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The Commonwealth of Massachusetts

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DEPARTMENT OF THE AUDITOR

Mass.
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ANNUAL REPORT

FOR THE

FISCAL YEAR ENDING JUNE 30, 1956 – June 30, 1959



THOMAS J. BUCKLEY
STATE AUDITOR

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DEPARTMENT OF THE AUDITOR

ANNUAL REPORT

For the

FISCAL YEAR ENDING JUNE 30, 1956

STATE AGENCY AUDITS

I have the honor to submit the Annual Report of the Department of the Auditor for the fiscal year, July 1, 1955 to June 30, 1956.

Section 12 of Chapter 11 of the General Laws defines the duties of the Department of the State Auditor.

> "SECTION 12. 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 of the state auditor shall have access to such accounts at reasonable times and 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 fiscal year ended June 30, 1956.

Personnel: As of June 30, 1956, the permanent Civil Service staff of this office included eight World War I veterans, sixteen World War II veterans and ten non-veterans.

The following promotions were made through competitive Civil Service examinations:

Mr. John C. Dimitrakis of Roslindale to Semi-Senior Accountant
Mr. John M. Levis of Lexington to Semi-Senior Accountant

Mr. Sydney S. Kaplan was reinstated in this department as a Semi-Senior Accountant following service in the Legislative Research Council and Bureau.

Special Cash Audits: Three special cash audits were required during the fiscal year:

Massachusetts Correctional Institution, Framingham
Walter E. Fernald State School
Worcester Teachers College

New Audits: During the fiscal year, the first audit of the following agencies was completed:

Board of Commissioners on Firemen's Relief
Connecticut River Valley Flood Control Commission
Contributory Retirement Appeal Board
Council for the Aging
Cushing Hospital
Flood Relief Board
Mount Greylock Reservation Commission
Old State House
Parole Board
Reception Center for Boys at Westborough
Reception Center for Girls at Lancaster
Residential Treatment Unit at Oakdale
State Employees' Group Insurance Commission
Weather Amendment Board

STATE HOUSING BOARD AND LOCAL HOUSING AUTHORITIES

Audit of Housing Authorities: Chapter 682 of the Acts of 1949 provides as follows:

"SECTION 1. Section 26NN of chapter 121 of the General Laws, inserted by section 3 of chapter 200 of the acts of 1948, is hereby amended by inserting after subdivision (c) the following subdivision:--

(d) A housing authority which sells bonds or notes to finance a project under authority of this section, or which has received funds from a city or town under authority of chapter three hundred and seventy-two of the acts of nineteen hundred and forty-six as amended, shall cause an audit to be made of its accounts annually at the close of a fiscal year by the department of the state auditor and a copy of the report of said audit shall be filed promptly with the board.

"SECTION 2. Section 8D of chapter 372 of the acts of 1946, inserted by section 4 of chapter 479 of the acts of 1947 is hereby repealed."

During the complete fiscal year ending June 30, 1956, the terms of the Act were fully complied with and every active local Authority, in a total of 91, was audited and a report issued.

AUDIT OF METROPOLITAN TRANSIT AUTHORITY AND RELATED AGENCIES

Audit of Metropolitan Transit Authority: Chapter 675 of the Acts of 1949 provides as follows:

> "Chapter 544 of the acts of 1947 is hereby amended by striking out section 12 and inserting in place thereof the following: SECTION 12. The trustees shall determine the character and extent of the services and facilities to be furnished, and in these respects their authority shall be exclusive and shall not be subject to the approval, control or direction of any state, municipal or other department, board or commission. Except as herein otherwise provided, the department shall have the same general supervision and regulation, and jurisdiction and control over, the services and facilities of the authority as it has over street railway companies. The department of the state auditor shall annually make an audit of the accounts of the authority and make a report thereon to the trustees, the governor and council and the general court. In making said audits, said department of the state auditor may call upon the department of public utilities and other departments, commissions, officers and agencies of the commonwealth for such information as may be needed in the course of making such audits. The state auditor may employ such auditors, accountants, and other assistants as he deems necessary for carrying out his duties under this section, and chapter thirty-one of the General Laws and the rules made thereunder shall not apply to such employees."

A complete report of an audit of the accounts of the Metropolitan Transit Authority for the calendar year ending December 31, 1955, was issued on August 3, 1956. In order that our audit might be comprehensive and complete, separate examinations of the accounts of the Boston Metropolitan District and the Transit Mutual Insurance Company were also completed and reports issued.

NEW BEDFORD, WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY

Section 14 of Chapter 544 of the Acts of 1948 provides in part as follows:

> "SECTION 14. Report--On or before the thirtieth day of January in each year, the Authority shall make an annual report of its activities for the preceding calendar year to the governor and to the general court. Each such report shall set forth a complete operating and financial statement covering its operations during the year. The

"Authority shall cause an audit of its books to made at least once in each year by the state auditor, and the cost thereof may be treated as part of the operation of the project. Such audits shall be deemed to be public records within the meaning of chapter sixty-six of the General Laws."

A complete report of an audit of the accounts of the New Bedford, Woods Hole, Martha's Vineyard and Nantucket Steamship Authority for the calendar year ending December 31, 1955 was issued on June 22, 1956.

General: Individual copies of audit reports for all activities have been submitted to interested State and Municipal officials and heads of respective agencies.

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

STATE AGENCY AUDITS

Department or Institution	From	To	Page No.
Governor and Council:			
Aeronautics Commission	Feb. 10, 1955	May 2, 1956	109
Alcoholic Beverages Control Commission	Mar. 28, 1955	May 14, 1956	121
Armory Commission	Nov. 1, 1954	Apr. 13, 1956	96
Art Commission for the Commonwealth	Aug. 23, 1954	Jan. 4, 1956	55
Ballot Law Commission	Aug. 24, 1954	Feb. 23, 1956	69
Board of Commissioners on Firemen's Relief	Jan. 19, 1955	Feb. 1, 1956	99
Boston Arena Authority	Jan. 17, 1955	Jan. 16, 1956	60
Civil Defense Agency	Oct. 25, 1954	Feb. 20, 1956	76
Commission Against Discrimination	Sept. 17, 1954	Jan. 10, 1956	59
Commission on Administration and Finance:			
Budget Bureau	Oct. 8, 1954	Oct. 25, 1955	37
Comptroller's Bureau	July 1, 1954	June 30, 1955	63
Division of Building Construction	Oct. 18, 1954	Oct. 3, 1955	33
Division of Personnel and Standardization	Oct. 8, 1954	Nov. 9, 1955	50
Office of the Commissioner	Oct. 8, 1954	Nov. 9, 1955	51
Purchasing Bureau	Oct. 8, 1954	Oct. 24, 1955	36
Commission on Uniform State Laws	Aug. 24, 1954	Jan. 5, 1956	55
Commissioner of Veterans' Services	Apr. 12, 1955	May 1, 1956	110
Connecticut River Valley Flood Control Commission	July 1, 1954	June 6, 1956	108
Contributory Retirement Appeal Board	July 1, 1955	Apr. 20, 1956	99

Department or Institution	From	To	Page No.
Governor and Council (Continued):			
Council for the Aging	July 1, 1954	Mar. 28, 1956	86
Flood Relief Board	Aug. 18, 1955	Jan. 30, 1956	69
Hurricane Relief Board	May 23, 1955	Jan. 10, 1956	57
Military Division of the Executive Department	Nov. 1, 1954	Apr. 13, 1956	95
Military Reservation Commission	Nov. 1, 1954	Apr. 13, 1956	97
Milk Regulation Board	Sept. 13, 1954	Aug. 8, 1955	17
Mount Greylock Reservation Commission	July 1, 1955	Apr. 18, 1956	107
Mount Greylock Tramway Authority	May 26, 1955	Apr. 18, 1956	94
Old State House	July 1, 1955	Apr. 16, 1956	99
Outdoor Advertising Authority	Oct. 25, 1954	Nov. 28, 1955	49
Port of Boston Commission	Aug. 16, 1954	Sept. 12, 1955	28
Public Bequest Commission	Oct. 25, 1954	Jan. 17, 1956	59
Soldiers' Home in Chelsea	July 26, 1954	Sept. 15, 1955	26
Soldiers' Home in Holyoke	Dec. 1, 1954	Dec. 28, 1955	52
State Employees' Group Insurance Commission	Oct. 14, 1955	May 11, 1956	111
State Housing Rent Co-ordinator	Apr. 18, 1955	Jan. 30, 1956	61
State Library	Aug. 26, 1954	Feb. 24, 1956	79
State Racing Commission	Nov. 18, 1954	Dec. 7, 1955	49
State Superintendent of Buildings	Nov. 15, 1954	Oct. 24, 1955	35
Veterans' Bonus Commission	Sept. 28, 1954	Dec. 15, 1955	52
Weather Amendment Board	July 1, 1955	May 9, 1956	119
Secretary of the Commonwealth	July 19, 1954	July 25, 1955	14
Commission on Interstate Co-operation	Oct. 26, 1954	Aug. 15, 1955	22
Treasurer and Receiver-General	Jan. 19, 1955	Feb. 1, 1956	64
Emergency Finance Board	Nov. 22, 1954	Jan. 25, 1956	61
State Board of Retirement	Jan. 1, 1955	Dec. 31, 1955	71
Attorney General	Nov. 29, 1954	Mar. 26, 1956	66
Department of Agriculture	Sept. 13, 1954	Aug. 8, 1955	16
Division of Livestock Disease Control	Sept. 13, 1954	Aug. 8, 1955	17
Milk Control Commission	Aug. 16, 1954	Sept. 22, 1955	31
Department of Banking and Insurance:			
Division of Banks	Oct. 13, 1954	Dec. 8, 1955	50
Division of Insurance	Jan. 10, 1955	Nov. 17, 1955	47
Division of Savings Bank Life Insurance	Feb. 7, 1955	Jan. 20, 1956	59
Supervisor of Loan Agencies	Aug. 25, 1954	Jan. 19, 1956	61

Department or Institution	From	To	Page No.
Department of Civil Service and Registration	Aug. 23, 1954	Nov. 3, 1955	43
Architects, Board of Registration of	Dec. 28, 1954	Aug. 31, 1955	22
Barbers, Board of Registration of	Mar. 15, 1955	Oct. 25, 1955	37
Certified Public Accountants, Board of Registration of	Dec. 29, 1954	Sept. 12, 1955	30
Chiropody, Board of Registration in	Sept. 23, 1954	Sept. 12, 1955	30
Dental Examiners, Board of Registration of	Dec. 17, 1954	Aug. 26, 1955	22
Electricians, State Examiners of	Jan. 27, 1955	July 21, 1955	14
Embalming and Funeral Directing, Board of Registration in	Feb. 18, 1955	Sept. 27, 1955	34
Hairdressers, Board of Registration of	Nov. 18, 1954	July 12, 1955	14
Medicine, Board of Registration in	Oct. 8, 1954	Aug. 16, 1955	17
Nursing, Board of Registration in	Mar. 28, 1955	Oct. 6, 1955	34
Optometry, Board of Registration in	Sept. 30, 1954	Sept. 6, 1955	22
Pharmacy, Board of Registration in	Sept. 20, 1954	Aug. 1, 1955	15
Plumbers, Board of State Examiners of	Nov. 3, 1954	Aug. 10, 1955	17
Professional Engineers and Land Surveyors, Board of Registration of	Dec. 20, 1954	Sept. 9, 1955	23
Veterinary Medicine, Board of Registration in	Sept. 20, 1954	Aug. 24, 1955	22
Department of Commerce	June 8, 1955	Apr. 9, 1956	93
Department of Corporations and Taxation	July 1, 1954	June 30, 1955	5
Appellate Tax Board	Dec. 27, 1954	June 14, 1956	133
Bureau of Accounts	Mar. 31, 1955	May 18, 1956	127
Department of Correction	Dec. 6, 1954	Dec. 29, 1955	54
Massachusetts Correctional Institution at Concord	May 2, 1955	May 3, 1956	110
Massachusetts Correctional Institution at Framingham	May 12, 1955	May 14, 1956	127
Special Cash Audit		Jan. 16, 1956	61
Massachusetts Correctional Institution at Norfolk	May 4, 1955	Apr. 24, 1956	97
Massachusetts Correctional Institution at Walpole	Apr. 25, 1955	Apr. 16, 1956	97
Parole Board	Dec. 6, 1954	Dec. 29, 1955	55
State Farm	July 7, 1954	Aug. 4, 1955	16

Department or Institution	From	To	Page No.
Department of Education	Oct. 21, 1954	Dec. 27, 1955	53
Board of Educational Television	Nov. 30, 1954	Jan. 18, 1956	58
Bradford Durfee Technical Institute	Apr. 6, 1955	Mar. 7, 1956	82
Division of the Blind	Dec. 13, 1954	Mar. 13, 1956	83
Division of Library Extension	Nov. 8, 1954	Jan. 9, 1956	57
Division of Immigration and Americanization	Nov. 10, 1954	Jan. 13, 1956	59
Division of Youth Service	Dec. 20, 1954	Apr. 4, 1956	87
Detention Center	Jan. 27, 1955	Mar. 21, 1956	84
Industrial School for Boys	May 5, 1955	Apr. 16, 1956	99
Industrial School for Girls	Mar. 29, 1955	Mar. 23, 1956	86
Institute for Juvenile Guidance	May 27, 1955	Apr. 5, 1956	83
Lyman School for Boys	July 7, 1954	Aug. 24, 1955	20
Reception Center for Boys at Westborough	July 15, 1954	Aug. 24, 1955	20
Reception Center for Girls at Lancaster	Mar. 29, 1955	Mar. 23, 1956	99
Residential Treatment Unit at Oakdale	Dec. 9, 1955	June 19, 1956	133
Lowell Technological Institute	Aug. 16, 1954	Sept. 12, 1955	23
Lowell Technological Institute Research Foundation	Sept. 17, 1954	Nov. 9, 1955	39
Maritime Academy	May 3, 1955	Jan. 17, 1956	61
New Bedford Institute of Textiles and Technology	Feb. 25, 1955	Feb. 13, 1956	69
Office of School Lunch Programs	Nov. 20, 1954	Jan. 20, 1956	58
School Buildings Assistance Commission	Mar. 22, 1955	Apr. 17, 1956	98
School of Art	Jan. 3, 1955	Apr. 2, 1956	86
State Teachers College at Boston	Jan. 6, 1955	Apr. 17, 1956	97
State Teachers College at Bridgewater	Jan. 20, 1955	July 12, 1955	12
State Teachers College at Fitchburg	Apr. 15, 1955	May 28, 1956	132
State Teachers College at Framingham	June 2, 1955	June 6, 1956	132
State Teachers College at Lowell	Jan. 27, 1955	Dec. 9, 1955	51
State Teachers College at North Adams	Apr. 6, 1955	Apr. 16, 1956	94
State Teachers College at Salem	Dec. 22, 1954	Mar. 26, 1956	86
State Teachers College at Westfield	Dec. 30, 1954	Feb. 16, 1956	62
State Teachers College at Worcester	Feb. 24, 1955	May 8, 1956	111
Special Cash Audit		Dec. 16, 1955	53
Teachers' Retirement Board	Jan. 1, 1955	Dec. 31, 1955	81
University of Massachusetts	Aug. 23, 1954	Aug. 15, 1955	18

