounts Receivable and the party responsible has been billed. Upon learning that the boiler inspected was an insured boiler which had already been inspected by the insurance company, it has been the practice of the department to cancel the charges resulting from the State's inspection. The duplication of work is obvious.

It is recommended that the Department make a thorough study of this situation and attempt to arrive at some practical method of eliminating this duplication of work.

Boiler Inspections, Accounts Receivable: Numerous old accounts covering charges for inspection of boilers have been referred to the Attorney General's office for collection or settlement. Records of the Department indicate that little progress has been made with regard to collection of these accounts. If these accounts are uncollectible, authority should be granted to the Department to cancel them.

A previous audit report also stated:

"... monthly financial reports as submitted to the Comptroller's Bureau do not include the completed schedules pertaining to income and cash."

A new form of financial report has been provided for the Department by the Comptroller's Bureau but has not yet been put into use.

Division of Industrial Safety: A comment in the previous report regarding the impossibility of keeping the cash book posted up to date during the heavy business of the renewal period has been taken care of by the providing of a third copy (auditor's copy) of the renewal licenses. These are now grouped together and entered on the cash book in group totals.

Weekly Payment of Wages: The above division receives and investigates complaints against employers who violate the laws governing the weekly payment of wages. While this department has no right other than to bring criminal proceedings in the courts against employers, from time to time the division is called upon to act as a medium through which payments from employers to employees may pass.

There is no cash book record of such funds passing through the division, and it is again suggested that the Comptroller's Bureau be requested to review this matter and provide for a cash book record.

Massachusetts Development and Industrial Commission: During the audit period, \$12,274.06 was advanced to this Commission to be expended for travel in seeking to have the United Nations Organization locate in Massachusetts. On date of audit there had been returned to the Department receipted vouchers totaling \$11,709.38. On June 11, 1946, the financial balance of \$537.68 was forwarded to the State Treasurer.

Reporting of Sales: It was noted that the Salem Branch office and the Worcester Branch office had on hand unreported income dating back to September 1945.

Framingham Stores: It was noted that as of the date of the audit, \$144.30 was still due the Department as a refund for 39 cases of paper napkins which had been returned to the vendor on January 24, 1941. The collection of this refund was turned over to the Purchasing Bureau on July 17, 1941.

Verification Notices: Verification notices on 125 active accounts were sent out with the following response:

Returned, acknowledged correct	51
Returned as incorrect	2
Duplicate bills requested	11
Not returned	61
	<hr/>
	125

LABOR AND INDUSTRIES GENERAL DEPARTMENT

General: It was noted that the last financial report compiled prior to the date of this audit was for January 1946, and that the general ledger was posted only through February 1946.

Bookkeeping: A previous report stated:

"The attention of the Comptroller's Bureau should be called to the functions of certain accounts on the general ledger. These accounts which particularly involve the 'Accounts Receivable' and 'Funds Transferred to the State Treasurer' are not operated in accordance with the accepted state bookkeeping routines."

It was noted that the caption of the "Accounts Receivable" account has been changed to "Departmental Income" and no "Accounts Receivable" account is maintained in the general ledger.

Of the total of \$12,274.06 advanced, only \$3,500.00 passed through the main office cash book. The balance went directly to the Development and Industrial Commission without a cash book entry.

DIVISION OF EMPLOYMENT SECURITY

Debit Memoranda: Quarterly contribution reports as submitted by the employers are examined by the audit section of the Contributions Department of the Division, and if it is determined that additional amounts are payable to the division, debit memoranda are made out and the amount determined to be due from each employer is posted to the employer ledger account in the accounts section.

Debit memoranda are also made out by the cashiers' section when checks received in payment of contributions are returned by the bank.

The total amount of debit memoranda is reflected in the division's general ledger. The previous audit report stated:

"The division is now in the process of taking a trial balance and an analysis of the individual unpaid accounts."

It was noted that when completed the total of this trial balance as of April 30, 1945 was \$2,371.86 less than the balance shown by the control account. The next trial balance was taken as of September 30, 1945 when the variance was \$2,258.72 which difference has remained the same on each succeeding trial balance through that of March 31, 1946.

Delinquent Employer Reports: In addition to the amounts included in the debit memoranda, there are cases where employers have not submitted quarterly wage reports, consequently the amounts due are not known. Figures compiled by the Collections Section of the Employers Reports Department of the Division show employees delinquent in filing reports as of March 31, 1946 to be as follows:

	Employers
Newly declared	735
Field Audit	520
Legal Department	195
Status Review	26
	<hr/>
	1,476

Internal Audit of Benefit Payments: The division has recognized the necessity of an internal audit of benefit payments to employees. As a result substantial sums have been collected in reimbursements from claimants who received overpayment of benefits. Accounts were set up in the general ledger of the division on July 1, 1941 showing the transactions in this account by monthly totals and Schedule VI in this report shows an analysis of the account from that date to March 31, 1946 as compiled by the Overpayments Section of the division.

INDUSTRIAL ACCIDENT BOARD

Appropriations for Public Employees Compensated for Injuries: For the payment of compensation and medical treatment of certain public employees for injuries sustained in the course of their employment there was appropriated for 1945 the sum of \$100,000.00. This appropriation takes the place of Workmen's Compensation Insurance for the particular class.

Under the present bookkeeping set-up in this department it is possible to have the bills in several places within the department or in the hands of certain institution or department heads. It is recommended that the Comptroller's Bureau be requested to provide facilities so that it will be possible at the end of the year to be able to identify the actual encumbrance.

Impartial Examinations: On February 8, 1946 the control accounts receivable account indicated a balance of \$1,474.48, and a detailed trial balance of the open accounts of the same date showed the aggregate balance to be \$1,474.48.

Reference has been made in previous audit reports regarding a charge of \$2.00 dated November 18, 1935, to the town of Walpole, which evidently was an error. By authorization of the Attorney General this account was charged off as uncollectible.

Cash Book Postings: It was noted that the cash receipts are not posted daily. The income is composed almost entirely of checks. It is recommended that cash be posted daily and that deposits be made with the State Treasurer more nearly in conformity with Chapter 30, Section 27 of the Tercentenary Edition of the General Laws.

DEPARTMENT OF PUBLIC UTILITIES

Boston Elevated—Declaratory Judgment: Resolve 89 of the Resolves of 1941 provides:

"Resolved, That the department of public utilities, under the direction of the attorney general, may expend, for the purpose of bringing a proceeding at law or in equity seeking a declaratory judgment, order or decree interpreting the provision of chapter one hundred and fifty-nine of the Special Acts of nineteen hundred and eighteen, as amended, pertinent to the authority of the board of trustees of the Boston Elevated Railway Company to make certain charges to the cost of service and their accounting duties incidental to such charges, or such other proceeding at law or in equity as said department and the attorney general deem advisable for the purpose of having a judicial determination of the powers and duties of said trustees under said chapter or otherwise, sums not exceeding, in the aggregate, seventy-five thousand dollars, which sum is hereby appropriated from the general fund or revenue of the commonwealth, and sums so expended shall be assessed upon the cities and towns in which the company operated in the year nineteen hundred and forty, in the same proportion and in the same manner in which the deficiency paid by the commonwealth to said company was assessed upon them in said year. The supreme judicial court and the superior court shall have concurrent jurisdiction of any proceeding brought under authority of this resolve."

Expenditures under this resolve for legal service, etc., have been as follows:

1941	\$1,311.36	
1942	15,490.98	
1943	5,124.08	
1944	3,645.67	
1945	4,121.20	
	<hr/>	
	\$29,693.29	
Original Appropriation		\$75,000.00
Disbursements	\$29,693.29	
Reverted October 1943	28,073.58	
Balance June 30, 1945	17,233.13	
		<hr/>
		\$75,000.00

Of the original \$75,000.00 the sum of \$28,073.58 was reverted and \$25,000.00 was reappropriated by item 2320-01 of Chapter 370 of the Acts of 1943, leaving a net total appropriation of \$46,926.42.

On June 30, 1945 the total expenditures were \$29,693.29 leaving a balance of \$17,233.13.

The following memorandum is a brief resume of the history of the Boston Elevated Litigation:

"The Resolve was approved on October 27, 1941." "

On January 26, 1942 the Attorney General filed an Information in Equity in the Supreme Judicial Court. That Court referred the case to the Superior Court where the Company demurred and the Trustees answered.

On the invitation of the Attorney General the Corporation Counsel of the City of Boston, through Assistant Corporation Counsel James W. Kelleher, co-author of the Finance Commission Report which gave rise to these proceedings, collaborated with the Attorney General's staff and the City intervened in the case after the completion of pleadings to the Amended Information.

On February 2, 1942 a suit was instituted under the so-called Taxpayers' statute, G. L. (Ter. Ed.) c. 29 s. 23, seeking to restrain the Treasurer and Receiver General from paying the alleged deficiencies for the 12 months ending March 31, 1941, and the 9 months ending December 31, 1941. In this suit also the Company demurred and at the request of counsel for the Taxpayers, the hearing on the demurrer to the Information in Equity was postponed by the Court until it could be had at the same time as the hearing on the demurrer to the Taxpayers' petition. The hearings were completed on November 23, 1942. In addition to extensive oral arguments, briefs were filed by the Commonwealth, the City and the Company.

"The Judge of the Superior Court who heard the case reserved his decision and on June 9, 1944 entered an Interlocutory Decree overruling the Company's demurrer to the Information in Equity and ordered the case reported to the Supreme Court. This report was filed on June 28, 1944 and upon preparation of papers by the Clerk's office, the case was entered in the Supreme Judicial Court on September 21, 1944."

The case was argued in December 1944 and is still under consideration by the full court.

In the taxpayers' suit the demurrer was sustained, the suit was dismissed and the taxpayers appealed. This appeal was heard by the full court in the Spring of 1945 and is still under consideration by the court.

DIVISION OF BANKS

Cash Received from Certain Closed Banks: There has been on hand certain funds which were turned over to the Commissioner of Banks by the Division of Liquidations. This was in conformity with Section 3 of Chapter 515 of the Acts of 1939, which reads as follows:

"Section 3. Whenever the liquidation of any institution under the administration of the director of liquidations has been completed he shall transfer and deliver to the commissioner of banks any and all funds and property remaining in his hands, to be disposed of by the commissioner of banks in accordance with law."

Section 35 of Chapter 167 of the Tercentenary Edition of the General Laws, provides for the disposition of funds remaining in the hands of the commissioner. This section reads as follows:

"Section 35. Unclaimed dividends and all other funds received from the liquidation of any institution, so taken possession of, and remaining in the possession of the commissioner after the expiration of twelve months from the order for final distribution shall be paid by him to the state treasurer, to be held in trust, subject to the conditions hereinafter provided, for the several depositors with and creditors of such institution or other persons entitled thereto, according to their several interests. The commissioner shall state annually in his report to the general court the names of institutions so taken possession of and liquidated and the amounts of unclaimed dividends and other funds held by him with respect to every such institution. Upon certification by the commissioner that he has been furnished satisfactory evidence of their right to the same, the state treasurer shall pay over the money so held by him to the persons respectively entitled thereto. In cases of doubt or of conflicting claims, the commissioner may require an order from the supreme judicial court authorizing and directing payment, and any expenses incurred in connection therewith shall be deducted before payment from the amount payable. At the expiration of six years from the date of receipt by the state treasurer from the commissioner

of any such unclaimed dividends or other funds, upon certification by the commissioner that no claim thereto has been proved to his satisfaction or is pending, the same or the balance thereof then remaining, together with the interest, if any, earned thereon, shall escheat to the commonwealth."

In conformance with the foregoing, the following amount representing undistributed assets was turned over to the State Treasurer during the current audit period:

Transmittal Date	Bank	Amount
December 22, 1944	Central Trust Co., Cambridge	\$27,366.11

Central Organization Fund: There was received into this fund during the current audit period the sum of \$75.60, representing collections on certain assets which had been in the possession of the Director of the Division of Liquidations.

Unclaimed Dividends: A reconciliation of a bank account maintained in the Division covering unclaimed dividends, as of November 15, 1945, indicated a balance consisting of outstanding checks amount to \$5,654.04. It was noted that all of these checks were drawn between May 1942 and December 1944. Section 35 of Chapter 167 of the Tercentenary Edition of the General Laws provides:

"Section 35. Unclaimed dividends and all other funds received from the liquidation of any institution, so taken possession of, and remaining in the possession of the commissioner after the expiration of twelve months from the order for final distribution shall be paid by him to the state treasurer, to be held in trust, subject to the conditions hereinafter provided, for the several depositors with and creditors of such institution or other persons entitled thereto, according to their several interests . . ."