Department or Institution	From	To	Page No.
Department of Labor and Industries:			
Board of Conciliation and Arbitration	Jan. 3, 1955	Jan. 11, 1956	77
Division of Administration and Division of Employment of the Aged	Jan. 3, 1955	Jan. 11, 1956	60
Division of Apprentice Training	Jan. 3, 1955	Jan. 11, 1956	76
Division of Employment Security	Apr. 20, 1955	May 24, 1956	130
Division of Industrial Accidents	Nov. 22, 1954	Feb. 16, 1956	66
Division of Industrial Inspection	Jan. 3, 1955	Jan. 11, 1956	77
Division of Minimum Wage	Jan. 3, 1955	Jan. 11, 1956	79
Division of Necessaries of Life	Jan. 3, 1955	Jan. 11, 1956	79
Division of Occupational Hygiene	Jan. 3, 1955	Jan. 11, 1956	77
Division of Standards	Jan. 3, 1955	Jan. 11, 1956	76
Division of Statistics	Jan. 3, 1955	Jan. 11, 1956	77
Labor Relations Commission	Nov. 9, 1954	Apr. 4, 1956	80
Legislature:			
Legislative Research Council and Bureau	May 31, 1955	Mar. 21, 1956	85
Sergeant-at-Arms	Nov. 15, 1954	Feb. 28, 1956	80
Department of Mental Health	Sept. 7, 1954	Nov. 1, 1955	37
Belchertown State School	Jan. 11, 1955	Nov. 9, 1955	45
Boston Psychopathic Hospital	Sept. 21, 1954	Aug. 8, 1955	16
Boston State Hospital	Dec. 8, 1954	June 6, 1956	133
Cushing Hospital	Jan. 5, 1955	Nov. 1, 1955	55
Danvers State Hospital	Feb. 7, 1955	Apr. 11, 1956	94
Foxborough State Hospital	Nov. 15, 1954	Apr. 30, 1956	108
Gardner State Hospital	Oct. 1, 1954	July 7, 1955	12
Grafton State Hospital	Jan. 12, 1955	Sept. 19, 1955	21
Medfield State Hospital	Apr. 20, 1955	May 24, 1956	126
Metropolitan State Hospital	Dec. 6, 1954	June 1, 1956	132
Monson State Hospital	Feb. 17, 1955	Mar. 1, 1956	81
Myles Standish State School	May 16, 1955	June 1, 1956	132
Northampton State Hospital	July 8, 1954	Aug. 22, 1955	20
Taunton State Hospital	Nov. 23, 1954	Nov. 16, 1955	46
Walter E. Fernald State School	Jan. 10, 1955	Feb. 13, 1956	69
Special Cash Audit		Dec. 30, 1955	56
Westborough State Hospital	Nov. 22, 1954	Jan. 4, 1956	54
Worcester State Hospital	Aug. 2, 1954	Nov. 2, 1955	43
Wrentham State School	Apr. 4, 1955	May 21, 1956	126
Metropolitan District Commission:			
Administration Division	Sept. 7, 1954	Nov. 3, 1955	40
Construction Division	Sept. 7, 1954	Nov. 3, 1955	92
Parks Division	Sept. 7, 1954	Nov. 3, 1955	90

Department or Institution	From	To	Page No.
Metropolitan District Commission (Continued):			
Sewerage Division	Sept. 7, 1954	Nov. 3, 1955	92
Water Division	Sept. 7, 1954	Nov. 3, 1955	88
Department of Natural Resources	Feb. 7, 1955	May 21, 1956	127
Division of Fisheries and Game	Sept. 15, 1954	Nov. 22, 1955	47
Department of Public Health	Aug. 20, 1954	Sept. 20, 1955	31
Lakeville State Sanatorium	Sept. 20, 1954	Oct. 6, 1956	33
Lemuel Shattuck Hospital	Sept. 20, 1954	Nov. 10, 1955	45
Massachusetts Hospital School	Apr. 11, 1955	Mar. 22, 1956	85
North Reading State Sanatorium	Oct. 18, 1954	Nov. 7, 1955	44
Pondville State Hospital	May 9, 1955	May 3, 1956	107
Rutland State Sanatorium	June 1, 1955	Mar. 1, 1956	81
Westfield State Sanatorium	Mar. 25, 1955	Jan. 26, 1956	62
Department of Public Safety	May 11, 1955	May 29, 1956	131
Department of Public Utilities:			
Administrative Division	June 1, 1955	Apr. 26, 1956	107
Division of Commercial Motor Vehicles	June 1, 1955	May 25, 1956	134
Division of Investigation of Securities	June 1, 1955	May 21, 1956	134
Department of Public Welfare	May 2, 1955	May 15, 1956	121
Tewksbury State Hospital and Infirmary	Oct. 18, 1954	Dec. 15, 1955	51
Department of Public Works:			
Highways Division	Jan. 5, 1955	Apr. 24, 1956	99
Public Beaches Division	Jan. 5, 1955	Apr. 24, 1956	120
Registry of Motor Vehicles	July 1, 1954	July 1, 1955	1
State Airport Management Board	July 16, 1954	Feb. 13, 1956	67
Waterways Division	Apr. 24, 1955	June 29, 1956	119
Supreme Judicial Court:			
Board of Bar Examiners	June 30, 1954	June 30, 1955	37
Clerk for the Commonwealth	Sept. 15, 1954	Apr. 10, 1956	94
Reporter of Decisions	Sept. 15, 1954	Jan. 6, 1956	55
State Board of Probation	Sept. 20, 1954	Jan. 23, 1956	61

HOUSING AUTHORITY AUDITS

	From	To	Page No.
State Housing Board	July 31, 1954	Aug. 31, 1955	149
LOCAL HOUSING AUTHORITIES:			
Agawam	Mar. 31, 1955	Mar. 31, 1956	209
Amesbury	Mar. 31, 1955	Jan. 30, 1956	206
Andover	Feb. 28, 1955	Dec. 31, 1955	205
Arlington	Jan. 31, 1955	Sept. 30, 1955	178
Athol	Aug. 31, 1954	Oct. 31, 1955	191
Attleboro	Sept. 30, 1954	Oct. 31, 1955	189
Barnstable	Mar. 31, 1955	Apr. 30, 1956	220
Bedford	Mar. 31, 1955	Mar. 31, 1956	215
Belmont	May 31, 1955	Nov. 30, 1955	198
Beverly	Nov. 30, 1954	June 30, 1955	140
Boston	Mar. 31, 1955	Apr. 30, 1956	220
Braintree	May 31, 1955	Apr. 30, 1956	230
Brockton	Aug. 31, 1954	Nov. 30, 1955	197
Brookline	Feb. 28, 1955	Oct. 31, 1955	190
Cambridge	June 30, 1954	June 30, 1955	143
Canton	Feb. 28, 1955	Dec. 31, 1955	198
Chelsea	July 31, 1954	June 30, 1955	136
Chicopee	Apr. 30, 1955	Mar. 31, 1956	217
Clinton	Dec. 31, 1954	Nov. 30, 1955	196
Dalton	Dec. 31, 1954	Oct. 31, 1955	187
Dedham	Mar. 31, 1955	Mar. 31, 1956	218
Easthampton	Apr. 30, 1955	Feb. 29, 1956	209
Everett	Oct. 31, 1954	June 30, 1955	140
Fall River	Dec. 31, 1954	June 30, 1955	138
Falmouth	Mar. 31, 1955	Apr. 30, 1956	229
Fitchburg	June 30, 1955	June 30, 1956	138
Framingham	Nov. 30, 1954	Feb. 29, 1956	212
Franklin	Mar. 31, 1955	May 31, 1956	230
Gardner	July 31, 1954	Dec. 31, 1955	196
Gloucester	Oct. 31, 1954	Oct. 31, 1955	192
Grafton	June 30, 1954	Sept. 30, 1955	178
Greenfield	Apr. 30, 1955	Apr. 30, 1956	226
Haverhill	Jan. 31, 1955	Oct. 31, 1955	190
Holyoke	Nov. 30, 1954	Nov. 30, 1955	194
Hull	Jan. 31, 1955	Feb. 29, 1956	210
Ipswich	May 31, 1955	Feb. 29, 1956	211
Lawrence	Aug. 31, 1954	Sept. 30, 1955	179
Leominster	Feb. 28, 1955	Aug. 31, 1955	147
Lowell	Sept. 30, 1954	Sept. 30, 1955	185
Lynn	Dec. 31, 1954	June 30, 1955	135
Malden	Jan. 1, 1955	Aug. 31, 1955	148
Mansfield	Feb. 28, 1955	Mar. 31, 1956	213
Marblehead	Apr. 30, 1955	Dec. 31, 1955	204
Marlborough	Apr. 30, 1955	Apr. 30, 1956	225
Mattapoisett	Mar. 31, 1955	Mar. 31, 1956	215
Medford	Mar. 31, 1955	Sept. 30, 1955	184
Methuen	Mar. 31, 1955	Dec. 31, 1955	199
Middleborough	June 30, 1954	Aug. 31, 1955	148
Milford	June 30, 1954	Sept. 30, 1955	182
Millbury	Mar. 31, 1955	Mar. 31, 1956	216

LOCAL HOUSING AUTHORITIES (Continued):	From	To	Page No.
Montague	May 31, 1955	Apr. 30, 1956	225
Nahant	Feb. 28, 1955	Dec. 31, 1955	200
Nantucket	Feb. 28, 1955	Apr. 30, 1956	225
Natick	June 30, 1954	Aug. 31, 1955	175
Needham	May 31, 1955	Mar. 31, 1956	214
New Bedford	Nov. 30, 1954	Dec. 31, 1955	205
Newburyport	Mar. 31, 1955	July 31, 1955	146
North Adams	Feb. 28, 1955	Oct. 31, 1955	187
Northampton	Apr. 30, 1955	Dec. 31, 1955	201
North Andover	May 31, 1955	Jan. 31, 1956	206
North Attleborough	Feb. 28, 1955	Mar. 31, 1956	219
Northbridge	Jan. 31, 1955	July 31, 1955	143
Norwood	Apr. 30, 1955	Jan. 31, 1956	207
Peabody	Dec. 31, 1954	July 31, 1955	145
Pittsfield	Mar. 31, 1955	Sept. 30, 1955	180
Plymouth	Apr. 30, 1955	Mar. 31, 1956	215
Quincy	June 30, 1954	Aug. 31, 1955	149
Revere	Nov. 30, 1954	Aug. 31, 1955	174
Rockport	Apr. 30, 1955	Nov. 30, 1955	193
Salem	July 31, 1954	Aug. 31, 1955	175
Somerville	June 30, 1954	June 30, 1955	141
Springfield	Apr. 30, 1955	Apr. 30, 1956	227
Stoneham	Dec. 31, 1954	Sept. 30, 1955	186
Stoughton	Nov. 30, 1954	Feb. 29, 1956	213
Swampscott	Oct. 31, 1954	Dec. 31, 1955	198
Taunton	June 30, 1954	Aug. 31, 1955	177
Uxbridge	Feb. 28, 1955	Mar. 31, 1956	215
Walpole	Feb. 28, 1955	Dec. 31, 1955	201
Waltham	Feb. 28, 1955	Nov. 30, 1955	194
Watertown	Feb. 28, 1955	Oct. 31, 1955	192
Webster	Mar. 31, 1955	Mar. 31, 1956	219
Wellesley	Feb. 28, 1955	Nov. 20, 1955	193
Westborough	Dec. 31, 1954	July 31, 1955	143
Westfield	Nov. 30, 1954	July 31, 1955	146
West Springfield	Mar. 31, 1955	June 30, 1955	139
Weymouth	Apr. 30, 1955	Jan. 31, 1956	205
Wilmington	Feb. 28, 1955	Dec. 31, 1955	199
Winthrop	Apr. 30, 1955	Jan. 31, 1956	207
Woburn	Dec. 31, 1954	Aug. 31, 1955	147
Worcester	Aug. 31, 1954	Dec. 31, 1955	202

METROPOLITAN TRANSIT AUTHORITY AND RELATED AGENCIES

Agency	From	To	Page No.
Metropolitan Transit Authority	Jan. 1, 1955	Dec. 31, 1955	231
Boston Metropolitan District	Jan. 1, 1955	Dec. 31, 1955	263
Transit Mutual Insurance Company	Jan. 1, 1955	Dec. 31, 1955	266

SPECIAL AUDIT

New Bedford, Woods Hole, Martha's Vineyard and Nantucket Steamship Authority	Jan. 1, 1955	Dec. 31, 1955	268

The principal comments, exceptions and recommendations included in the audit reports issued were as follows:

REGISTRY OF MOTOR VEHICLES REPORT NO. 56-1

Refunds of Fees Account of Application for Licenses to Operate Motor Vehicles: At present applicants file applications together with a fee of $8.00 with the examiner at the examination point. This amount includes the examination fee of $3.00 and a two-year license fee of $5.00. If the applicant passes the examination, he receives a temporary license and subsequently a permanent license is mailed to him. If he fails the examination, the $5.00 representing the two years' license fee is refunded to him in currency by the examiner. The same arrangement applies in re-examinations excepting that the re-examination fee is $1.50, therefore, the deposit is $6.50 rather than $8.00. It is again recommended that the Comptroller's Bureau review the routine of handling these fees and provide a method that will eliminate the practice of these refunds being made by the examiners.

Over and Short Account: From the $75,000.00 advanced by the State Treasurer to the Chief Accountant for the purpose of cashing salary advances and salary checks, $2,000.00 was segregated to clear overages and shortages of income in the Tellers' Section of the Boston office and in the branch offices. On the date of audit this $2,000.00 fund comprised the following:

Cash		$1,788 97
Advances to Tellers for Change		476 00
		$2,264 97
Overages	$573 82	
Shortages	308 85	264 97
		$2,000 00

Chief Accountant's $75,000.00 Advance: In addition to the $2,000.00 mentioned in the previous paragraph, bad checks were also cleared through this fund and in this connection there was charged to it as of the date of audit, $672.50. Many of the checks were more than six months old and may probably never be recovered.

It is suggested that the advance fund from the State Treasurer be used only for the purpose intended, which was for the cashing of salary advances and pay roll checks.

A request should be made for a separate advance fund to clear branch office shortages and bad checks.

Bad Checks: It was learned that six bad check items which were indicated as uncollected on the date of audit, but which had been actually recovered prior to that date, had been mislaid in the Correspondence Section. They had not been sent to the cashier's office for clearance.

It is, therefore, suggested that henceforth all monies received as reimbursement of bad checks be forwarded to the cashier's office immediately.

It is further suggested that immediate action be taken to recover the value of all bad checks received to date.

Refunds and Rebates Bank Account: It was noted that forty-nine checks totaling $139.50 have been carried as outstanding in this account for a period in excess of one year, and it is suggested that payment on them be stopped and the proceeds disposed of in accordance with existing directives.

Reconciliation of Cash at Branch Offices: It is understood that the rules and regulations provide that the inspector in charge of each branch office is to personally balance the cash twice a month and file a report of such cash reconciliation with the Chief Accountant. The reports of such cash reconciliations on file in the Chief Accountant's office were tabulated and it was found that only 30% of the reports due were filed by the twenty-one branches during the fiscal year ended June 30, 1955 and that only two of the forty-two reports due in November 1954 were filed. It is suggested that the branch offices be required to comply with this rule.

Reconciliation of Cash at Branch Offices by a Representative of the Boston Office: It was noted that during the period under examination each of the permanent branch offices was visited once by two representatives of the Boston office and an independent cash reconciliation made. It is suggested that frequent cash reconciliations be made at the branch offices by a representative of the Boston office.

Cashier's Office - Rebate and Refund Advance Fund: Previous audit reports have stated:

> "It is suggested that the Comptroller's Bureau should be contacted relative to the installation of a cash book in which to record the receipts and disbursements of the Fund."

As the cash book has not been installed, attention is again called to it.

Refunds from Over and Short Account: It was noted that several refunds were made from this fund. Payment of such refunds should not be made from this account and it is suggested that all future refunds be made in the proper manner, from the Refunds and Rebates account.

It was noted that one refund made directly from this account represented the difference between a check received for $1,112.50 at a branch office from a corporation for several 1955 registrations and the required fees totaling $1,040.50. The actual fees were traced to cash sheets, but the excess of $72.00 was not indicated on the cash sheet records. Because no overage appeared in that branch's records during this transaction period, the Over and Short account absorbs the $72.00 variance.

1953 Number Plates Continued in Use in 1954: In this connection the previous audit report stated:

> "Section 2 of Chapter 90 of the General Laws provides that the Registrar shall furnish two number plates to each person whose motor vehicle is registered under said Chapter 90. Chapter 470 of the Acts of 1949 amended Section 2 of Chapter 90 of the General Laws and referring to number plates reads in part as follows:
>
> 'The number plates so furnished shall, except as provided by section nine, and except in case the registrar for any valid reason extends the time, be valid only for the year for which they are issued. If the registrar extends the time he may make rules and regulations requiring the display of visible evidence upon every motor vehicle that

it has been registered and that the plates in use thereon are valid. Any plate becoming illegible because of construction defects shall be replaced by the registrar without cost.'"