In view of the fact that more than a year has elapsed since the issuance of the latest of these checks, it is recommended that this account be closed and that the balance be transferred to the State Treasurer.

Miscellaneous: Section 116 of Chapter 54 of the Tercentenary Edition of the General Laws provides:

"Section 116. The governor shall, in the presence of at least five councillors, certify to the results of the examination of the copies of the records of the votes for governor and lieutenant governor, for councillors, for state secretary, state treasurer, state auditor and attorney general, and for senators, and shall issue this summons to such persons as appear to be chosen to said offices. . . ."

It has been the custom with the Governor's Office for several years to call upon the Commissioner of Banks to supply the clerical assistance necessary for this work. Expenditures for the last five election years are as follows:

1945	\$376.66
1943	242.66
1941	45.42
1939	239.31
1937	287.98

It was noted that this expense is charged against the appropriation of the Division of Banks. In view of the fact that the Legislature has made no provision for these expenditures, it is suggested that the office of the Secretary of State could be better equipped to supply the clerical assistance necessary to comply with the provisions of this act.

DIVISION OF INSURANCE

Accounts Receivable: In conformity with a recommendation of the Auditor in his report of October 31, 1944 an accounts receivable account has been set up in the general ledger.

An item of \$27,380.69 chargeable to cities and towns for an examination of sundry retirement systems will be adjusted by the State Treasurer in his settlement with cities and towns. A small item of two dollars was paid during the course of the audit.

It was noted that an item of \$212.00 due from the Alliance Insurance Company of Philadelphia for the renewal of agents' licenses was unpaid from July 1945 and was not included in the accounts receivable.

DIVISION OF SAVINGS BANK LIFE INSURANCE

Assessments: Section 17 of Chapter 178 of the Tercentenary Edition of the General Laws as amended by Chapter 330 of the Acts of 1935 provided that sums expended by the Commonwealth for the Division of Savings Bank Life Insurance be repaid to it by assessment upon the savings and insurance banks in the savings bank life insurance scheme on December 30 of each year. Said section 17 was again amended by Chapter 391 of the Acts of 1939 which provided that the savings and insurance banks be assessed each month for a sum equal to one-twelfth of the total appropriations for the division for that fiscal year.

DEPARTMENT OF CORRECTION
GENERAL DEPARTMENT

Parole Board—Assistance to Discharged Prisoners: The records in the Parole office show that a total of \$351.00 was disbursed during the current audit period. The sum of \$211.45 was repaid during the same period. The total outstanding on December 13, 1945 amounted to \$617.55 and includes the excess of disbursements over repayments from previous audits.

It was noted that repaid loans are now turned in to the State Treasurer as income. This change is provided for in Chapter 512 of the Acts of 1945.

Certain Salaries Payable from the Prison Industries Fund: Item No. 4401—Chapter 404 of the Acts of 1945, effective July 1, 1945 provides an appropriation of \$21,540.00 and reads in part as follows:

"... for salaries of persons employed in the department of correction in certain supervisory and administrative work in prison industries, including not more than seven permanent positions; provided, that of the amount herein appropriated the proportions properly chargeable to the prison industries fund at the Massachusetts reformatory, the reformatory for women, the state prison, and the state prison colony shall be determined by the state comptroller."

MASSACHUSETTS REFORMATORY

Income: Income received from the Federal Government in the form of meat subsidies is not posted to the income account of the institution until months after the entry has been recorded in the Comptroller's records. At the date of audit, the sum of \$192.03 was shown as income in July 1945 by the Comptroller and had not been recorded on the institution's books.

Farm: The 1945 farm report records a total of \$1,151.25 as "shrinkage" for the year. In analyzing this amount, it was noted that the sum of \$438.73 was included as "shrinkage" whereas actually it represented a loss in the sale of vegetables which were sold to other institutions for \$1.00. It is recommended that in the future such losses be indicated on the farm report and not included in shrinkage.

Farm records indicate that several new born calves were slaughtered about three weeks after birth and had not been assigned a number. For purpose of control, it is recommended that all calves living twenty-four hours be assigned numbers.

Canteen: The previous audit called attention to improper closing of the canteen cash book and charging of \$2,000.00 worth of U. S. Savings Bonds to "benefits." A journal entry setting up a ledger account for the bonds and crediting the Canteen Fund was made as of date of audit, but the cash book still was improperly closed. Several cases of pencil entries for certain amounts without further explanation were noted. Another item concerned the purchase of an adding machine for the use of the canteen which had been charged to "operating expense" instead of "equipment."

These matters were called to the attention of the bookkeeper and it is understood that the books will be properly closed in the future and that items appearing in the cash book will bear a proper explanation and be charged to the correct account in the ledger.

Industries: The War Emergency Fund was reimbursed for the sum of \$8,690.00 previously allowed to industries in 1942 and 1944, authority Chapter 490, Acts of 1945.

Losses through selling goods below cost are still being noted. Higher raw material prices and governmental restrictions on production are mainly responsible for this condition.

Heat, Light and Power Charges: Previous audit recommendations, that a survey be made to determine if the present charges to Industries are proper, have not been carried out. If this institution is to operate on the same basis as other state penal institutions, present charges should be adjusted downward.

STATE FARM AT BRIDGEWATER

Maintenance Accounts Receivable: All the accounts receivable were paid during the course of the audit, except the following:

Food overdraft	\$18.86
Garage rent	5.00
Ice	9.60
Vegetables	89.60
X-ray . . . . .	.15

The above amount of \$18.86 owing for food overdraft is due from the former head farmer who resigned in December 1942. There was some correspondence with him and in his opinion, the charge was improper. It is again suggested that an effort be made to settle this matter.

The amount of \$5.00 for garage rent, owed by a sergeant in the State Police, has been outstanding since April 1943. There has been some correspondence on this account and it is again suggested that some effort be made to settle the matter.

The amount of \$9.60 owing for ice is due from three families who formerly lived in the vicinity of this institution. The present addresses of two of the families are unknown and an effort has been made to collect from the other family.

Charges for vegetables and X-ray are current and payment is expected momentarily.

Farm Sales: It has been the practice at this institution to sell surplus vegetables for \$1.00 a load to other institutions. This practice makes the verification of this income more difficult, and in reality, has the same effect as an increase in appropriations to the institutions purchasing the vegetables. For example,

if an institution is allowed \$500.00 in its budget for onions and is able to buy the same poundage requested in the budget for \$5.00, this would automatically have the same effect as increasing the budget by \$495.00 unless, of course, this amount is reverted. These sales were as follows:

Products	Pounds	Value at Farm Price	Sold For
Carrots	1,890	\$37.80	\$1.00
Carrots	2,760	55.20	1.00
Carrots	4,660	93.20	1.00
Carrots	980	19.60	1.00
Carrots	1,700	34.00	1.00
Onions	7,040	140.80	1.00
Onions	6,340	126.80	1.00
Onions	2,120	42.40	1.00
Onions	6,400	128.00	1.00
Winter Squash	2,060	30.90	1.00
Winter Squash	7,900	118.50	1.00
Winter Squash	6,420	96.30	1.00
Winter Squash	8,760	131.40	1.00
Winter Squash	2,400	36.00	1.00
Winter Squash	750	11.25	1.00
Winter Squash	9,750	146.25	1.00
	71,930	\$1,248.40	\$16.00

Farm Sale Control: The present set up in the farm records does not provide a control for sales, that is, one place in the farm ledger where all sales are recorded. For instance, milk sales are recorded in the milk account, hides and calves, etc., in the back of the ledger. In order to reconcile farm sales with the treasurer's records, it is necessary to examine several places in the farm ledger for the total sales. This would likewise apply to the farm report as there is no one place in the report where all the sales are recorded.

Canteen Cash Shortage: In connection with the verification of canteen sales, it was found that sales totaling \$26.73 for August 30, 1945 were not recorded on the cash book and there was also a difference of 25 cents on January 19, 1946, the cash book being less by this amount. These entries when made will result in a shortage in the cash of \$26.98. The treasurer made up this shortage on May 14, 1946.

Canteen Inventory Overage: The overage of \$182.76 found in the canteen inventory on April 2, 1946, is equivalent to .84% of the sales, of \$21,523.40 for the period from May 31, 1945 to April 2, 1946. The above overage does not include \$26.98 of canteen sales omitted on cash book.

Canteen Inventory: The canteen inventory at this institution was taken monthly during the period under audit, but was not reconciled with the books of record. It is advised that in the future the physical inventory be reconciled with the records monthly.

Patients' Bank Books: It has been suggested several times that proper steps be taken to dispose of a bank book belonging to J. E. who died January 27, 1939. This book shows a balance of \$97.19 and is on the Charlestown Five Cents Savings Bank, Account No. 201836. Up to the date of the current audit, no action had been taken.

It is noted that some of the patients' bank books that are on hand have not been verified for several years. It is again suggested that the Acting Medical Director communicate with the depositories regarding the status of these accounts.

The previous audit report included the following:

"In the case of the bank book belonging to A. N., with a balance of 5,999 lire in the bank in Italy and showing no activity since September 20, 1932, the Medical Director communicated with the Italian Consul in Boston on February 10, 1937 regarding this account, and in his reply the Italian Consul stated that he could furnish no information without examination of the book."

The status of this account is as it was on the date of the previous audit.

Inmates' Accounts: A shortage of \$8.79 was noted when the cash was balanced on April 2, 1946. The cash at this institution has been either over or short on the opening day of the past several audits. An effort should be made to balance the cash daily. The above shortage was made up by the Treasurer on May 14, 1946.

Disposition of Inmates' Funds: It is noted that legislation was enacted during the 1945 session of the General Court for the disposition of deceased, discharged and escaped inmates' funds. (See Reference No. 12 in the Appendix.)

STATE PRISON

Maintenance—Cash and Postal Savings Certificates Found in Safe: The previous audit report stated:

"Cash in old bills totaling \$35.00, Postal Savings Certificates with a total face value of \$200.00 and \$12.13 in cash were found in the safe."

"The cash items should be entered in the proper cash books, and advice should be requested from the Comptroller as to disposition of the two items. It is believed that the \$12.13 represents refunds account of previous years."

"Efforts are being made to locate the former inmate believed to be the owner of the Postal Savings Certificates."

Two items have been turned over to the State Treasurer, \$35.00 to Prisoners' Unclaimed Fund and \$12.13 to Refunds Previous Years. The Postal Savings Certificates with a face value of \$200.00 are being held in the safe. Attempts to locate the inmate whose name appears on the face of the certificates have not been successful.

It is suggested that an opinion be requested from the Attorney General as to the disposition of the certificates.

Maintenance—Journal Entries: The previous audit report recommended that all journal entry vouchers be signed and that a complete explanation of the transaction be entered on each voucher. This recommendation is repeated, as no change has been made.

Maintenance—Pay Roll Checks: It is suggested that the practice of signing pay roll checks in blank be discontinued.

Maintenance—General Ledger Index: It is suggested that account names and ledger page numbers of accounts in the general ledger be entered in the index section of the ledger.

Maintenance—Accounts Receivable: The previous audit report recommended an accounts receivable ledger for recording rents, sales and other types of income and also recommended that the steward send an order for billing purposes to the maintenance bookkeeper immediately following each sale. These recommendations have been carried out.

Maintenance Stores: An inventory of goods valued at \$23,099.63 was taken which showed overages of \$263.23 or 1.14% and shortages of \$523.58 or 2.27%.

The unit and value balances of each item in the stock ledgers should be carried forward from month to month. At present this is not being done.

The date that merchandise is received should be the date used in recording purchases on the stock ledger sheets. The date of the invoice could also be inserted as a matter of record. At present, either the date of the invoice or the date of the payment of the invoice is recorded in the purchase column of the stock ledger sheet.

Unit values should appear on all stock ledger sheets. When two or more purchase prices are used, an average unit price should be used.

Adjustments due to shortages or overages, losses due to spoilage, and other necessary adjustments should be entered separately from purchases or issues, and the values of the adjustments should be given over to the maintenance bookkeeper for separate journal entries in the general books after each physical inventory has been taken.

Requisitions for issue from Maintenance Stores should contain all items of food and supplies needed for the day. If additional items are needed they should not be added to the original requisition, but should be entered on a separate requisition. All signatures called for by the requisition should appear thereon.