Acting under the authority of this Chapter, the Registrar permitted the use of the 1953 number plates for the year of 1954 and provided a so-called sticker to be pasted on the windshield of the motor vehicle. Prior to the 1950 year there was one set of cash sheets for passenger cars and one set for trucks, the cash sheet contained 25 lines, each serially numbered and the number appearing against the name of the person registering the motor vehicle was the same as the number plate furnished him. For the 1954 year the serial numbers printed on the cash sheets are "Financial Transaction" numbers and these numbers correspond with the serial numbers printed on the "Stickers" which are furnished persons registering a motor vehicle in 1954 that had been registered in 1953. A person registering a motor vehicle for the first time in 1954 received one 1953 number plate and also a "Sticker".

The applications for registration of motor vehicles are filed in numerical order by plate number and the entries on the cash sheet are under "Financial Transaction" numbers which makes the auditing of fees received very difficult.

Exchange of Plates: The previous audit reports stated:

"It was noted that no fee is charged when one registration plate is exchanged for another plate. It is suggested that such exchanges of plates are in the same category as substitutions and should require payment of a fee."

As this suggestion has not been adopted, attention is again called to it.

File Room Missing Applications: A previous audit report stated:

"It was noted that many 1952 applications were missing from the files.

"It is suggested that better control be exercised over all registration applications on file. Any application taken from the files should be replaced by a requisition properly authorized, dated, designating the person who removed the application and the location to which it was removed."

As the same condition existed in the files of the 1953 and 1954 applications, attention is called to the foregoing suggestion.

Dealer and Repair Plates Used for Two Years: It was noted that certain 1953 Dealer and Repair plates were not registered in 1954. Records in the Used Car Section did not furnish sufficient information relative to the discontinuance of the usage of the 1953 plates in question.

It is suggested that these plates used in 1955, but not registered in 1956, be called in and be made available for use in subsequent audits. If not returned, inspectors' reports should be obtained and held for audit purposes.

Record of No Fees Charged: The previous audit reports stated:

> "It is suggested that a separate record be kept of all 'no fee' items, including registrations, licenses, renewal licenses, etc. Possibly this could be accomplished by reserving a certain number of 'Miscellaneous Cash Sheets' for the purpose."

As this suggestion has not been adopted, attention is again called to it.

"No Fee" Entries on Cash Sheets: It was noted that many of the so-called "No Fee" entries on the cash sheets lacked cross references and notations as to why they were in this category.

In certain instances the notation "Plate Missing" appeared against the no fee entry. Ordinarily such a notation would mean that the plate had not been received from State Prison, but in most of the cases checked the notation was misleading, as the plates had been taken from the original sequence in the boxes for special issuance without a cross reference being made to the miscellaneous cash sheet where the fee payment had been entered.

It is, therefore, suggested that all "No Fee" entries on the cash sheets show a cross reference to the cash sheet where the fee payment is entered and if no fee is required, a written notation should appear explaining that fact.

It is also suggested that possibly a specific group of cash sheets might be assigned for use of these transactions.

Internal Check of Certain Fees: The previous audit reports stated:

> "It is understood that applications received and processed by the Mail Section and by the Express Section are not checked for correctness of fees by the Checking Section. It is suggested that all applications received be reviewed with this in mind."

It was noted that this situation continued to remain unchanged at the date of this audit.

Validating Stamps on Applications: The previous audit reports stated:

> "Several of the semi-trailer fleet applications examined, as well as other types of applications, did not show the validating stamp of the Registry clerk or teller. It is suggested that each application should bear such identification."

It was noted that the same situation still existed during the period covered by this audit.

Driving School Licenses and Licenses to Buy, Sell and Manufacture Rebuilt or Reconstructed Automobile Engines and Parts: It was noted that licenses issued for the foregoing are numbered when issued. It is suggested that such licenses be prenumbered for purposes of better accounting control.

Current Year Refunds: The Department of Public Works sends a large portion of its outgoing mail to the Registry of Motor Vehicles mail room for processing, where a daily record of postage expenditures on behalf of that department is kept. In this connection an invoice is submitted monthly for postage used, which averages $1,200.00 monthly. It has been the practice at the Registry of Motor Vehicles to deposit the payments received in the advance money bank account and subsequently to draw a check in a like amount payable to the Postmaster with which additional metered postage is purchased. The entire transaction was handled as an exchange transaction and no entry is made in the general cash book.

It is suggested that the amount of such reimbursements received from the Department of Public Works be henceforth recorded in the general cash book and transmitted to the State Treasurer and Receiver-General as a Current Year's Refund.

Point System: The Point System was authorized by Chapter 570 of the Acts of 1953, Section 5, and became operative on January 1, 1954, with the assessing of points.

The records of the Registry of Motor Vehicles indicate that tabulation and points assessed from January 1, 1954 to June 30, 1955 were as follows:

Involvements Processed by Tabulating:	
Completely Processed	296,800
Partly Processed - Estimated	50,000
Awaiting Processing - Estimated	25,000
Average three reports per Involvement	
Assessment Notices Mailed to Individuals - Point Assessments	89,000
Total Points Assessed	336,000
Average Number of Points per Assessment	3.8
Approximately 100,000 warning letters were mailed and tabulated	
Approximately 60,000 requests for accident reports were mailed out	

DEPARTMENT OF CORPORATIONS AND TAXATION REPORT NO. 56-2

Income Tax Fund - Investments: It was noted from the State Treasurer's records that the undistributed balance in the Income Tax Agency Fund account which was $12,973,017.47 on June 30, 1955 included investments of $10,000,000.00 in United States Treasury Bills maturing in July and August 1955. The interest applicable to these investments, however, was credited to the General Fund by the State Treasurer's office. Although these United States Treasury Bills were purchased by the State Treasurer in May 1955, they had not been credited to the Agency Fund nor was the interest credited to the General Fund until June 30, 1955 when the Highway Fund was reduced by similar amounts. This adjustment was made after the matter was brought to the attention of personnel by the State Auditor's office when it was noted in the

May 31, 1955 report of State funds issued by the Comptroller's Bureau that the Highway Fund showed a cash deficit of approximately $10,000,000.00 subsequent to the purchase of $52,500,000.00 of United States Treasury Bills which had been credited to the Highway Fund Investments account by the State Treasurer, although $10,000,000.00 of these Treasury Bills had been purchased from Income Tax Agency Funds.

Interest Paid and Received: Chapter 269 of the Acts of 1954 reduced the interest refunded on income taxes to three percent, but interest on corporation and other taxes remains the same; namely, at the rate of six percent. It is also refunded at the rate of six percent. The prevailing rate of interest is substantially lower than this amount and it is suggested that this rate of interest paid on refunds be reduced to one more consistent with commercial practices. Under the present rate of six percent, it is conceivable that concerns might deliberately overpay their taxes knowing that at some later date they would receive proper refunds together with interest in excess of what could be realized on ordinary investments.

During the current audit period several large abatements were made of corporation taxes. Examples of such abatements together with respective interest paid, follow:

Tax Year	Tax Abated	Interest Paid	Total
1943	$ 6,019 60	$ 4,072 26	$10,091 86
1944	18,804 97	11,467 90	30,272 87
1948	37,217 15	13,739 33	50,956 48
1949	5,420 47	1,831 22	7,251 69
1950	15,972 80	2,880 64	18,853 44
1952	11,517 40	1,265 72	12,783 12
1953	11,643 83	694 43	12,338 26
1953	35,451 09	2,463 85	37,914 94

Abatements Authorized by Appellate Tax Board: It was noted that as of November 29, 1954 upon the application of the State Tax Commissioners, the Appellate Tax Board authorized the abatement of certain taxes which the State Tax Commissioners in their application had stated were unpaid and uncollectible. A summary follows:

Domestic Corporation Taxes	$425,341 97
Income Taxes	119,645 32
Meals Taxes	11,736 06
Diesel Engine Fuel Taxes	1,747 56
Club Alcoholic Beverage Taxes	1,154 46
Foreign Corporation Taxes	283 50
National Bank Taxes	105 84
Finance Company Taxes	17 03
	$560,031 74

Abatements - Miscellaneous Taxes: Attention is again called to the fact that in each of the last ten tax years, abatement of Miscellaneous Taxes totaled in excess of $5,000,000.00. In this connection a tabulation follows:

Twelve Months Ended	Assessments	Abatements	Percent
November 30, 1945	$ 97,685,257 80	$ 5,571,129 81	5.7
1946	135,261,675 82	6,495,446 50	4.7
1947	140,326,744 14	5,077,973 03	3.6
1948	169,050,753 77	6,407,324 23	3.8
1949	172,239,096 62	9,907,379 11	5.8
1950	176,692,273 68	10,576,836 40	5.9
1951	199,619,208 49	7,693,067 75	3.9
1952	220,123,147 76	5,607,924 45	2.5
1953	220,912,493 06	7,307,335 21	3.3
1954	227,929,176 75	5,035,651 15	2.2

Because of the fact that statutes specifically preclude any examination of the individual abatement applications, the totals in the foregoing statement have been accepted without verification for this purpose.

It is understood that these abatements have been allowed through several channels, e. g., the Appellate Tax Board, the various courts, the Commissioner of Corporations and Taxation and/or at the suggestion of the Directors of any one of the several divisions within the Department.

It is also believed that a large percentage of these items has been occasioned by the system which permits arbitrary assessments under certain conditions. In this connection it can only be presumed, since post audit is forbidden, that the several safeguards normally provided by a good system of internal control have been properly exercised.

Inheritance Tax - Checks on Hand: In connection with checking the returned verification notices on these taxes, it was learned that on September 17, 1955 there was on hand in the bookkeeping section, not deposited, 164 checks totaling $61,348.07 summarized as follows:

Number of Checks	Year of Date on Check	Amount
17	1953	$ 8,099 11
87	1954	31,678 22
60	1955	21,570 74
164		$61,348 07

This situation was called to the attention of the Collector of Taxes.

It is suggested that the entire setup of handling Inheritance Tax remittances be reviewed and some arrangement provided to insure the prompt deposit of all checks as is required by Section 27 of Chapter 30 of the Tercentenary Edition of the General Laws, a copy of which follows:

> "Section 27. Money Received for Commonwealth to be Paid Over Daily; Exceptions. - 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."

Inheritance Taxes - Active Accounts Receivable: The trial balance of the taxpayers' ledger was not in agreement with the balance in the control account, so this trial balance was not checked. However, the unpaid coupons were inspected and those showing certification dates more than five years prior to November 30, 1954 were listed. A summary of this tabulation follows:

Year Certified	Number of Cases	Amount
1924	1	$ 1,896 33
1932	1	8,933 13
1935	1	139 71
1937	3	420 10
1938	1	373 90
1939	3	2,362 43
1941	5	1,489 79
1942	9	2,640 78
1943	2	634 24
1944	6	2,162 88
1945	4	504 21
1946	38	6,149 29
1947	37	11,647 35
1948	57	14,396 19
1949	82	15,458 16
	250	$69,208 49

It is again suggested that the accounts be reviewed and those on which the department has exhausted all means of collection be referred to the Attorney General.

Inheritance Tax Accounts with the Attorney General for Collection: The Collector of Taxes now has the authority in all types of taxes, except Inheritance Taxes, to issue warrants for the collection of delinquent taxes and as a result the only taxes now with the Attorney General for collection are Inheritance Taxes.

The records in the office of the Collector of Taxes show that as of November 30, 1954 there were 235 Inheritance Tax cases totaling $51,179.47 with the Attorney General. An effort was made to check these accounts with the records in the Attorney General's office, but 188 cases totaling $34,152.78 could not be located there. A list of the 188 cases referred to was given to an official in the Collector's office and it is suggested that they be resubmitted to the Attorney General.

An analysis of those cases shown by the records in the Collector's office as being with the Attorney General follows:

Year	Number of Cases	Balances
1945	5	$ 431 00
1944	9	1,034 45
1943	20	2,411 19
1942	17	2,224 97
1941	17	2,394 66

1940	13	$ 3,797 79
1939	12	4,904 64
1938	11	1,805 37
1937	10	3,849 44
1936	6	1,511 10
1935	6	1,007 57
1934	8	1,050 95
1933	11	3,395 40
1932	11	2,351 51
1931	15	3,560 50
1930	13	5,547 23
1929	8	1,011 19
1928	3	1,948 70
1927	10	1,592 90
1926	9	1,240 82
1925	8	2,781 45
1924	5	411 47
1923	5	544 39
1921	2	50 23
1912	1	320 55
Total	235	$51,179 47

It was understood that there has been no change in these cases for several years and it is suggested that the Attorney General be requested to supply their present status and possibility of collection.

At present the accounts with the Attorney General for collection are not segregated but are included with the Active Accounts Receivable. It is suggested that they be removed from the active accounts and placed in a Suspense Section as is required by the Comptroller's Manual on page 49.

Meals Excise Tax: The total amount due for meals excise taxes reflected on the records in the Collections Bureau was $292,777.34 as of November 30, 1954. Of this amount, $149,113.35 was due from 51 taxpayers whose accounts indicate balances in excess of $1,000.00 each.

A few of the larger individual accounts with their balances of November 30, 1954 as compared to the balances as of July 1, 1955 are listed below:

	Balance Nov. 30, 1954	Balance July 1, 1955	
Taxpayer A	$23,865 94	$24,387 61	
Taxpayer B	10,386 37	10,185 37	
Taxpayer C	7,446 41	8,654 41	(In Bankruptcy)
Taxpayer D	5,795 37	5,795 37	(In Bankruptcy)
Taxpayer E	4,539 72	7,062 22	(In Bankruptcy)
Taxpayer F	4,513 78	4,513 78	(In Bankruptcy)
Taxpayer G	4,445 04	5,523 42	
Taxpayer H	3,348 65	2,744 30	
Taxpayer I	3,170 25	3,170 25	
Taxpayer J	2,259 76	2,024 76	

It can be readily seen from the foregoing schedule that in only three instances has the November 30, 1954 balance been reduced by small payments. It will also be noted, however, that four have gone into

bankruptcy thereby causing the loss of substantial meal excise taxes due, which had been collected from patrons and not forwarded to the Commonwealth with required monthly returns.

The principal reason advanced for these and other large balances is that monthly meal excise tax forms have been submitted to the Bureau of Excise unaccompanied by payments for the meal excise tax due, although the return specifically states that it and the payment are due on or before the 10th day of each month for the previous month.

In this connection, it was noted that a new rule has been in effect since November 1954, whereby a 1% reduction of the meal tax due is allowed if the monthly return is filed and paid in full on or before the due date.

For the year ended November 30, 1954, abatements totaled $137,225.23 of which $11,736.06 represented charge-offs of uncollectible taxes authorized by the Appellate Tax Board. It was understood that uncollectible accounts are not sent to the Appellate Tax Board until after two years from date of billing. It was also understood that if prior to the two year period it becomes known that the concern has gone out of business the Meals Tax Section issues an abatement, consequently it is apparent that the abatements totaling $125,489.17 represent adjustments and charge-offs of uncollectible accounts.

It is suggested that all uncollectible accounts be referred to the Appellate Tax Board.

Section 6 of Chapter 64-B of the General Laws permits the Commissioner to require bonding of taxpayers:

> ". . . Any taxpayer shall file with the commissioner, if so required by him at any time, a bond, running to the commonwealth, in a penal sum determined, and in a form approved by the commissioner, executed by such taxpayer and by a surety company authorized to do business in the commonwealth as surety, and conditioned upon the payment of any excise or penalties due or which may become due from such taxpayers under this chapter."

Although such bonds have been required and were furnished in the past by a few taxpayers, at present there appears to be no such taxpayers' bonds in effect.

It is, therefore, suggested that the Commissioner take advantage of this statute so that the Commonwealth may be indemnified against loss of revenue from this source, by requiring certain taxpayers to furnish such a bond.

Renewal of Registration Licenses: The records of the Bureau indicate that 36,096 registration licenses to serve meals have been issued to taxpayers since January 1, 1942. From information made available by the Bureau, it was determined that there were approximately 8,000 active taxpayers in this category during the fiscal year ended June 30, 1955. The income records further indicate that Excise Taxes collected on meals during that year were in excess of $6,545,000.00.

In this connection, the previous audit report stated:

> "To provide an effective control over the active taxpayers subject to the Old Age Excise Taxes collected monthly under Chapter 64-B of the General Laws, it is recommended that the Registration Licenses to Serve Meals be renewed annually. This re-registration will

"not only inform the Bureau of their intent to serve meals but will also develop any changes in business activities such as the acquisition of a full liquor license or a tavern license, etc. These annual renewal applications could also bring to the Bureau's attention all changes of ownership, changes of address and changes of busines names."

As of the date of audit, apparently nothing has been done in regard to this recommendation that Registration Licenses to Serve Meals be renewed annually.