It was noted that an item of 310 jumpers, valued at \$418.50, purchased from the clothing department had not been entered on the stock books. The physical inventory test check indicated 300 in stock on August 1, 1945. It is suggested that this item be entered in the maintenance stock books.

In previous audit reports it was advised that the steward's records and stock ledger be kept in an office not so convenient to the storeroom. In this connection it was noted that an office has been provided away from the stock room for the purpose of keeping therein stock ledger and steward's records, but a civilian stock clerk had not yet been obtained to handle the stock ledgers. The work was still being handled by inmate clerks.

Of the 62 inventory items tested on August 1, 1945, it was noted that 36 items indicated differences between physical inventory figures and stock ledger balances.

It was also noted that the unit value of a number of stock ledger items was omitted from the stock ledger sheets. Balances shown should indicate units and money value. It is suggested that a unit value be shown for each item in the stock ledger.

It was again noted that no record is kept of spoiled fruit or of the replacement of this spoilage, therefore, it is again suggested that records be kept of fruit spoilage and of fruit spoilage replacements.

The previous audit report mentioned the lack of uniformity in the units of measurement of certain items carried in the materials and supplies ledger. Fresh fruit and fresh vegetables are shown in the stock ledger by pounds, bushels and baskets. A uniform unit of measurement would appear to be more advisable for use in the issuance of such items.

Beef purchases consist mostly of tops, bottoms and stickers which are shipped to the kitchen without any cutting or trimming in the storehouse. Pork loins are shipped to the kitchen in the original package. In the case of boned beef purchases the meat is issued to the kitchen where it is cut up for steak, stew and hamburger. Thus, three meals are issued at one time. However, because of limited space in the kitchen, two of the three parts are returned to the storehouse to await consumption by the kitchen. This seems to be the practice for other meats as well. It is again advised that except in the case of beef purchases this practice should be discontinued if possible, and only the amount that is necessary to fill the needs of the kitchen should be sent to the kitchen from the storehouse. Control of the purchases and distribution of supplies cannot be maintained effectively when portions of the supplies kept in the storehouse have been charged and issued to another department.

The previous audit report stated:

"A test comparison of the invoices with the purchase orders was made. This comparison showed that in some cases the institution received quantities in excess of the amounts ordered."

The same condition existed during the present audit period. This was discussed with the steward who stated that these goods were received in the outside receiving room by an industries clerk and the variance in weights not noticed until goods were received by the maintenance storekeeper and compared with the order. Concerns were notified to call for excess, but failed to comply with request. A similar situation existed at the time of several previous audits and it is again suggested that steps be taken to eliminate this condition.

Industries Cash—Miscellaneous Sales to Prison Officers and Employees: It was noted that cash collected from sales of this type is not deposited when received, but is held for use in paying petty cash expenditures. All cash collections from sales should be deposited when received.

Industries Accounts Receivable—Active: The total of outstanding balances on August 1, 1944 amounted to \$79,196.94. Of this total \$2,447.77 represented net charges prior to 1945. This figure was made up as follows:

	Prior to	1944	1943	Total
Registry of Motor Vehicles	.	—	—	—
Other State Accounts	.	—	\$630.95	\$630.95
Cities, Towns and Counties	.	\$1,774.45	42.37	1,816.82
Outside Accounts	.	—	—	—
		\$1,774.45	\$673.32	\$2,447.77

Industries—Accounts Receivable: An amount of \$551.25 is due from the Department of Public Works since 1942. This amount is due for posts manufactured in the Metal Department. A verification notice returned by that Department indicated that the posts were never received by the Department of Public Works. This balance should be cleared.

Industries—Suspense Accounts Receivable: The Attorney General authorized the writing off of all accounts carried in the suspense accounts receivable control account. The accounts written off totaled \$7,952.47.

Industries—Stock Rooms: There is a storeroom in charge of a paid clerk in the following shops:

Clothing Department — Raw materials and finished goods
 Shoe Department — Raw materials and finished goods
 Underwear Department — Raw materials and finished goods

In other departments, storerooms are in the charge of the shop foreman. The previous audit reports have advised that if the industries are to remain at the State Prison that the question of a central storehouse for raw materials and finished goods be considered, and in this connection attention is again called to this recommendation.

Industries—Heat, Light and Power: The charge for this service is made by the maintenance division on the basis of one-third of the actual fuel disbursements less coke, gas, electricity and water, plus one-tenth of the wages paid the Engineering Department, and the charge is prorated among the different industries on an arbitrary basis. As stated in several previous audit reports, this charge has been in effect for some years, and it would seem to be advisable that the basis of the charge be reviewed by a competent engineer.

Industries—Reserve for Inventory Adjustment: Attention is called to this account which showed a credit balance of \$45,311.86 on June 30, 1945, and which balance has been in the account unchanged since November 30, 1935. It is again suggested that the department secure legislation to properly dispose of this reserve.

Industries—Brushes on Hand: When test inventories were made in the various shops 227 brushes were found stored in the Underwear Department. The brushes are carried at a value of \$112.79 in the inventory report sheet of raw materials for this department. Apparently the brushes were left at the prison when brush manufacturing was discontinued at the State Prison. It is suggested that the brushes be disposed of as they appear to be in very good condition.

Industries—Obsolete Items: A list of obsolete stock and machinery was compiled by the industries bookkeeper as follows:

LIST OF OBSOLETE MATERIAL

Entire Stock of Brushes in the Underwear Stock Room:

Box No. 1	17	No. 116	Floor Brushes, 20 inches long
Box No. 2	17	No. 116	Floor Brushes, 20 inches long
Box No. 3	18		Floor Brushes, 18 inches long
and	1		Floor Brushes, 20 inches long

Box No. 4	20	Floor Brushes, 18 inches long
Box No. 5	5	Floor Brushes, 20 inches long
and	5	Floor Brushes, 24 inches long
Box No. 6	17	Floor Brushes, 18 inches long
Box No. 7	1	Floor Brushes, 14 inches long
and	4	Floor Brushes, 16 inches long
Box No. 8	36	Window Brushes
Box No. 9	86	Shoe Brushes

Grey Cotton Bathing Suits in Underwear Stockroom:

28	4/12	Dozen	No. 400	Bathing Suits
53	6/12	Dozen	No. 403	Bathing Suits

Small Childrens' Underwear in the Underwear Stockroom:

15	1/2	Dozen	No. 31	Drawers, size 20
11		Dozen	No. 31	Drawers, size 22
5	9/12	Dozen	No. 31	Drawers, size 24
3		Dozen	No. 31	Shirts, size 18
12	3/12	Dozen	No. 31	Shirts, size 20
10	7/12	Dozen	No. 31	Shirts, size 22
8	1/2	Dozen	No. 31	Shirts, size 24
11		Dozen	No. 31	A. S., size 20
6	crib beds in the Underwear Stockroom			
3	old knitting machines in the Underwear Stockroom			
Entire stock of Worsted Clothing in the Clothing Shop				

Included in this list are the brushes mentioned in another section of this report.

Industries—Sales Returns and Allowances: It is suggested that sales returns and allowances should be posted monthly to Sales and Accounts Receivable. At present sales are posted net instead of gross.

Industries—Adjustments to Inventories: At present adjustments to inventories of raw materials and finished goods are not shown separately in the general ledger accounts, but are included as adjustments of purchases, issues, or manufacture. It is suggested that all over or short adjustments be recorded separately in the raw materials and finished goods account following the regular quarterly taking of physical inventories.

Industries Moved to State Prison Colony: During the period covered by the audit two industries were moved from State Prison to State Prison Colony. The Clothing Department and Shoe Department are recorded as having inventories as follows prior to transfer to State Prison Colony at Norfolk:

	Clothing Feb. 28, 1945	Shoe May 31, 1945
Raw Materials	\$33,677.35	\$27,927.08
Finished Goods	16,451.07	1,288.77
Machinery and Equip.	750.25	1,697.91

The financial statement of June 30, 1945 records the inventory balances of the two departments transferred to the State Prison Colony as follows:

	Clothing June 30, 1945	Shoe June 30, 1945
Raw Materials	\$6,547.41	\$2,475.83
Finished Goods	6,495.93	None
Machinery and Equip.	299.62	None

It is understood that the items included in the inventories of June 30, 1945 were not acceptable to the State Prison Colony. It appears that it would have been proper to transfer all items included in the inventories of the two departments of the State Prison Colony.

It is also understood that physical inventories of raw materials and finished goods were not taken prior to the transfer to Norfolk. It would appear that proper accounting procedure would call for the taking of physical inventories before shipping from State Prison, and also the taking of physical inventories of all items received at Norfolk.

The State Prison Colony has been billed for the machinery and equipment transferred, and for items of raw materials and finished goods, but as the transfer of the two departments and settlement for the transfer had not been completed in entirety at the date of audit, no reconciliation of inventories and sales was attempted at this time.

It was noted that a profit of \$194.00 was incurred in the sale of machinery and equipment to State Prison Colony. This was occasioned by a charge of \$1.00 each for 194 machines which had been fully depreciated on the State Prison Industries records prior to the transfer of the two departments.

The total sales as shown by the financial statement of the prison for the fiscal year ended June 30, 1945 included the billings made to State Prison Colony up to that date for raw materials and finished goods transferred. As these sales do not represent income as a result of operations it is believed that they should appear as a separate figure on the operating report after Net Operating Profit.

Industries—Foundry Department: This department has not been operating since April 4, 1945 and no date had been set up to August 1, 1945 for reopening the shop.

The financial report of the State Prison Industries as of June 30, 1945 shows a loss of \$11,084.90 on sales of \$32,440.39 for the fiscal year 1945 as against a profit of \$1,182.09 on sales of \$27,295.10 for the preceding fiscal year 1944.

The reason given for the loss incurred in 1945 was the increased cost of materials necessary for production with no increase in selling price being allowed by O.P.A.

Inmates' Personal Fund Account of Cash: It was noted that of the monies received for deposit to the inmates' personal fund bank account only checks and money orders are deposited when received, cash being held and deposited only when a sizeable amount has accumulated. The reason given for such a procedure is that it is necessary to have sufficient cash on hand to cash the checks drawn to inmates who are either going out on parole or being released from the institution. It is believed that all monies received for inmates should be deposited when received, and that other arrangements should be made to have cash on hand for use in cashing the checks drawn to inmates who are being paroled or released.

Inmates Personal Funds—U. S. War Bonds and U. S. War Savings Stamps: All war bonds and war savings stamps should be segregated in order that a complete listing can be made at any time.

Funds of Deceased Inmates: There was a total of \$390.44 belonging to deceased inmates on August 1, 1945. This total is made up of \$152.61 Personal, \$91.06 Savings and \$146.77 Dependents. A request had previously been made of the Department of Correction relative to the disposition of such funds. A copy of the reply is as follows:

C O P Y

April 23, 1941

THE COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF CORRECTION

State House, Boston

Recently a question has been raised by the superintendent of one of our institutions as to the disposition of money and personal property of inmates who die within the institution.

A study of the statutes was made and an assistant to the Attorney General was consulted, and as a result it is suggested that for the protection of the institution head from civil suit the following methods be adopted to care for such cases.

Where there is no known surviving spouse or heir, notify a public administrator for the county wherein your institution is located.

Where there is a known surviving spouse or heir, notify the same by letter that you have custody of certain funds or property belonging to the decedent, and that you are ready to deliver such funds or property to whomsoever is appointed legal representative of the deceased by the Probate Court.

The authority of a public administrator is contained in General Laws, Chapter 194 (Ter. Ed.) and I believe that Sections 4, 5 and 17 of the aforesaid chapter cover the situation as outlined above.

Chapter 383 of the Acts of 1936 amends Chapter 127 by adding after Section 96 two new sections, 96A and 96B. Section 96A refers only to money left unclaimed for a period of *ten years* by prisoners who have been *discharged* or who have *escaped*. Section 96B refers only to property left *unclaimed* for *one year* and the method of disposing of the same.

I trust you will find the above to be of assistance.

Chapter 290 of the Acts of 1945 amends Section 96-A of Chapter 383 of the Acts of 1936 referring to money of individuals who have died, escaped, or have been discharged, and which money has remained unclaimed for a period of more than ten years.

Inmates' Wage Account—Loss from Closing of Charlestown Trust Company: The previous audit report showed a balance of \$15,510.92 which represented the final loss of inmates' wage funds deposited in the closed Charlestown Trust Company.