Alcoholic Beverages Excise: Three previous audit reports stated that on June 30, 1952 a balance of $179,238.57 was due from a bankrupt manufacturer for alcoholic beverage excise taxes. In this connection $29,632.54 has since been applied to this account representing payments received from insurance companies which had provided bonds for that concern and the outstanding balance as of June 30, 1955 was still $149,606.03. A portion of this amount may possibly be recovered by liquidation of that organization's assets through bankruptcy proceedings. It is estimated, however, that the final loss of excise tax revenue from this account will be in excess of $100,000.00.

Rents Paid: The leases in effect July 1, 1955 for premises occupied by the Department of Corporations and Taxation in the City of Boston, are as follows:

Location	Term	Expiration Date	Annual Rental
40 Court Street	2 years	June 30, 1956	$112,789 60
42 Court Street	5 years	June 30, 1956	3,000 00
Bowdoin Square Garage	5 years	August 31, 1955	16,400 00
18 Tremont Street	5 years	May 31, 1958	40,162 50
18 Tremont Street	3 years, 7 mos.	May 31, 1958	2,227 50
Court Square	3 years, 7 mos.	June 30, 1958	17,860 00

Attention is directed to the fact that the lease for space in the Bowdoin Square Garage was not renewed when it expired on August 31, 1955.

Repair Work in Excess of $1,000.00 Awarded Without Competitive Bidding: It was noted that the electrical repair work in connection with the installation of the I. B. M. system totaling $2,828.03 was furnished by an electrical contractor without public notice by the department inviting competitive bidding. The records further indicate that this contractor submitted five invoices totaling $2,990.03 for labor, fixtures and supplies furnished on this project for the period November 1, 1954 to December 9, 1954.

It was also noted that labor charges for November 26 and 27, 1954 amounting to $162.00 appeared on two of the above invoices. This matter was brought to the attention of the Bureau and the overpayment was refunded by the contractor on September 14, 1955. It is suggested that all repair projects amounting to $1,000.00 be open to public bids as required by Chapter 29, Section 8A of the General Laws which reads in part, as follows:

"Competitive Bidding on State Contracts. - No officer having charge of any office, department or undertaking which receives a periodic appropriation from the commonwealth shall award any contract for the construction, reconstruction, alteration, repair or development at public expense of any building, road, bridge or other physical property if the amount involved therein is one thousand dollars or over, unless a notice inviting proposals therefor shall have been posted, not less than one week prior to the time specified in such notice for the opening of said proposals, in a conspicuous place on or near the premises of such officer, and shall have remained so posted until the time so specified. . ."

STATE TEACHERS COLLEGE AT BRIDGEWATER REPORT NO. 56-3

Cash Book: It was noted that in several instances receipts as shown on the cash book had not been deposited intact as received and as a result the receipts items shown on the cash book could not be checked to duplicate bank deposit slips.

It is, therefore, recommended that the procedure for the recording and depositing of receipts as outlined in the Accounting Manual issued by the Comptroller's Bureau be followed.

Registration Fees: During the period under audit the Board of Education voted that a registration fee of $10.00 must be paid by each applicant who is accepted for admission to this college. This fee is deducted from the tuition of students who attend and forfeited by those who do not attend.

These fees are not transmitted as receipts until such time as it can be determined whether they constitute tuition payments or forfeits.

As of the date of audit the cash balance included $2,450.00 of such registration fees for the 1955-1956 school year which had not yet been transmitted as income to the State Treasurer and Receiver-General.

GARDNER STATE HOSPITAL REPORT NO. 56-4

Industrial Accident Case - Refund Not Obtained from Employee: It was noted that one employee was paid $67.50 by the Division of Industrial Accidents after it had been scheduled and paid on an institution pay roll. This employee who has since retired from the State service should have reimbursed the institution for this amount.

This matter was called to the attention of the institution treasurer and it was understood that steps will be taken to obtain a refund.

It is recommended that the institution employees concerned with Industrial Accident cases check the compensation payments more carefully. It was further noted that this particular employee returned to work subsequent to receiving the duplication payment at which time this amount could have been collected quite easily.

Certain Minutes of Trustees Meetings Not on File at Institution: The previous audit report stated as follows:

"In connection with a review of the minutes of the meetings of the trustees of this institution for the audit period it was noted that none were available from April 14, 1954 to October 1, 1954, although it was understood that

"meetings were held in May, June and September 1954. These minutes are prepared by one of the trustees who acts as the secretary. It is understood that these minutes would be made available.

"It is therefore recommended that in the future all minutes be prepared and placed in the institution files within a reasonable time after the meetings."

In this connection a request was made for the trustees' meetings minutes for the current audit period and it was learned that they were not available in the files in the Superintendent's office. It was further understood that they are in the possession of the secretary of the trustees. Repeated requests have been made by the Superintendent's office but to date they have not been made available.

Excessive Amounts of Certain Foods on Hand: It appeared that there were excessive amounts of certain foods on hand. The activity relating to these accounts in the stock ledger was reviewed for the twelve months ending June 30, 1955 and in accordance therewith it was estimated that the following items showed balances which appeared to be in excess of normal requirements:

Item	Unit	Balance June 30, 1955	No. of Months Supply on Hand
Apricots	#10 Can	819	16
Maraschino Cherries	1 lb. Can	338	13
Grapefruit Sections	# 5 Can	612	12
Pears	#10 Can	575	34
Sliced Pineapple	#10 Can	537	30
Marshmallow Powder	lb.	1,340	25

This matter was called to the attention of the institution steward and it was understood that no further purchase of the foregoing items will be made until such time as the present stock is depleted to a point more nearly consistent with the normal requirements of this institution.

Excessive Overage on Eggs: It was noted that the physical inventory of eggs showed an overage of 525 6/12 dozen in comparison with the stock ledger balance for this item.

This matter was reported to the institution steward and as a result a detailed examination of all receipts and issues, etc., in this account was made, and it was learned that the overage was attributable to clerical errors in the stock ledger account, principally during the month of February 1955, when errors accounting for 471 9/12 dozen were noted.

This variance should have been noted and the reasons therefore ascertained prior to this time as it was understood that monthly physical inventories were being regularly taken and compared with the stock ledger balances. However, in this connection it was learned that although inventories were taken and compared with book balances, no effort was made to trace the indicated variance.

It was understood that this account will be adjusted in August 1955. In the future, all variances between the physical count and the stock ledger balances will be reported to him so that the reasons therefore may be more promptly ascertained.

BOARD OF REGISTRATION OF HAIRDRESSERS REPORT NO. 56-5

Expenditures: Chapter 561 of the Acts of 1951 provides in part as follows:

> "..... that the salaries and expenses of the members of the board, and the expenses of the board, shall not be in excess of the receipts for registration and from other sources received by the state treasurer from the board."

In this connection it is noted that for the first time in several years the receipts of this Board exceeded the disbursements. An increase in the renewal fees, as authorized by Chapter 501 of the Acts of 1954, is undoubtedly responsible for this situation.

STATE EXAMINERS OF ELECTRICIANS REPORT NO. 56-6

Excess of Receipts Over Disbursements: It was noted that the records indicated an excess of receipts of $15,145.95 over expenditures for the 1955 fiscal year.

SECRETARY OF THE COMMONWEALTH REPORT NO. 56-7

Inconsistencies in Certain Statement Filing Fees: Section 55 of Chapter 156 of the Tercentenary Edition of the General Laws which was in effect during the period under audit reads as follows:

> "The fees for filing all other certificates, statements or reports required by law of corporations shall be fifteen dollars for each certificate, statement or report, but no fee shall be paid for filing the certificate of change of officers or of annual meeting required by section twenty-four or twenty-nine or the annual tax return required by sections thirty-four and forty of chapter sixty-three."

An examination of fees charged for filing of Articles of Amendments by various corporations indicates that this statute had been interpreted in a contradictory manner. In some instances, a single fee of $15.00 was charged for filing statements which contained two amendments and in other instances a double fee of $30.00 was charged.

Upon inquiry the director of corporation records advised that this situation should not occur in the future since this section of the law was amended during the current session of the Legislature by Chapter 338 of the Acts of 1955. This new law which becomes effective on August 3, 1955 provides a fee of $15.00 for each amendment.

Vital Statistics: Audit reports of this Department have since 1949 repeatedly commented on private contracts in effect whereby certain information was supplied from State records to the Federal National Office of Vital Statistics. In this connection it was noted that the original or first contract was entered into privately by the Secretary of State.

Certain individuals who were not employees of the Commonwealth of Massachusetts were engaged in the preparation of the data requested under the contract. These employees were ostensibly paid directly from the total payments received from the Federal Government and none of the

proceeds were turned over to the State Treasurer as income of the Commonwealth.

As a consequence of a comment appearing in the 1949 audit report of the Secretary of State, he requested the advice of the Attorney-General. On December 8, 1949, he was furnished opinions which, in effect, indicated that he was not within his rights in entering into such a contract in his individual capacity; that such a contract, however, could be entered into in his official capacity. The opinion instructed that all monies received by him in his official capacity for any work under the contract should be deposited in its entirety with the State Treasurer and necessary payments were to be made only in routine fashion through ordinary channels.

Obviously, this opinion did not satisfy the Secretary, for on March 16, 1950, this contract was awarded by him for the securing of this information to a private individual, and since that time it has been awarded to three other different individuals, all with his written approval.

From the period starting September 16, 1949, on the occasions of the several audits of the Secretary's records, the accounts of this activity were submitted to this office for examination. During the course of this current examination, however, when the routine request was made of these records for purposes of audit, access to them was denied.

In an effort to obtain these accounts, the assistance of the Secretary of State was personally requested, but for some unexplained reason he was and has continued to be completely uncooperative. As a matter of fact, he deliberately refused to personally discuss any facts of this matter with representatives of this Department.

Correspondence was engaged in with reference to this matter with him, personally, as well as with the Federal Government Agency involved, when it immediately became obvious, that despite his denials to that effect, he was instrumental in directing these contracts to the various individuals who have held them.

During the period between January 19, 1949 and June 30, 1955 a total of $34,359.08 has been paid by the Federal Government for purposes of this contract which has not yet been entirely accounted for, and it is again urged that the records pertaining to their receipt and disbursements be submitted to this office forthwith for examination.

It is also worthy of comment in this connection that a certain amount of office space has been reserved in the State House for the exclusive use of this activity, for which no reimbursement is received for rent, heat, light and telephone service, and it does not appear that the State Superintendent of Buildings has ever authorized, sanctioned or approved allocation of space for this purpose. This action by the Secretary of State is, of course, specifically contrary to Section 10 of Chapter 8 of the Tercentenary Edition of the General Laws, which places authority for assignment of space exclusively within the control of the State Superintendent of Buildings.

BOARD OF REGISTRATION IN PHARMACY REPORT NO. 56-8

Registration Renewals - Pharmacists and Assistant Pharmacists: The previous audit report suggested that renewal forms be prenumbered and in this connection it was noted that the renewal forms for the year 1956 had been prenumbered, in accordance with this suggestion.

It is also suggested that consideration be given in the interest of economy to enacting a law to issue renewals biennially at double the present fee.

STATE FARM AT BRIDGEWATER REPORT NO. 56-9

Stock Ledgers: The procedure followed by this institution for maintaining the stock ledgers was reviewed.

In this connection it was noted that the stock ledger accounts for Home Grown Canned Produce were not being maintained in accordance with the established procedure and it was necessary to make adjustments to bring the stock ledger balances into agreement with the physical inventories as of June 30, 1955 for these items.

It was further noted that there was no stock ledger control for Home Manufactured articles, and certain stock ledger accounts reflected more than one article in a single account.

It is suggested that the stock ledgers be maintained in accordance with the procedures outlined by the Comptroller's Bureau.

BOSTON PSYCHOPATHIC HOSPITAL REPORT NO. 56-10

Trust Funds - Cash Receipts and Disbursements: It was noted that occasionally trust fund cash receipts were not being deposited intact but were retained for making currency payments. It was further noted that checks were being drawn for the purpose of replenishing the cash in the office which was used for currency payments. It is advised that all receipts should be deposited as received and individual checks should be drawn for respective payments.

Material and Supplies - Drugs and Surgical Instruments: There appears to be no control whatsoever over the items in the hospital pharmacy, making it impossible to take an inventory of the supplies available. There is, however, to some degree, a perpetual Narcotics inventory. The Pharmacist is engaged only on a half-time basis. Three employees have keys to the pharmacy, the Pharmacist, the Supervisor of Nursing and the Executive Officer.

It was noted that surgical instruments as received are checked with the purchase order by the storekeeper for correct amounts and to ascertain the instruments conform to specifications.

There appears to be no control of surgical instruments or supplies in the Operating Room nor is any record available of the instruments loaned or returned.

Items are issued from the pharmacy on the basis of requisitions and prescriptions are used only for emergencies.

DEPARTMENT OF AGRICULTURE REPORT NO. 56-11

General: The principal purposes of the Dairy and Poultry Bonding laws is to protect the financial interests of Massachusetts producers in the event of certain contingencies. Bonds provided by statutes and their processing are controlled by a section within the Department of Agriculture which is known as the Dairy Bonding Section, operating directly under the control of the Commissioner of Agriculture.

Dairy Bonding - Inactive Operators, Collateral on Hand: On August 8, 1955, there was collateral on hand for the accounts of 14 inactive operators, made up as follows:

11 Bankbooks	$1,898 01	(Note Value $1,751.00)
3 Surety Bonds	1,500 00	(No Note Required)
	$3,398 01	

The surety bonds are retained by the Bonding Section until the required legal time limit has been reached in accordance with the date of the bond, when they are of no value. Attempts are being made by the Bonding Section to obtain releases from producers concerned so that the bankbooks and other collateral can be returned to the respective owners. During the period under audit one bankbook with a balance of $1,352.78, which had been on hand at the time of the previous audit, was returned for which a signed receipt was seen.

Agricultural Purposes Fund: This fund was created under authority of Chapter 390 of the Acts of 1947 and Chapter 319 of the Acts of 1948. Accounts for it, however, are still not being carried in the general ledger of this Department. Appropriations from this fund for the 1955 fiscal year totaled $90,760.00 and receipts comprising taxes from racing totaled $103,263.21.

DIVISION OF LIVESTOCK DISEASE CONTROL REPORT NO. 56-12

Pending List of Garbage Permits: It was noted that $230.00 had been collected on account of pending Garbage Permits under the provisions of Chapter 655 of the Acts of 1953, of which $150.00 applied to the calendar year of 1954 and $80.00 to 1955. While some permits may be issued for 1955 it was learned that permits for the 1954 year will not be issued. Non-compliance with the regulations on the part of the applicants is given as the reason the Division has not issued the permits.

It would seem that the applicants are operating in violation of the aforementioned statute and it is recommended that the necessary steps be taken to obtain compliance with the law and to issue the proper permits.

MILK REGULATION BOARD REPORT NO. 56-13

Meetings of Board: From the records available the Milk Regulation Board has met only twice within the current audit period. Section 42 of Chapter 6 of the Tercentenary Edition of the General Laws states, "The board shall meet at least once in three months, but may meet at any time upon the request of its chairman or any member".

No appropriation is made available to this Board by the General Court, and such clerical services as the Board may require are usually performed by an employee of the Department of Agriculture.

BOARD OF STATE EXAMINERS OF PLUMBERS REPORT NO. 56-14

Income: It was noted that the 1955 fiscal year receipts reflect an excess of receipts over expenses of $8,306.20. This was essentially due to an increase in the fees of renewal licenses for Masters and Journeyman Plumbers.

The previous three fiscal periods showed excesses of expenditures over receipts.

BOARD OF REGISTRATION IN MEDICINE REPORT NO. 56-15

Minutes of Board's Meetings: The previous audit report noted that all of the minutes of the Board's meetings have not been approved and signed by the secretary.

Inasmuch as this matter has not been corrected, it is again recommended that they be properly approved and signed.

UNIVERSITY OF MASSACHUSETTS REPORT NO. 56-16

Daily Time Record: It was noted that a daily record of the respective employees' time is not being maintained in all departments of the University. It is again recommended that adequate time records be maintained for all employees of the University and in this connection, it is suggested that Form CB 28A approved by the Comptroller's Bureau which provides the necessary pertinent information regarding personnel be used.

University Store: The activities in the University Store have been divided into three sections:

Textbooks
Supplies
Luncheonette

The Textbook Section relates to the transactions involving the purchase and sale of textbooks to students.

The Supplies Section represents the purchase and sale of class supplies as well as candy, tobacco, notions, etc. to students.

The Luncheonette Section handles transactions relative to the purchases and sales of coffee, sandwiches, etc. It also operates an ice cream bar in the University Store and at the Baker Dormitory.

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

The operating statements as compiled by the University Store employees, for the fiscal years of 1954 and 1955 indicated net profits as follows:

July 1, 1953 to June 30, 1954	$15,478 60
July 1, 1954 to June 30, 1955	14,236 16

This has increased accumulated retained earnings to $111,046.34 of which $1,330.36 has been set aside for contingencies. Working capital or net current assets amounted to $109,935.74. It is considered that this accumulation of funds does not comply with the provisions of Section 5A of Chapter 75 of the General Laws under which the University Store is operated. This section states that these funds "shall be expended as the trustees shall direct in furthering the activities from which the receipts were derived". These funds were derived from sales of lunches, books and supplies from students. It can only be applied to lowering the cost of these books, supplies and services to students.

The trustees should then consider a revision of the mark-up policy at the University Store and thus possibly provide students with items at the lowest possible prices.

Trust and Agency Funds: This University, as of August 15, 1955, had 94 various funds classified under Trust and Agency Funds with a total cash balance of $334,920.58. These funds were classified as follows:

Classification	Number of Funds
Student Activities	4
General Funds	4
Campus Activities	11
Loan Funds	5
Special Gifts and Scholarship Funds	14
Research Grants and Fellowships	56
	94

The cash balance of that date was represented as follows:

Cash on Hand	$ 4,405 44
Checking Account	147,840 36
Savings Bank Deposits	182,674 78
	$334,920 58

Of the total amount invested in savings bank deposits, only $32,674.78 has retained its identity as belonging to a specific fund.

The balance of $150,000.00 in savings bank deposits has lost its identity and the interest earned on these funds has been credited to a trust fund established by the Board of Trustees and known as "Student Trust Fund Interest". This fund is disbursed at the discretion of the Board of Trustees. To the present, disbursements from the fund have been made only to charge off the accumulated shortages of the Receiving Teller in the Treasurer's office at the University.

The total interest earned on these savings bank deposits during this audit period, which has been credited to the Student Trust Fund Interest Account, was $4,234.50.

In connection with the foregoing, it is suggested than an opinion of the Attorney General be obtained with respect to the following:

1. Is the Board of Trustees acting within its power in diverting income on a pooled investment from the trust funds whose principal is invested in the pool to set up a new trust fund for the accumulation of that income?
2. Can the interest earned on pooled investments be credited to a trust fund which is not part of that pool?
3. Should this income on pooled investments be credited to the funds which are participating in that pool?

Internal Control: The volume and complexity of business and cash handled by the University has been increased considerably during the past several years. During this period there has been no material effort to keep abreast of this growth by modifying or modernizing the system of accounting or reviewing the controls in operation. The University is now looking forward to an increased enrollment of 10,000 students in 1965. The present internal system, methods and procedures are inadequate for good internal check and control.

It is recommended that the Treasurer set up a system of internal control and check for the following:

1. To detect faults in structure, duplication of effort, overlapping of functions and other forms of inefficiencies.
2. To establish controls that are adequate for full protection.
3. To assure that records and reports reflect actual operations and results fairly, accurately and promptly.

NORTHAMPTON STATE HOSPITAL REPORT NO. 56-17

Materials and Supplies: A test inventory of materials and supplies taken on August 31, 1955, in connection with this audit, indicated overages totaling $54.43 and shortages totaling $79.40 as compared with total materials inventories of $60,473.52. During the audit period the total adjustments were $2,378.11 on materials issued aggregating $622,315.86 which included an adjustment on fuel in the amount of $553.37.

It was noted that all adjustments in excess of $100.00 had been approved by the Department of Mental Health.

LYMAN SCHOOL FOR BOYS REPORT NO. 56-18

Industrial Accident Case - Employee Overpaid: In verifying payments to employees on industrial accident cases it was noted that one employee was overpaid. It was learned that this employee is no longer employed by the institution. However, she will be notified of the overpayment and reimbursement requested.

RECEPTION CENTER FOR BOYS AT WESTBOROUGH REPORT NO. 56-19

Inmates' Fund: The 1955 audit report of the Lyman School for Boys included a comment concerning the condition of this fund at the Reception Center for Boys as follows:

> "Youth Service Board - Reception Center for Boys - Inmates' Funds: To July 6, 1953 the funds of inmates at the Reception Center for Boys were handled and accounted for in the main bookkeeping office of this institution. On that date the accounts were transferred to the office of the Superintendent of the Reception Center and at that time the cash on hand and the trial balance of inmates' accounts agreed with the cash book balance.
>
> "On July 15, 1954, during the course of the current examination, the Center was visited and the accounts were examined. In this connection it was noted that the cash on hand was $.35 in excess of the cash book balance and the total of the detailed inmates' accounts was $11.13 more than the cash book balance.
>
> "A review of these accounts in the custody of the Reception Center indicated many errors and omissions, particularly in connection with the recording of inmates' receipts. Numerous instances were noted wherein items which were recorded in the inmates' receipt books were not entered in the cash book. Others were noted in which items recorded in the cash book could not be located in the inmates' receipt books. On other occasions amounts as recorded on the inmates'

receipt books varied from the amounts as recorded in the cash book. Entries of cash payments were found which had not been entered in the cash book. In all instances, however, the inmate's individual account had been properly credited.

"It was noted that one account appearing on the trial balance of the previous audit had apparently been paid during the current audit period, yet no entry could be found for it in the cash book and that inmate's ledger accounts could not be located.

"It was further understood that at no time during the audit period from July 6, 1953 to July 15, 1954 has the cash on hand and the inmates' accounts been reconciled with the cash book.

"Attention is directed to the fact that the cash book balance on date of audit was only $44.83, yet it represented the accounts of 61 inmates.

"It is, therefore, suggested that the accounts be reviewed and any necessary adjustments be made so that the cash and the total of the inmates' accounts will be in agreement with the cash book balance."

An examination of the Inmates' Fund for the current audit period showed that the aforementioned comment and its accompanying suggestion had been ignored and as a matter of fact transactions in it appeared to indicate that it was even more carelessly handled than previously.

Errors of omissions and commissions included cash disbursements in 25 instances which were not entered in the cash book; three disbursements were entered twice in the cash book; two disbursements were less than the signed slips; six disbursements were made for which no signed receipts were located; nineteen receipts of cash were recorded on slips and not entered in the cash book; six receipts were entered in the cash book for which no slip could be found.

It was learned from the Superintendent of this Center that on or about November 1, 1955 the Center will be closed and its activity assumed by the Reception Center of the Youth Service Board in Boston. Any boys under its custody will be transferred at that time to the latter location. It was understood that all books and records will also be then transferred.

It is, therefore, again recommended that this fund be reviewed and an effort made to bring order to the conditions which have prevailed for the past two years.

It was also noted that neither the Superintendent nor any of his assistants are bonded.

GRAFTON STATE HOSPITAL REPORT NO. 56-20

No Inventory Control Records Maintained by the Pharmacy: It was noted that no inventory control records are maintained in the institution pharmacy. It is recommended that some record be installed so that it will be possible to ascertain quantities on hand at all times.

Patients' Fund - Patients' Valuables Not Disposed Of: The previous audit report commented in some detail that no record could be found in the institution's files indicating that the valuables of patients required to be disposed of in accordance with Section 39B of Chapter 123 of the General Laws, as amended, had ever been disposed of.

This matter was reviewed in connection with this examination and again no record of the disposition of these items could be found. Attention is therefore again directed to this matter.

BOARD OF REGISTRATION IN VETERINARY MEDICINE REPORT NO. 56-21

Renewals: The previous audit report commented that renewal fees, where fines were to be assessed, were not being deposited until the fines were received. However, this procedure has since been changed and funds are now deposited as received.

COMMISSION ON INTERSTATE CO-OPERATION REPORT NO. 56-22

Return of Advance Money after Close of Fiscal Year: According to the Comptroller's records the balance of the 1955 advance fund was $350.43. It was noted, however, that the final accounting of it was made on August 15, 1955, several weeks after the close of the 1955 fiscal year. On that date a return of advance form was forwarded to the Comptroller together with an expense voucher of $72.74. The cash balance of $277.69 was transmitted to the State Treasurer on that date.

BOARD OF DENTAL EXAMINERS REPORT NO. 56-23

Annual Registration: The previous audit reports have noted that approximately 5% of the previous year's registrations are not renewed and recommended that the Board, by correspondence or otherwise, follow up on some methodical basis.

It was noted at this audit date that this condition still exists and approximately the same percentage have not renewed, It was learned, however, that an effort has been made by correspondence, etc. to collect these fees. A list of unpaid fees as of April 1955 was submitted and it was noted that a certain number have been collected since that date, while others cannot be located as they have probably moved to other states.

BOARD OF REGISTRATION OF ARCHITECTS REPORT NO. 56-24

Applications on File: In this connection the previous audit report stated:

> "At a meeting of the Board on October 2, 1950, the following vote was taken:
>
> 'All applications on file over two years are voided and no refunds are to be made on the same.'"

It was noted, however, that on the date of audit there were still several applications in the pending file which were in that category for longer than two years upon which no action had been taken.

BOARD OF REGISTRATION IN OPTOMETRY REPORT NO. 56-25

No Comments.

BOARD OF REGISTRATION OF PROFESSIONAL ENGINEERS AND OF LAND SURVEYORS — REPORT NO. 56-26

Renewal Certificates: Previous audit reports have stated in this connection:

> "Renewal certificates for Professional Engineers and Land Surveyors are issued annually to approximately 6,500 registrants for a $2.00 fee. It is suggested in the interests of economy, etc., that consideration be given to issuing the renewals every two years at double the present fee."

As this suggestion has not yet been adopted it is again repeated for consideration.

LOWELL TECHNOLOGICAL INSTITUTE OF MASSACHUSETTS — REPORT NO. 56-27

Accounts Receivable - Research Foundation: The previous audit report stated in this connection:

> "It was noted that the balance due the Institute has been increased to $30,378.01 on the date of the current audit and that payment of only $1,729.25 had been made on account. This matter is commented on more extensively in the separate report of an audit of the Research Foundation."

It was noted that the balances due as of August 31, 1955 have increased to $41,033.52, exclusive of charges for the months of July and August which had not yet been entered on the records of the Institute.

Deposits - Summer Courses: It was again noted that a ledger account designated "Deposits - Summer Courses" appears in the books of account. This account shows the receipts and disbursements derived and incurred primarily from rental of State facilities for conventions, meetings, etc. It is suggested that all receipts from these sources be deposited intact with the State Treasurer and the payments of invoices should follow the procedure as directed by the Comptroller's Bureau for regular State accounts. It is further suggested that the title of this account be changed to one that is more descriptive of the transactions recorded in it.

An analysis of this account follows for the period from August 16, 1954 to September 12, 1955:

Balance August 16, 1954		$ 526 67
Receipts:		
Donations - Flag Pole	$500 00	
Teachers College Music Festival	147 50	
Fire Fighters Convention	710 00	1,357 50
		$1,884 17

Disbursements:		
Janitor - Laundry Services	$ 71 91	
Flag Pole	468 25	
Transferred to State Treasurer	602 26	$1,142 42
Balance:		
Flag Pole Fund	$ 31 75	
Fire Fighters Convention	710 00	741 75
		$1,884 17

In connection with the foregoing, it is suggested that the balance indicated in the amount of $710.00 from the Fire Fighters Convention be turned over to the State Treasurer as income.

Salary Augmentation: The previous audit report again noted that certain members of the faculty exceeded the maximum salaries of their respective classifications as were established by the Division of Personnel through extra compensation received from other sources.

In connection with this matter audit reports of the past few years have included repeated suggestions that the Commission on Administration and Finance clarify this entire matter. Inasmuch as, to date, nothing has been done in this direction, it is now specifically requested in the interest of sound business principles that such directives be supplied as soon as possible.

Expenditures from Appropriations: It was noted that a contract for furniture for the new Administration Building was awarded to the lowest bidder. The cost of this furniture, however, was paid with funds from both the Special Appropriation Account and the Maintenance Appropriation Account. The detail of the furniture purchased together with the respective costs follows:

	Paid from Maintenace Appropriation:	Unit Price	Amount
1	Rug 21' x 35' laid over 3/16" rubber pad President's Office		$1,655 00
1	Rug 12' x 23' laid over 3/16" rubber pad Asst. to President's Office & Sect.		659 00
1	Desk 72" x 34" deep x 30" high		376 80
1	Swivel chair 26" wide x 26" deep x 36" high		125 00
5 ea.	Interviewing chairs	$ 63 50	317 50
1	Sofa 78" x 35" deep x 31" high		259 00
2 ea.	No. 5105 Pembrooke Knotty Pine Tables	35 00	70 00
1	Chair 29" wide x 34" deep x 31" high		47 50
1	Carpet 12' x 15' laid over 3/16" Vebraine Rubber pad		253 00
2 ea.	Telephone Cabinets	30 65	61 30
2 ea.	Interviewing Chairs, covered in PW #2094 Green	63 50	127 00
3 ea.	Tables, top 15" diam. x 22" high Waiting Area - First Floor	20 00	60 00
2 ea.	Love Seats 54" wide x 35" deep x 35" high Solid Mahogany Legs	237 00	474 00
1	Table, folding top type, Solid Mahogany, 42" x 21" deep x 30" high		85 00
1	Chair, Solid Mahogany Legs 29" wide x 31" high		59 00

4 ea.	End Tables, Solid Mahogany Legs 21" x 16" deep x 26½" high	$ 40 00	$	160 00
2 ea.	Chairs, Solid Mahogany Legs, 21½" wide x 24" deep x 36" high	53 00		106 00
				$4,895 10

Paid from Special Appropriation:

3 ea.	Tables, Solid Mhg. 10' 6" x 4' 0" x 2' 6" high		$ 870 00
23 ea.	Tub Chairs, in S.M.H. #37188, 26" wide x 26" DX33" high	89 00	2,047 00
3 ea.	Tub Chairs, in S.M.H. #2128 Peerless Antiq. Red	95 00	285 00
6 ea.	Tub Chair, in S. R. #64199	84 50	507 00
1 only	Sofa 78" wide x 35" x 33" high		329 00
1 only	Cabinet, Solid Mhg. 48" wide x 32½" high		245 00
1 only	Mirror 21½" wide x 39" high, gold leaf finish		99 00
1 only	Coffee Table, Solid Mhg. 42" x 17" x 18"		83 00
2 ea.	End Tables, Solid Mhg. 21" wide x 21" x 27 3/4" high	56 00	112 00
2 ea.	Wing Chairs, Solid Mhg. 30" wide x 46" high	209 00	418 00
2 ea.	Floor Lamps, 2 lights, Solid Mhg.	55 50	111 00
3 ea.	Round Tables, Solid Mhg. 18" dia. 26" high	45 00	135 00
1 only	Desk, Solid Mhg.		295 00
1 only	Grandfather's Clock Mhg. 86½" high x 19" wide by 12½" d.		415 00
11 prs.	Draperies B & G #01339 Lined Waverly Sateen 96/100 count	115 00	1,265 00
1 only	Swivel Chair, 24½" wide x 26" d. x 33" h.		109 00
4 ea.	Interviewing Chairs, 24" x 26" d. x 33" high	98 00	392 00
1 only	Desk Solid Walnut		299 00
1 only	Sofa, 86" wide x 32" d. x 34" high		385 00
2 ea.	End Tables, Solid Walnut 21" wide x 21" d. x 27 3/4" high	56 00	112 00
1 only	Conference Table, Solid Walnut		157 00
1 only	Wing Chair, Solid Walnut 30" wide x 30" d. x 46" high		189 50
1 only	Table, Solid Walnut 32" dia. x 27 3/4" high		63 00
2 ea.	Wing Chairs, Semi-wing 29½" wide x 28½ x 40½" high	167 00	334 00
5 prs.	Draperies F.S. #173193 Lined Waverly Sateen 96/100 count	101 25	506 25
1 only	Table, Solid Mhg. 60" long x 30" wide x 30" high		150 00
2 ea.	Chairs, Solid Mhg. 21½" wide x 24½" d. x 36" high	89 00	178 00
1 only	Sofa, 78" wide x 36" d. x 32" high		345 00
2 ea.	End Tables 19" wide x 26" d. x 24" high	69 00	138 00
2 ea.	Chairs 26" wide x 26" d. x 33" high	145 00	290 00
1 only	Table Solid Mhg. w/one shelf 21" wide x 16" d. x 26½" high	49 00	49 00
1 only	Table folding top type Solid Mhg. 42" wide x 21" d. x 30" high		95 00
1	L Desk		245 00
1	C Swivel Arm Chair		99 00
3 ea.	D Arm Chairs	89 00	267 00

1 only	E Table		$ 69 00
3 prs.	Draperies S.M.H. #903192 Waverly Sateen lining 96/100 count	$85 00	255 00
1 only	N. Telephone Cabinet		79 00
1 only	A Desk		265 00
1 only	B Sec. Chair		45 00
2	B Secretarial Chairs	89 00	178 00
2 prs.	Draperies from Schumacher's #112442	92 25	184 50
1 only	N. Telephone Cabinet		79 00
1 only	A Desk		265 00
1 only	B Secretarial Chair		45 00
5 ea.	D Arm Chairs	89 00	445 00
2 prs.	Draperies from S.M.H. #32977	88 00	176 00
1 only	N. Telephone Cabinet		79 00
			$13,783 25
Add:			
	Layout Fee		498 00
			$14,281 25
Less:			
	Cash Discount		275 67
			$14,005 58

Expenses of Luncheon: It was noted that permission was requested and received to expend $750.00 for a luncheon at the time of the building Dedication. However, the Institute actually expended for this purpose $1,311.30 or $561.30 in excess of the amount approved.