An account has been set up on the Comptroller's records for \$15,510.92, which amount was credited by the State Treasurer upon receipt of a proof of claim on the closed Charlestown Trust Company. It is understood that this amount has been set up to care for payments from this account until an appropriation is received to cover this loss.

The balance in the Inmates' Wage Account on August 1, 1945 was \$7,097.37. This balance was represented by an amount of \$272.29 cash in bank and \$6,825.08 credit in the account with the State Treasurer. The present method of payment to inmates discharged or released, or payment to other institutions upon transfer of inmates is cumbersome and is not in keeping with good accounting procedure. It is again recommended that the Comptroller be requested to change the present procedure in order to facilitate payments from this fund.

Inactive Accounts—Inmates' Wage Funds: It was noted that a few ledger card balances were in the names of inmates transferred to another institution. Cash represented by such ledger card balances should be transferred to the institution to which the inmate was transferred.

Inmates' Wage Accounts—Cash Balance: The cash balance as shown by the cash reconciliation of the Inmates' Wage Accounts on August 1, 1945 is made up as follows:

	Total	Deficit	Cash Balance
Personal	\$ —	(\$3.50)	\$ (3.50)
Savings	3,574.28	(7.50)	3,566.78
Dependents	3,541.09	(7.00)	3,534.09
	<u>\$7,115.37</u>	<u>(\$18.00)</u>	<u>\$7,097.37</u>

The deficit in the personal account was caused by an adjustment after the distribution for the quarter ended February 28, 1942. Ordinarily this situation would be cleared at the time of the next payment, but, as no other distribution was made during the fiscal year of 1942 the deficit was not cleared. It is again suggested that this deficit be cleared through the Inmates' Personal Account.

Deficits in the savings and dependents accounts represent under-payments to two inmates in the distribution of wages for the quarter ended February 28, 1942. Adjustments appear on the two wage ledger cards of the inmates under date of August 17, 1942.

The deficit balances totaling \$18.00 appearing in the wage account balances should be cleared.

Inmates' Wages: No distribution of excess profits was made during the period covered by the audit.

Sophie Lyons Memorial Trust Fund: Under the will of Sophie Lyons Burke the Circuit Court of Detroit, the Third Circuit Court of Michigan, is directed to pay \$50.00 each year to the Catholic chaplain of the Massachusetts State Prison for the subscription of magazines for the prison. The cash book used for recording inmates personal fund receipts and disbursements shows \$100.00 received, \$50.00 in April 1944 and \$50.00 in April 1945, and \$100.00 paid out for subscriptions during the period covered by the audit.

STATE PRISON COLONY

Maintenance Section: Several clerical errors were noted in the June 1945 and April 1946 financial reports which were called to the attention of the institution treasurer.

Water Contract: This institution has not as yet begun to sell water to the Town of Norfolk.

Industries Section: At the time of balancing cash on May 15 there was \$10,133.19 (in checks) in the Industries Office which had not been recorded on the cash book. Apparently some of these checks had been on hand several weeks and the reason given by the bookkeeper was that they have not had sufficient help, their work having been greatly increased by war contracts. It is understood that all of these checks were processed during the course of the audit.

Accounts Receivable totaling \$987.49 have been referred to the Attorney General for disposition so that action can be instituted on some of them before they become outlawed by the Statute of Limitations.

METROPOLITAN DISTRICT COMMISSION

Contracts: It was noted that two P.W.A. contracts, namely, the Sewerage Division Contract No. 78, dated March 31, 1936, and Sewerage Division Contract No. 82, dated September 14, 1936, (same contractor on both) have not been settled and it is understood that the contractor filed legal suit sometime in 1940.

There is being held in the bookkeeper's office a check dated December 15, 1943 for \$522.75 payable to Edward M. Matz, Inc. This check represents the final payment on Sewerage Division contract No. 113 with that concern dated November 23, 1942. This item was included in the list of liabilities filed November 30, 1942 and was scheduled to the Comptroller in November 1943 apparently because the Reserve for 1942 Liabilities would expire November 30, 1943. When this invoice was sent to the Comptroller, the work done under the contract had not been accepted and as it has not been accepted up to August 29, 1945 the check is still being held. Sometime prior to August 29, 1945 the commission was notified by a sub-contractor that he had a claim against the contractor—the commission sent a copy of this letter to the Attorney General and by letter dated November 13, 1944, the Attorney General advised the commission, "to continue your action of withholding any further payment to the Matz Co. in view of the pending claim of the sub-contractor".

In connection with the reviewing of bids on account of the repairs to the sea wall and roadway along Winthrop Shore Reservation, it was noted that the contract was awarded to the second lowest bidder because it was felt by the commission's officers that it would be to the best interest of the Commonwealth. The lowest bid and the second lowest bid were as follows:

Lowest Bidder	\$38,154.50
Second Lowest Bidder	46,221.00

Control Account for Materials and Supplies in General Ledger: There is no inventory control account carried in the general ledger for materials and supplies in the storage yards and it is suggested that the Comptroller's Bureau be again requested to provide such an account.

METROPOLITAN DISTRICT WATER SUPPLY COMMISSION

Unrecorded Assets of Certain Towns Abolished—Inventory: The previous audit report stated:

"No account was set up showing an inventory of articles taken over with the towns on April 27, 1938. Lists of articles are on file but no value has been fixed of the items listed."

As no financial inventory record has been set up attention is again called to the foregoing.

Any articles sold from the inventory were handled in the usual manner on sales slips.

Trust Funds in the Custody of the Commission: In the possession of the commission are certain bank books which are evidence of trust funds left for various purposes and which were formerly in the possession of the town officers of the former towns of Dana, Enfield, Greenwich and Prescott. On December 21, 1945 the amount of these deposits was \$7,447.88, including interest of \$65.44 which had not been credited on the ledger as of that date. As these accounts had originally been given for various public purposes, the office of the Attorney General, upon request of the Commission has advised that each trust fund will have to be subject to individual court procedure to determine its final disposition.