SOLDIERS' HOME IN MASSACHUSETTS REPORT NO. 56-28

Federal Aid: Under Public Law 823 of the 81st Congress, $500.00 per patient per year has been made available until June 30, 1956 toward the support of patients at this institution. This statute, however, was amended by Federal House Resolve 8180 of the 83rd Congress, 2nd session, which increased the amount to $700.00 per patient per year effective September 1, 1954.

These funds are recorded as income to the Commonwealth's Veterans' Service Fund when notification of receipt is received from the State Treasurer, to whom all checks are sent directly by the United States Treasury.

During this current audit period, $375,140.83 was received from the United States Government for the board and care of patients and represents the billing from April 1, 1954 to June 30, 1955.

Patients Receiving Assistance Under Public Law 149: On March 13, 1952, the Board of Trustees authorized the Commandant to collect the difference between the paitents' basic pension and the allowance of $135.45 received monthly under Public Law 149. This difference, representing care and attendance allowance, is allowed for the purpose of providing attendance of another person to aid and care for the veteran recipient because of his condition. The payment of this allowance to the Soldiers' Home during the patients' hospitalization became effective in July 1952. One half of the money collected from patients under this law is returned to the Federal Government.

The net amount received from this source during the current audit period was $34,716.45.

Accounts Receivable: Under authority granted by Chapters 501 and 687 of the Acts of 1951 and Chapter 296 of the Acts of 1952, the Trustees are authorized to enter into certain contracts with hospital service corporations and with insurance companies and associations furnishing hospital services, with respect to hospital services for qualified veterans. During the period under audit collections from those organizations amounted to $94,001.66.

In connection with this income it was noted that charges are not being set up monthly in the Accounts Receivable Control Account and the current practice is to record such income only when collected.

It is suggested that all charges of this nature be set up on a monthly basis in the Accounts Receivable Control Account.

Canteen: Prior audit reports have commented that the canteen at this institution was privately owned and operated and that no rent was received for the use of the space occupied by this concession but that a nominal monthly donation was made by the canteen operator to the Donation Account for the benefit of the patients of this institution.

In July 1955, the canteen operator died and his heirs operated the canteen until recently.

During the progress of this audit an agreement was made with the Division of the Blind for a blind veteran to operate the canteen under the direction of that Division and as of October 26, 1955, this arrangement became effective. Under this agreement, a substantial increase over that of the former operator in the monthly donation to the Donation Account will be made.

Blue Shield - Procedure: After admission each patient is asked if he is covered by private surgical or medical insurance, and if it is found that the patient is so insured, this fact is recorded in a ledger maintained by the Admission Office and a list of patients having such insurance is then forwarded to the Medical Director.

Insured surgical cases are assigned to the appropriate surgeon by the Senior Surgeon Medical Director. Medical cases are distributed to the appropriate doctor by the Admittance Office under direction of Chief of Medical Services. The nurse in charge of operating rooms also is notified by the Medical Director as to those patients who have surgical insurance and it is her duty to ascertain that the assigned surgeon is present at the operation, and she sends to the Admission Office daily a list of operations performed and name of surgeon performing each operation.

The Admittance Office cross-checks this operation list to the ledger and sends notification to operating surgeon that patient was covered by Surgical Insurance and for said surgeon to submit bill directly to Blue Shield.

At the close of each month when the visiting surgeon submits his bill to institution for periodic clinics this bill is cross-checked to the insurance ledger and to the clinic records at which the surgeon treated patients having such insurance and the entire clinic charge is then deducted from his bill to the Soldier's Home.

Blue Cross: This institution has at present a contract with the Massachusetts Hospital Service which allows a flat rate of $11.50 per day to no more than 14 days representing a maximum payment of $161.00 for each period of hospitalization. Regardless of Blue Cross plan carried by the patient, this institution receives the contract fee for the number of days hospitalized up to a maximum of 14 days.

Insurance: When this hospital first entered agreements to collect costs from medical insurance, a schedule of fees was compiled through surveys and studies of the costs of the hospital. In those instances of medical treatment not covered by this schedule, the exact cost for such treatment is charged.

The following procedures are now in effect:

After admission, if a patient is insured, assignment of these benefits to Soldiers' Home is made and proper entries are made in ledgers maintained in the Admission Office.

Upon discharge of the patient the insurance company involved is billed for every charge on account of patient during hospitalization. Due to the varied provisions of the different types of insurance policies, it is not always possible to collect the entire billed amount. In such instances the insurance companies remit checks only for that portion of the bill for which they are liable together with a statement as to why they are not paying the total bill.

Attention is called to the fact that the greater percentage of private insurance policies carry a clause wherein the patient also receives compensation for the period hospitalized and in order to collect such payments, the insured must have an affidavit from the hospital. In order to effect better control, all such affidavits are cleared through the Admission Office, who in turn cross-check to their ledger to insure that said patient has been recorded as having private insurance and that company concerned has been billed for hospital costs.

PORT OF BOSTON AUTHORITY REPORT NO. 56-29

Port of Boston - Tonnages Handled: The following shows a comparison of the tonnages handled annually in the Port of Boston and includes tonnages handled at the various facilities under control of the Port of Boston Commission:

Calendar Year	Total Tonnage
1947	18,502,902
1948	18,317,356
1949	15,363,529
1950	18,194,438
1951	18,976,880
1952	19,237,945
1953	17,803,354
1954	17,580,131

Deficiency - Port of Boston Fund: The deficiency in the Port of Boston Fund applicable to operations of the 1955 fiscal year totalled $537,798.21, and was charged to the General Fund Surplus Account in accordance with the provisions of Section 14 of Chapter 453, of the Acts of 1954.

The accumulative deficits of the Port of Boston Fund to June 30, 1955, amounting to $5,754,322.60, have been charged to General Fund Surplus during the past three years as follows:

	Statutory Authority	Amount
Accumulated Deficits to June 30, 1953	S11, Chapter 408, Acts 1953	$4,679,926 45
Deficit - 1954	S12, Chapter 489, Acts 1953	536,597 94
Deficit - 1955	S14, Chapter 453, Acts 1954	537,798 21
		$5,754,322 60

Hoosac Pier Lease: This property was leased to the Boston and Maine Railroad for a five year period with option to renew for three periods of five years each. Rental charges commenced upon completion of construction whereupon the property was occupied on March 1, 1951. Annual rental is computed at 3% of $4,543,289.00, the cost of acquisition and construction.

In this connection, a previous audit report stated:

> "Section 10 of Chapter 619 of the Acts of 1945 stipulates that the rent under the lease shall be at a rate sufficient to amortize sixty per cent of the actual cost to the Commonwealth. It is immediately obvious that 'actual cost to the Commonwealth' must include the cost of construction plus all the costs incident to its financing, and this Department insists that the total cost of interest for the entire period while bonds are outstanding is an essential element in any rental computation. In this connection it was noted that the Authority in making this computation included interest costs only to February 28, 1951."

Attention is directed to the fact that had the foregoing requirements been followed the income from the first date of rental on March 1, 1951 to August 31, 1955 would have exceeded that which was actually received by $57,460.82, computed as follows:

Rental Period	Rent That Should Have been Charged	Rent As Charged	Difference
March 1, 1951 to June 30, 1951	$ 49,689 28	$ 45,432 88	$ 4,256 40
July 1, 1951 to June 30, 1952	149,067 70	136,298 64	12,769 06
July 1, 1952 to June 30, 1953	149,067 70	136,298 64	12,769 06
July 1, 1953 to June 30, 1954	149,067 70	136,298 64	12,769 06
July 1, 1954 to June 30, 1955	149,067 70	136,298 64	12,769 06
July 1, 1955 to August 31, 1955	24,844 62	22,716 44	2,128 18
	$670,804 70	$613,343 88	$57,460 82

Hoosac Elevator Lease: The original lease of these facilities for a period of twenty years to the Boston and Maine Railroad, originally dated May 20, 1948 and as finally amended on May 28, 1952, calls for a rental equal to 3% of $650,292.79, the cost of the elevator and its additions, alterations, etc.

The railroad occupied the premises as of April 20, 1951 and for a period of four months operated them on a trial basis until August 20, 1951 when the lease actually became effective.

Attention is again directed to the fact that the rental charges

reflect only the interest charges on monies borrowed during the period of construction.

It is contended that the rental charges should also include all interest costs during the entire life of the bonds.

Unauthorized Use of Land by Tenant: Permit #A-183 allowed a certain trucking concern to use 3,000 square feet of land on D Street, South Boston, at a rental of $300.00 per year. This permit expired February 28, 1953 and since that date this concern has been permitted to operate on a tenant-at-will basis.

In April 1954, the Commission advised the concern it did not wish to issue further permits for use of this area but it would be willing to lease the area for a period of not less than five years and furthermore it wished to lease the entire area consisting of 27,035 square feet which they have been using but of which only part, approximately 3,000 square feet, had they been paying rent for under Permit #A-183.

The Commission and this concern have not been able to reach an agreement and the Attorney General was requested to evict the tenant. An eviction notice was sent under date of March 15, 1955, notifying the tenant to vacate as of May 1, 1955.

As of September 12, 1955, it was observed that this trucking concern continued to occupy this entire area despite the eviction notice. Examination of the account of this concern further indicates that rent has been paid on only 3,000 square feet through the month of July 1955.

In addition to the foregoing, two other instances were noted when tenants had used Commonwealth lands beyond the boundaries of leased premises. However, these two instances had been corrected and the Commission is currently collecting rent on additional land used.

A common factor in these three instances of unauthorized use of land by tenants appears to be the existence of vacant land adjacent to the leased premises. It is suggested that the Commission make a survey of all vacant properties to determine whether they are being used by unauthorized persons or concerns.

BOARD OF REGISTRATION OF CERTIFIED PUBLIC ACCOUNTANTS — REPORT NO. 56-30

No Comments.

BOARD OF REGISTRATION IN CHIROPODY (PODIATRY) — REPORT NO. 56-31

Excess of Expenditures over Receipts: Section 120 of Chapter 13 of the Tercentenary Edition of the General Laws states in part as follows:

> "...that the salaries and expenses of the members of the board, and the expenses of the board, shall not be in excess of the receipts for registration and from other sources received by the state treasurer from the board."

In this connection it is noted that there was an excess of expenditures and encumbrances over receipts for the fiscal year ending June 30, 1955 in the amount of $4,352.67.

DEPARTMENT OF PUBLIC HEALTH REPORT NO. 56-32

1955 Fiscal Year Liability Not Recorded on Books: An audit of the charges to the Appropriation Account for "Payment of Subsidies to Cities and Towns for Tubercular Patients in Certain Hospitals" for the 1955 fiscal year indicated that charges totaling $429,415.88 applicable to the 1953 calendar year were paid from the 1955 fiscal year appropriation. It was further noted that invoices totaling $397,149.94 applicable to the 1954 calendar year were approved for payment on September 27, 1955 by the Bureau of Tuberculosis and Institutions. However, the department records indicate that no entry was made on its books to encumber the 1954 charges as of June 30, 1955 because the 1955 fiscal year appropriations had been depleted by the payment of charges applicable to the 1953 calendar year. This action left a balance of only $2,942.21 in the 1955 appropriation Account and made it impossible to encumber the 1955 fiscal year liability.

MILK CONTROL COMMISSION REPORT NO. 56-33

General: The original Milk Control Board was primarily created to protect the financial interests of certain milk producers. Chapter 791 of the Acts of 1950 transferred certain functions of the Milk Control Board relating to the bonding of milk dealers to the Department of Agriculture.

Chapter 604 of the Acts of 1953 provided for the establishment in the Department of Agriculture of a Division of Milk Control which was to be under the control of a Commission to be known as the Milk Control Commission. The Milk Dealer Bonding section, however, still remained in the Department of Agriculture.

Included in the function of the Commission is the regulation and auditing of prices paid to milk producers. The Commission is also responsible for the adequacy of the supply of fresh milk for consumers and dealers in the areas within the Commonwealth and under its control.

The Milk Control Commission on the date of this audit employed seven individuals in its auditng section as follows:

Acting Supervising Inspector of Milk Records	1
Senior Inspectors of Milk Records	2
Inspectors of Milk Records	3
Principal Clerk	1
	7

The principal purpose of the auditing section is to determine whether the milk dealers buying from Massachusetts producers are properly accounting and paying for milk purchased in accordance with the official orders of the Milk Control Commission.

Other functions include the following:

1. Conformity to price regulations
2. Satisfactory payments to producers when due
3. Adequacy of bond protection
4. Correctness of assessment payments

These auditors physically inspect and verify all payments of the milk dealers to producers within their jurisdiction. Items in transit are verified in subsequent audits. Determination of the adequacy of a bond is wholly dependent upon payment to producers.

Inasmuch as sections of the Milk Control Commission and the Dairy Bonding section have certain common purposes it is important that close co-operation between the two agencies be maintained.

Insufficient Bond Coverage: An examination of the records of audits made by the Milk Commission inspectors of the accounts of milk dealers in State-controlled areas indicated that sixteen milk dealers with insufficient bond coverage were still operating milk plants as of the date of audit. Their bond deficiencies totalled $2,250.00. Of these eleven were less than $100.00 and the remaining five were less than $450.00. One dealer who had no bond coverage on the date of audit furnished sufficient surety bond coverage while this audit was in progress.

Delinquent Assessments: Monthly assessments payable by milk dealers under Section 9 of Chapter 94A of the Tercentenary Edition of the General Laws constitutes the primary source of income for the Milk Control Commission. For the fiscal year ended June 30, 1955, $177,611.44 or 96.7% of the total income of the Commission was received from this source. An examination of the assessment ledger indicated that 263 milk dealers were delinquent as of the date of audit in the filing of required monthly reports of milk sales and in the payment of assessments due as follows:

Number of Dealers	Months Delinquent	Total Assessments Due
88	One Month	88
83	Two Months	166
61	Three Months	183
22	Four Months	88
2	Five Months	10
1	Six Months	6
3	Seven Months	21
2	Eight Months	16
1	Thirteen Months	13
263		591

Arrearages to Producers: On the date of this audit the records of the Commission indicated sixteen active dealers in arrears for payments to their producers aggregating $27,318.18. Of these, eight accounts owing a total of $4,131.66 were marked "paid". They are however, subject to verification by auditors of the Commission before their accounts may be cleared on the books.

The records in the Dairy Bonding section of the Department of Agriculture of the eight remaining dealers indicated that three of them who were in arrears in amounts totaling $13,700.97 were, on the date of audit, sufficiently covered by bonds based on their payment period, but not in an amount to cover their arrearages. Bonds on hand for these dealers totaled only $2,150.00. It was also noted that one of these dealers owing $1,182.31 is making payments at the rate of $100.00 a month. While this audit was in progress another dealer who was in arrears in the amount of $10,564.28 was also cleared it was learned from a discussion with the Law Enforcement section. The matter of the remaining delinquent dealer who owes $1,954.38 is currently being acted on by the Law Enforcement section.