Details of Shortages from April 27, 1938 in Funds from Certain Abolished

Towns: Previous audit reports have stated:

"It was noted that all sums of money in the custody of certain town officials on April 27, 1938 were not included in the funds in the possession of the Commission, being as follows:

TOWN OF ENFIELD

Mrs. Ritchie, Treasurer	\$ 51.44
Dora E. Foley, Collector . . . . .	.23
Dr. Segur, Whiting St. Fund Income	5.48
D. W. Dickinson, Cemetery Perpetual Care Income	85.35
	<hr/>
	\$142.50

It is understood that the matter of settlement of these claims is in the hands of the Attorney General. During this audit no further information has been received regarding these shortages.

Reimbursement Account Rutland-Holden Sewer—Payments: Under contract 42 of May 1, 1933 with the city of Worcester, the Commission paid the lump sum of \$325,000.00 to the City of Worcester and pays annual charges for the use of the City of Worcester Sewerage System and Treatment Works, this agreement being a permanent arrangement authorized by Section 9 of the Chapter 262 of the Acts of 1932.

In the event that the daily average annual flow exceeds 750,000 gallons of sewage, then such adjustment shall be made as will compensate the city for the increased capacity required, to be mutually agreed upon. The annual charge constitutes a proportionate share of the cost of cleaning and repairing the sewers of the city and operating the sewage treatment plant in the ratio which the quantity of sewage from the Commissions sewer bears to the total quantity of sewage treated by the city, based on the city's fiscal year ending December 31.

Payments are governed by Section 11 of Chapter 262 of the Acts of 1932, as follows:

"The funds provided for metropolitan water supply purposes by chapter three hundred and seventy-five of the acts of nineteen hundred and twenty-six, and chapters one hundred and eleven and three hundred and twenty-one of the acts of nineteen hundred and twenty-seven, and any additions thereto or amendments thereof, are hereby made available for carrying out the purposes of this act, except for meeting the costs of maintenance and operation and any payments to the city of Worcester for maintenance and operation the amount of which costs and payments shall be added to the annual assessments upon the cities and towns comprising the metropolitan water district, and apportioned and collected as provided by section twenty-six of chapter ninety-two of the General Laws."

In this connection, however, it is noted that Paragraph 4 of Section 1 of Chapter 262 of the Acts of 1932 also deals with maintenance, and reads as follows:

"Said sewer or sewers and appurtenance and property incidental thereto when completed shall be turned over to the metropolitan district commission, and shall be thereafter maintained by it as a part of the metropolitan water system under chapter ninety-two of the General Laws and amendments thereof and additions thereto, with all the powers and duties conferred and imposed upon it by said chapter and upon the commission by this act."

The Metropolitan District Water Supply Commission in conjunction with the town of Rutland and the Federal Government has constructed a system of sanitary sewers in the towns of Rutland and Holden to divert sewage from the watersheds of the Ware and Wachusett rivers and have connected the same with the Rutland-Holden sewer. The operation of these sewers has been turned over to the Metropolitan District Commission.

From May 1, 1933 to December 21, 1945 a total of \$4,450.82 has been paid to the city of Worcester in connection with the operation of this sewer.

Quabbin Park Cemetery: This cemetery was established under Section 9 of Chapter 321 of the Acts of 1927 as amended by Chapter 176 of the Acts of 1939. Bodies found in existing cemeteries in the area covered by the reservoir were disinterred and buried in the Quabbin Park Cemetery. There were various trust funds covering perpetual care of lots in the existing cemeteries and these funds were transferred to the Commission when the towns of Dana, Enfield, Greenwich and Prescott went out of existence April 27, 1938. Some of these funds were transferred to the State Treasurer and some remain in the custody of the Commission.

The funds transferred to the State Treasurer appear in the general ledger of the Commission under the heading "Quabbin Park Cemetery Perpetual Care Funds". The Commission is notified by the State Treasurer of any transactions in these funds. The portion of the funds not transferred to the State Treasurer appears in the Commission's general ledger under the heading "Suspense Account". These funds are held in individual savings bank accounts which were verified by sending the bank books to the bank.

These funds have previously been mentioned under the heading of "Trust Funds in the Custody of the Commission". Rules and regulations governing these and maintenance of the cemetery were adopted June 28, 1932 and revised October 19, 1939. It is the plan of the Commission when perpetual care funds amount to less than \$100.00 to make up the difference from the appropriation of the Metropolitan District Water Supply Commission which is apparently authorized by Section 9 of Chapter 321 of the Acts of 1927, which reads as follows:

"... To whatever cemetery a body may be removed, if the lot from which the body has been taken was under perpetual care, then the additional cost, if any, for perpetual care in the place of removal to an amount not exceeding \$100.00 shall be provided by the commission for the lot to which the removal has been made."

Resolve 52 of the Acts of 1937 states:

"... the officers of any cemetery corporation and the trustees or other officers of any church or parish, or private or other cemetery, shall, upon written request of the metropolitan district water supply commission or its successors, transfer to the metropolitan district water supply commission or its successors, or to the state treasurer, trust funds established for the benefit or care of any cemetery or lots therein which contained remains removed to Quabbin Park Cemetery . . ."

Accounts Receivable: All unpaid charges prior to 1944 should be referred to the Attorney General for action. These accounts are as follows:

Rent	1943	R. H. O'L	.	.	.	.	\$90.00
Rent	1943	H. A. W.	.	.	.	.	165.00
Rent	1941	H. K.	.	.	.	.	341.00
Sale	1943	L. W.	.	.	.	.	1.50
Sale	1943	H. S. A.	.	.	.	.	55.00
Sale	1943	M. D. C.	.	.	.	.	6,681.00
Sale	1944	H. P.	.	.	.	.	5.00
Sale	1943	Trustees, M. T. S.	.	.	.	.	1.00

The only one of the above list that has been sent to the Attorney General is that of H. K. which was sent to him September 28, 1939.

General Bookkeeping: It is recommended that the practice of entering Deposits a/c Plans in the explanation column be abolished and that all entries on this account be entered in one of the regular columns provided.

It is also suggested that certified checks deposited by bidders for contracts be also passed through the cash book.

SERGEANT-AT-ARMS

Cash Books in Use: In connection with reconciliation of cash it was noted that the cash book shows only transactions in receipts account of income and that four other books are kept of the receipts and disbursements on account of advance money. It is again recommended that the Comptroller's Bureau be requested to provide a single cash book for the entry of all items of receipts and disbursements.

Bonds: The principal clerk and secretary is bonded for \$5,000.00. The court officers (16) are bonded for \$1,000.00 each.