It was also noted that two dealers with arrearages totaling $340.20 were sufficiently covered by bonds. Three other dealers, however, had no bonds to cover arrearages totaling $9,145.35.

LAKEVILLE STATE SANATARIUM REPORT NO. 56-34

Industrial Accident Cases - Overpayment: In connection with a verification of payments to employees receiving Division of Industrial Accident compensation, it was noted that errors in the compilation of the amounts due employees resulted in overpayments of $60.00 and $3.57 respectively to two employees.

This matter was called to the attention of the institution treasurer and it is understood that these items will be adjusted.

Patients' Funds: In this connection the previous audit report stated:

> "It was again noted that more than 50% of the accounts in this fund belong to former patients.
>
> "It is recommended that an effort be made to locate the rightful owners of these funds so that these accounts may be disposed of."

During the audit period efforts by the institution to locate these former patients were not entirely successful.

Continued efforts should be made to locate the rightful owners of these funds and steps should be taken to properly dispose of balances in instances where the rightful owners cannot be located.

It was also noted that eleven checks have been outstanding for more than one year as of this audit date. It is, therefore, suggested that payment on them be stopped and the proceeds returned to the Patients' Funds.

DIVISION OF BUILDING CONSTRUCTION REPORT NO. 56-35

Special Appropriations: It was noted that the following accounts were listed on the records of the Comptroller's Bureau as being under the supervision and control of this Division, but they were not being carried on its books as of September 30, 1955:

Account No.	Description
1919-23	Tewksbury State Hospital - Painting water storage tank
4050-04	Department of Public Works - Division of Beaches, Comfort Stations
7717-19	Medfield State Hospital - X-Ray equipment
8254-34	Department of Public Works - Installing lights, Salisbury Beach Parkway area

It was further noted that the following accounts were being carried on the records of this Division, but were not so listed by the Comptroller's Bureau:

Account No.	Description
7918-27	Gardner State Hospital - Plumbing improvements
8254-11	University of Massachusetts - Construction of Public Health building
7817-41	Wrentham State School - Sewage Disposal
8255-81	Soldiers' Home, Chelsea - Purchase and renovation of house and six garages

Summary of Special Appropriations - for the period under audit the transactions under the special appropriations are summarized as follows:

Balances October 1, 1954 (223)	$66,959,878 56
New Appropriations (142)	24,760,860 00
Transfers from Agencies (42)	4,123,518 39
Transfers from Reserve for Contingencies (16)	328,870 00
Transfers from Governor's Extraordinary Fund (2)	5,675 00
	$96,178,801 95
Expenditures (197)	$13,666,607 19
Reversions (25)	127,282 04
	$13,793,889 23
Balances September 30, 1955:	
Regular (378)	$82,373,704 44
Balances Reserved on Expired Appropriations (11)	11,208 28
	$82,384,912 72
	$96,178,801 95

BOARD OF REGISTRATION IN EMBALMING AND FUNERAL DIRECTING — REPORT NO. 56-36

Cash Book: The previous audit report stated that the cash book columns were not being ruled off at the close of each month and that page totals were being shown in pencil rather than ink.

As no change has been made in these practices, it is again recommended that they be remedied.

BOARD OF REGISTRATION IN NURSING — REPORT NO. 56-37

Handling of Receipts: The previous audit report stated:

> "It was noted that the opening of the mail is now confined to one employee and the recording of all items is now handled exclusively by only two persons.
>
> "It is, however, again suggested that only one employee be designated to open the mail and record its contents in one control cash book before distribution for processing."

In connection with the foregoing, it is understood that an appropriation has been provided for the installation of a machine system of bookkeeping including a control of receipts. After present studies

have been completed, a new system which will start with this Board will eventually include the several Boards under the jurisdiction of the Division of Registration.

Renewal Certificates: Renewal certificates for Nurses and Practical Nurses are issued annually to approximately 45,500 registrants at a $1.00 fee. In this connection, the minutes of one of this Board's meetings indicated that it was in agreement with a suggestion in previous audit reports that such renewals be issued at two-year intervals at double the present fee. It was learned that legislation is being planned to effect this arrangement.

STATE SUPERINTENDENT OF BUILDINGS REPORT NO. 56-38

Letter Contracts: Section 8A of Chapter 29 of the General Laws, as amended, states:

> "No officer having charge of any office, department or undertaking which receives a periodic appropriation from the commonwealth shall award any contract for the construction, reconstruction, alteration, repair or development at public expense of any building . . . if the amount involved therein is one thousand dollars or over, unless a notice inviting proposals therefor shall have been posted, not less than one week prior to the time specified in such notice for the opening of said proposals, in a conspicuous place on or near the premises of such officer, and shall have remained so posted until the time so specified . . . No contract or preliminary plans and specifications shall be split or divided for the purpose of evading the provisions of this section. . ."

In this connection, it was noted that letter contracts were awarded to one contractor for electrical work in the House Ways and Means Committee Room, as follows:

Quotation Dated	Acceptance Dated	Encumbrance Dated	Type of Work	Amount of Contract
9/23/55	9/28/55	10/4/55	Electrical	$ 950 00
9/23/55	10/ 6/55	10/6/55	Electrical	575 00
Total				$1,525 00

In another instance the following took place:

Quotation Dated	Acceptance Dated	Encumbrance Dated	Type of Work	Amount of Contract
3/18/55	3/21/55	4/ 7/55	Masonry	$ 945 00
4/ 8/55	4/ 8/55	4/11/55	Masonry	285 00
4/ 8/55	4/ 8/55	4/11/55	Masonry	225 00
4/ 8/55	4/ 8/55	4/11/55	Masonry	360 00
Total				$1,815 00

A third case was noted as follows:

Quotation Dated	Acceptance Dated	Encumbrance Dated	Type of Work	Amount of Contract
6/23/55	6/28/55	6/28/55	Painting	$ 678 00
6/23/55	6/28/55	6/28/55	Painting	275 00
6/27/55	6/28/55	7/ 1/55	Painting	865 00
Total				$1,818 00

In connection with these so called "Letter Contracts" attention is directed to the fact that one general contractor received twenty such contracts totaling $10,680.00 while one painting contractor received sixteen such contracts totaling $5,475.00.

Assignment of Rooms in 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 room 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 enterprises have been allotted rent-free space in the State House.

One such allocation represents State House floor space which has been allotted to a private contractor, who, under a contract he has with a Federal agency, operates a private business at a profit and attention is directed to the fact that this contractor receives space, heat, light and telephone service from the Commonwealth at no cost to him.

In further connection with this matter attention is directed to the fact that notwithstanding the unmistakable provisions of the foregoing statute this particular space is also being used illegally as there is no manifestation that the Superintendent of Buildings has assigned this area. In addition, there is no indication that its use has been approved by the Governor and Council and/or the Commission on Administration and Finance.

Previous to occupying the area now held by him, a prior contractor had been assigned a private office at the State House and again at no cost to the contractor.

PURCHASING BUREAU REPORT NO. 56-39

Accounts Receivable Control Account - Credit Memos: During the 1955 Fiscal Year, credit memos totaling $396.41 were issued. For the period from July 1, 1955 to October 24, 1955 such memoranda totaled $209.13. As these credits were not signed nor numbered in sequence, it is suggested that all such future items bear an authorized signature and be serially numbered.

Material and Supplies - Obsolete Stock: Authorization was noted to charge off obsolete stock valued at $52.36.

Outside Storage: It was noted that materials and supplies belonging to this Bureau with a book value of $15,082.46, were stored at

four State institutions and the Quincy Market Cold Storage and Warehouse Company as of October 24, 1955. Letters were released requesting verification of materials and supplies which were the property of the Purchasing Bureau, which were stored in their custody. Unit balances received agreed with the unit figures as shown by the stock ledger, with only one exception. A visit was made to the State institution concerned and a physical inventory taken. The unit count then agreed with the balance in the stock ledger at the date of audit.

BUDGET BUREAU REPORT NO. 56-40

No Comments.

BOARD OF REGISTRATION OF BARBERS REPORT NO. 56-41

Re-examination Fees: The previous audit report stated that there were instances where a $5.00 fee had been charged for a re-examination after the date on which the privilege at the low rate had expired. A $10.00 fee should have been charged.

In this connection it was noted during this audit that all such extra fees have been properly collected.

Receipts Vouchers: The previous audit report noted that receipts were not being deposited promptly. It was noted that all deposits are now being made on a current basis.

BOARD OF BAR EXAMINERS REPORT NO. 56-42

No Comments.

DEPARTMENT OF MENTAL HEALTH REPORT NO. 56-43

Returned Checks Account of Patients' Board: There appears to be no definite arrangement for the proper handling of so-called "Bad Checks" which are originally received in payment of patients' board.

In this connection, the Department has two control accounts in its general ledger through which such items are passed; namely, Institution Income and Funds Transferred to State Treasurer. The former account is credited with cash collections made at the Department office from its Cash Receipts book. The cash collected at the various institutions is credited to it through journal entry.

When a "Bad Check" is returned by a bank either to the institution, which originally made the deposit or to this Department, a correcting entry should be made on the Department's control accounts. The Department and the institution concerned should be simultaneously advised when checks are returned.

The billing section when it learns of a "Bad Check" should make a debit charge to the proper patient's account. When the check is reimbursed, it should be entered in the same manner as the original entry.

Work Not Done on Contract: The previous audit report referred to an incompleted contract which had been directed to the attention of the Attorney General's office for action. During this current audit period, the contractor concerned was granted sufficient time by authorized extensions and the necessary work was completed and approved by this Department on December 15, 1954.

Institution Weekly Reports: It was noted in certain instances that proper billing information is not submitted by the several institutions. For proper billing records, it is essential that all institutions do their respective part in getting the information required to the Department office at the proper time. While several of the hospitals are co-operative, others are not. It is, therefore, suggested that henceforth necessary information with regard to admissions and dismissals, change of status, escapes, visits, etc. and names of persons responsible for patients' board should be accurately furnished. Without this information, the Billing section cannot properly maintain its records.

Verification Notices - Board of Patients: About 200 verification notices on outstanding patients' board unpaid as of November 1, 1955 were mailed to those apparently responsible. Of these, 15 were returned by the Post Office as "unable to deliver," 63 were returned as correct and 13 were returned with inquiries. These latter items were brought to the attention of the Division of Settlement and Support and in certain cases, necessary adjustments were made.

Debit and Credit Adjustments: The adjustments in the Institution Income Accounts Receivable were analyzed for the month of April 1955 and it was noted that debit adjustments totaled $9,942.78, while the credit adjustments totaled $163,267.44, as follows:

Analysis of Debit Adjustments:		
Absorb Credit Balance	$1,165 39	
Payment Credited in Error	426 44	
Returned from Visit	1,177 46	
To Correct Billing Status	3,106 83	
Refund Overpayment Credit	3,189 00	
Charge to Accommodate Payment - Hospital	854 91	
Billing Charge Omitted	22 75	$9,942 78
Analysis of Credit Adjustments:		
Canceled by Division of Settlement and Support	$103,131 73	
Incorrectly Computed	6,244 86	
Decrease of Rate	23,637 44	
Payment Credited Wrong Account	111 25	
Death, Discharge, Visit or Transfer not Noted	10,162 83	
Change of Payor	17,553 87	
Away Without Leave or Escape	606 58	
Transfer to Active Account	364 29	
Payment Credit in Error	499 86	
Veterans' Administration to Maintain	723 75	
Settled by Attorney General	230 98	$163,267 44

Comparison of Cash Collections Accounts of Patients' Board: A statement with respect to comparative information in certain years when this Department operated its Billing section manually, as compared with the current machine system, was prepared. This statement, which follows, includes the years 1944 to 1949 inclusive, showing operations under the original system and the years 1950 to 1955 showing the results of operations under the machine system:

Fiscal Year	Collections	Salaries and Expenses	Collection Cost Per Dollar	Increases Collections	Increases Expenses
1944	$1,051,835 36	$ 38,047 40	.036	-	-
1945	1,076,294 41	38,063 06	.035	$ 24,459 05	$ 15 66
1946	1,152,697 91	41,175 57	.0357	76,403 50	3,112 51
1947	1,200,411 39	48,155 42	.0401	47,713 48	6,979 85
1948	1,247,263 80	50,378 63	.0404	46,852 41	2,223 21
1949	1,294,427 29	55,737 38	.0430	47,163 39	5,358 75
1950	1,379,730 07	85,411 56	.0610	85,302 88	29,674 18
1951	1,551,733 67	92,770 89	.0598	172,003 60	7,359 33
1952	1,829,698 97	103,326 75	.0565	277,965 30	10,555 86
1953	2,054,948 62	102,803 49	.0500	225,249 65	523 26*
1954	2,407,087 02	103,295 81	.0429	352,138 40	492 32
1955	2,787,084 24	107,545 94	.0386	379,997 22	4,250 13

* Decrease

LOWELL TECHNOLOGICAL INSTITUTE OF MASSACHUSETTS RESEARCH FOUNDATION — REPORT NO. 56-44

Accounts Receivable: As of November 9, 1955 the total outstanding Accounts Receivable was $49,072.94, and represented only current charges. An analysis of this account follows:

	Billed	Unbilled	Total
United States Air Force	$ 4,261 00	$25,966 07	$30,227 07
Private Industry	8,544 08	10,301 79	18,845 87
Total	$12,805 08	$36,267 86	$49,072 94

Accounts Payable: The Accounts Payable as of November 9, 1955 comprised the following:

Pay Roll - Faculty, Students, Other	$ 2,358 64
Commonwealth of Massachusetts	45,046 79
Outside Accounting Fees	1,700 00
Survey Service	1,200 00
	$50,305 43

In connection with the foregoing, it was noted that with the exception of the amount owed to the Commonwealth of Massachusetts all the items are for current items. With reference to the amount owed to the Commonwealth previous audit reports have stated as follows:

"The previous audit report indicated that it was agreed, at a meeting of the Executive Committee of the Board of Directors held on July 13, 1951, to reimburse the Commonwealth for the use of facilities of the Institute on the following basis:

"1. It is agreed that the Foundation would recommend to the State that 15% of direct labor costs be the overhead payment to the State for the use of the Institute's facilities regardless of the nature of the facilities."

"2. Certain contracts in existence prior to the establishment of the 15% rate provided for only 10% overhead charges to customers. In these cases, the amount of reimbursement to the State will be at the rate of 10%."

It will be noted that the amount due to the Commonwealth has been increased from a balance of $30,378.01 at the time of the previous audit to $45,046.79 or, $14,668.78. It was noted that no payment whatsoever has been made on this account during the audit period.

Inasmuch as these charges have been accumulating for a period in excess of three years, while other charges are being currently paid, it becomes increasingly obvious that all other creditors have been given preferential treatment over the Commonwealth. This situation is, of course, eminently unbusinesslike and should not be condoned, particularly in view of the fact that the items and fees due the Commonwealth are specifically indicated and collected in the respective billings made by the Foundation.

It is, therefore, again suggested that some equitable arrangement be immediately completed so that a program for the liquidation of this obligation may be put into effect.

It further appears that no actual agreement has been reached with the Lowell Technological Institute in the matter of their charge for use of their facilities.

As of the date of this audit the following liabilities were recorded on the records of the Foundation representing amounts received in anticipation of services being rendered:

Advance Payments Unearned:	
Tanners Council of America	$2,500 00
National Aniline Company	2,687 50
	$5,187 50
Deposits from Sponsors:	
Bates Manufacturing Company	$1,000 00
Tanners Council of America	5,000 00
E. I. Du Pont De Nemours, Inc.	1,000 00
	$7,000 00

As a matter of fact the foregoing advance payments and deposits represent the working capital of this Foundation.

METROPOLITAN DISTRICT COMMISSION REPORT NO. 56-45

Charge-offs of Balances due from Damages Caused by Motor Vehicles: An examination was made of the charge-offs, cancellations and adjustments in the Accounts Receivable for the period under audit. It was noted that a total of $7,870.44 was charged off as uncollectible in accordance with letters of authorization from the Department of the Attorney General for property damages resulting from automobile accidents. The principle reasons indicated by that office for authorizing the charge-offs were inability to collect as well as the Statute of Limitations. It is evident that this Commission should act quickly to assemble all necessary information on all such damage cases to try to effect speedy settlement of damage claims in order to give the Attorney General sufficient time to institute proceedings in cases where collections cannot be effected by the Commission.

Accounts submitted to the Attorney General's office during the period under audit amounted to $15,583.72, and in most instances resulted from claims for damages caused by motor vehicles. A review of these cases indicates that many were not submitted to the Attorney General's office until eight to twelve months after the date of the accidents.

There are also two cases more than one year old among the so-called current Accounts Receivable. Letters on file indicate that the insurance companies had requested at least six months ago that they be given a report concerning these accidents preliminary to settlement. There is however, no indication that such a report had been submitted to the date of audit, November 3, 1955.

It is also suggested that a review of procedures followed in such cases be made by the Commission in order to forestall, insofar as possible, losses of income to the Commonwealth from this source because of the Statute of Limitations.

Metropolitan District Commission Assessments for which no Construction has been Initiated: Attention is directed to the provisions of Chapter 466 of the Acts of 1952, which ordered the Metropolitan District Commission to construct a causeway enclosing Pleasure Bay in the City of Boston and thereby forming an artificial lagoon. This Act, which was originally approved on June 23, 1952, contained an emergency preamble to permit the Metropolitan District Commission to proceed immediately with the construction of this project.

To implement the original legislation, Chapter 604 of the Acts of 1952 in Item 7686-01 provided $750,000.00 for the cost of construction. Under the provisions of this statute, from the actual date of enactment to June 30, 1955, $299,812.50 has actually been collected by the Commonwealth from the thirty-eight cities and towns in the Metropolitan District to cover the cost of this lagoon, including $120,468.14 which has been contributed by the City of Boston, although actual construction has never been initiated.

While this project is specifically a Metropolitan District Commission project, the responsibility for its construction rests with the Division of Building Construction. However, that Department cannot so proceed until it is so authorized by the Metropolitan District Commission.

On April 1, 1954, the Metropolitan District Commission was notified by the Division of Building Construction that the Pleasure Bay project was dormant because it was awaiting orders from the Metropolitan District Commission to proceed with construction. Again on November 17, 1954 the Metropolitan District Commission was notified by the Division of Building Construction that nothing had been done on the project. On February 1, 1956, the Chairman of the Metropolitan District Commission, by telephone call, notified the Director of Building Construction that it had been decided that a study should be made to determine the advisability of proceeding with the project, and three weeks later an allotment of $10,000.00 was made for this purpose. It is understood that now the project is finally being studied, but only to determine if construction shall proceed.

The Chairman of the Metropolitan District Commission advised an accountant representing the Department of the State Auditor that this is a very controversial project, and there has been a question as to whether or not there is enough money appropriated to complete construction.

It would appear that from June 23, 1952, when the enabling Act was originally enacted, to February 1956, the basic determination as to whether this project would be constructed should have long ago been cleared and there appears to have been an improper delay in proceeding with this construction which was ordered by the General Court. It is unlikely that the Metropolitan District Commission has the arbitrary authority to set aside an order of the General Court, and attention is further directed to the fact that in order to pay for the project during the period involved in this delay, the Commonwealth has collected assessments from the several cities and towns in the Metropolitan Parks District Reservations and Boulevard area as follows:

Arlington	$ 5,744 07
Belmont	4,617 92
Boston	120,468 14
Braintree	2,936 93
Brookline	12,158 98
Cambridge	16,552 39
Canton	935 21
Chelsea	4,521 10
Cohasset	64 46
Dedham	2,548 16
Dover	442 73
Everett	7,234 12
Hingham	1,595 56
Hull	1,180 71
Lynn	13,416 12
Malden	7,274 89
Medford	8,124 37
Melrose	3,796 01
Milton	3,624 85
Nahant	455 02
Needham	2,508 59
Newton	14,306 07
Quincy	12,299 26
Revere	4,167 10
Saugus	1,821 57
Somerville	11,927 57
Stoneham	1,573 08
Swampscott	2,089 24
Wakefield	2,368 01
Waltham	5,810 02
Watertown	5,176 35
Wellesley	3,809 20
Weston	960 99
Westwood	772 75
Weymouth	4,830 74
Winchester	2,902 46
Winthrop	2,457 03
Woburn	2,340 73
	$299,812 50

It is recommended that the Metropolitan District Commission either notify the Division of Building Construction to proceed with this construction or it should request the General Court to repeal the original legislation under which these monies have already been assessed and collected from the various cities and towns indicated.

WORCESTER STATE HOSPITAL REPORT NO. 56-46

Variances Between Quarters Register and Pay Roll Deductions for Room Rent: The previous two audit reports have commented in detail with regard to variances between the amounts authorized to be deducted from employees' salaries as indicated on the quarters register and the amounts actually deducted from the respective employees' salaries on the pay roll.

In this connection it was again noted that undercharges and overcharges existed. In one instance an overcharge continued for a period of 82 weeks, resulting in a total overcharge of $34.44. All variances noted were called to the attention of the institution treasurer and it was understood that necessary adjustments will be made.

As this test verification included only the transactions of one month within the audit period, it is quite probable that other such variances may have occurred within this period.

As it is apparent that the quarters register is not being checked for changes in rooms, rates, etc., it is therefore again recommended that a more constant comparison be made between these two records to insure their accuracy.

Occupancy of Institution Garages Without Charge: It was noted that certain doctors who occupy and pay for one or two rooms at this hospital, are granted the privilege of garaging their personally owned automobiles rent free. However, one employee occupying and paying for a three room apartment is also paying garage rent, as well.

It is recommended that this matter of garage rents be reviewed by the Commission on Administration and Finance with a view to establishing rates, etc. This survey should also determine which employees are entitled to garage their cars without paying rent therefore.

DEPARTMENT OF CIVIL SERVICE AND REGISTRATION REPORT NO. 56-47

Machine Control Section: The previous three audit reports have stated as follows:

> "Attention is called to the fact that many of the Boards of Registration are forced annually to handle the mailing and filing of thousands of renewal applications, renewals, etc. Because of this arrangement, these boards are severely handicapped at various peak periods during each year when the processing of these renewals develops. In the interests of more efficient management and better accountability, it is suggested that serious consideration be given to the establishment, as an integral part of the Division of Registration, of a Central Renewal Section, It is further suggested that legislation be sought relative to the issuance of all licenses on a biennial basis. At the same time it is suggested that efforts be made to enact legislation which will provide for an equitable distribution of renewal dates throughout the calendar year.
>
> "If the forgoing suggestions become effective, it will then be easily possible to obtain competent tabulating machine assistance in effectively working out all practical administrative and clerical problems."

A study made by the Director of Registration of the transactions during the 1954 fiscal year indicates that there were 13 individual

boards issuing licenses exceeding 131,000 annually. There are also two boards which do not issue renewal licenses.

It was noted that the Division has received an appropriation for the 1956 fiscal year for the installation of a machine system for issuing licenses and for the establishment of a central Control office for the receipt of cash. It is understood that this system will begin in the Board of Registration of Nursing which has the largest volume. It will later be extended to include all other boards. It was understood, however, that the matter of space for the machine room has not been yet provided to the date of audit.

It was also understood that an effort will also be made to introduce legislation to require renewals on a biennial basis.

NORTH READING STATE SANATORIUM REPORT NO. 56-48

Bituminous Coal: A physical inventory of the materials and supplies indicated there was an estimated balance of 10 tons of bituminous coal on hand. However, the stock ledger did not reflect this balance.

It was explained that during the period under audit, the power plant was converted from coal to oil and as there was no further need for the coal on hand it was adjusted from the records through issues.

On file at this institution is the following letter:

C
O
P
Y

October 31, 1955

Harry W. Attwood, Assistant Director
and Business Agent
Fiscal Office
State House, Boston, Mass.

Re: Coal in Coal Pocket at North
Reading Sanatorium

Dear Sir:-

I am writing to inquire if there is anything further, so far as the removel of coal from our coal pocket is concerned. We are badly in need of the space as we are planning to make a Repair Shop and we are now receiving orders of materials which should go in the Repair Shop where they could be under lock and key.

Would you please check with Mr. Donovan and see if there is any further action being taken which will authorize us to have the coal removed from this coal pocket.

Yours very truly,

Claire W. Twinam, M. D.
Superintendent

CWT/ked

BELCHERTOWN STATE SCHOOL REPORT NO. 56-49

Materials and Supplies: A test inventory of materials and supplies taken on November 30, 1955, in connection with this audit, indicated overages totaling $114.86 and shortages totaling $128.10 as compared with materials inventories of $51,287.02. During period covered by this audit, the total adjustments were $5,032.04 on issues aggregating $337,320.52. These adjustments included one on fuel lost due to the flood, in the amount of $1,475.94.

Farm: The Annual Farm Report for the farm year from January 1, 1954 to December 31, 1954 was examined. The death rates on farm animals were as follows:

Calves	5%
Pigs	21%
Ducks	3%
Chicks	5%
Hens	13%

It was also noted that farm products transferred to institution storeroom were not in agreement with the central accounts in the financial records.

LEMUEL SHATTUCK HOSPITAL REPORT NO. 56-50

General: This hospital was created and erected under Chapter 770 of the Acts of 1949, and its stated purpose was "....for the care of persons suffering from chronic diseases."

This is a 600-bed hospital, and on date of audit, there were 202 patients in the hospital and the average patient population for the audit period was 172.

The budget for the current fiscal year authorized the employment of 573 persons. However, on November 10, 1955, the pay roll included 485 employees, and the principal shortage of employees seemed to be in the ward services, and in that particular section vacancies existed principally in graduate and head nurse classifications.

The following is a summary of the personnel employed at the Lemuel Shattuck Hospital on November 10, 1955:

	Authorized Positions	Filled	Vacant	Excess Quota
Medical	20	18	2	7
Administration	78	70	8	8
Ward	336	239	97	3
Kitchen	40	39	1	-
Domestic	65	65	-	-
Industrial and Education	3	2	1	2
Engineering	24	23	1	1
Garage and Grounds	5	5	-	-
Repairs	2	2	-	1
Totals	573	463	110	22

Consultant's Fees: It was noted that $38,468.38 was expended for consultant's fees to doctors during the fiscal year ended June 30, 1955. These fees ranged from $15.00 to $50.00 per visit in accordance

with the schedule of fees approved by the Division of Personnel for the various specialized categories of medicine and surgery. Because this hospital does not maintain a Doctor's Daily Log Book to show the signatures of medical, dental and surgical consultants paid by the Commonwealth on a per-diem basis, these disbursements could not be properly audited. In place of the Doctor's Daily Log Book, which is maintained at other State hospitals, there is kept a monthly record in which these consultants were requested to record time of arrival and departure on the dates of their visits opposite their typewritten names. An examination of these records indicated that there was not complete compliance. It was further understood that the entries on these records were not being made in the presence of hospital staff members.

Accounts Receivable: An examination of the Accounts Receivable ledger accounts as of the date of audit, indicated that many of the outstanding balances were inactive and overdue. An analysis of them, as of that date, follows:

	Due From Private Patients	Due From Cities and Towns	Total
Less than one month old	$14,776 50	$13,187 50	$ 27,964 00
More than one month old	9,548 00	11,071 86	20,619 86
More than two months old	7,555 50	5,983 90	13,539 40
More than three months old	5,697 91	4,049 42	9,747 33
More than four months old	6,932 50	2,200 01	9,132 51
More than five months old	5,797 95	1,697 50	7,495 45
More than six months old	17,946 02	3,959 73	21,905 75
	$68,254 38	$42,149 92	$110,404 30

In addition to the foregoing, there were overdue accounts totaling $3,365.50 which were due from private patients that were with the Department of the Attorney General for collection. It was noted in this connection that no employee has been assigned the task of sending statements and follow-up letters to delinquent accounts. The present practice of this institution in the handling of overdue accounts consist of issuing two successive notices of unpaid balances to the delinquent debtors after which they are turned over to the Attorney General's office for collection.

It is suggested that a qualified employee be assigned the duty of handling the collection of open accounts.

TAUNTON STATE HOSPITAL REPORT NO. 56-51

Farm Operation: The records indicated a profit from farm activities for the 1954 farm year of $20,494.30. This would appear to be an improvement over the results of the activities of the previous year when a profit of only $6,770.15 was reported.

Occupational Therapy Fund: During this audit period a so-called Occupational Therapy Fund was established.

Receipts are derived from sales of articles manufactured by patients under the direction of the Occupational Therapy department, and disbursements are made from it for the purchase of materials, implements, etc.

For convenience in record keeping, the transactions in this fund are recorded in the Canteen Cash Book.

DIVISION OF INSURANCE REPORT NO. 56-52

Shortage in Accounts: The previous audit report discussed in detail certain shortages in the income and advance money accounts totaling $20,206.93, which were itemized as follows:

Advance Money	$ 2,424 04
Income	17,473 35
Current Year Refunds (Pay Roll)	309 54
	$20,206 93

In this connection, Section 2 of Chapter 784 of the Acts of 1955 included the following relative to the disposition of these shortages:

> "Item 1103-02 of section two of chapter seven hundred and six of the acts of the current year is hereby amended by adding at the end thereof the following:- ; and, provided further, to authorize charging against this appropriation certain shortages in the amount of two thousand seven hundred and thirty-three dollars and fifty-eight cents, determined by the auditor of the commonwealth to be the shortage as of January tenth, nineteen hundred and fifty-five, and to authorize the department to charge off from its records an amount of seventeen thousand four hundred and seventy-three dollars and thirty-five cents, determined by said auditor to be the shortage in receipts of the divisions."

While this audit was in progress, entries were made on the records of the division to write off the shortages of $2,424.04 of the advance money as well as $309.54 of current year refunds. Since the income shortage of $17,473.35 had never been recorded on the books of the division, no entry was made for its charge-off.

Statement Filing and Auditing Fees: It was noted that the laxity in the control and collection of these fees, which was commented on in previous audit reports, was corrected during this audit period. The recorded receipts totaling $8,894.00 were verified.

FISH AND GAME COMMISSION REPORT NO. 56-53

Consultant Services: The two preceding audit reports have commented on the expanding use of consultants' services by this agency, the form of contracts used, and also on the various provisions of those contracts including their purpose, the time element, and the payment of travel and other expenses in connection with such contracts. Criticism was also directed toward the inclusion of charges for laborers' services to the account 03, "Services - Non-Employees." In addition it was

commented that the charges for payment of travel and other expenses of certain consultants have been made to the agency travel account instead of to the 03 Services - Non-Employees account.

During the period from September 15, 1954 to June 30, 1955 it was noted that there were 24 contracts with consultants in effect for various periods. For the period from July 1, 1955 to November 22, 1955, there were 10 such contracts in effect - eight for the fiscal year 1956, 1 for nine months to March 31, 1956, and 1 for six months to December 31, 1955. However, only 7 of the 10 contracts included payment for travel and subsistence in connection with their services.

It was noted that certain charges for labor were included under the 03 account, "Services - Non-Employees" during the early part of this audit period. Subsequently, however, requests for adjustments of appropriations and transfer of amounts from the 03 account to the 02 account were approved by the Budget Bureau. In this connection it was noted that the total requests for such adjustments of $16,000.00 were approved during the fourteen months of this audit period.

The appropriations to the various "Services - Non-Employees" accounts of this agency for the 1955 fiscal year totaled $48,594.00, and for the fiscal year 1956 they were $33,520.00.

Of the 10 contracts in effect on November 22, 1955, travel and other expenses were being charged to the same account as that to which fees for these services were being charged. Of the 10 contracts, 8 were being charged to the 03 account, "Services - Non-Employees," and the other 2 under the 18 account, "Capital Outlay."

Payments of $32,481.89 were made from the various 03 "Services - Non-Employees" accounts during the fourteen months covered by the audit. These payments included fees of $26,254.50, labor $3,080.00, travel and subsistence $1,706.04, telephone $73.60. Other payments including land title examinations, engineering services, editing of a fisheries research report, spraying, and other services, aggregated $1,367.75.

Payments from the 47-18 and 53-18 accounts during the same period to the two consultants under contract for the 1956 fiscal year totaled $9,464.51 and included fees of $8,195.00, travel and subsistence $970.26, telephone $16.75, land title examinations and engineering services $282.50.

Telephone Charges: In this connection the previous audit report stated:

> "It was noted that sixteen employees of this division regularly submit their monthly home telephone bills to the division for reimbursement. Under this arrangement, the private telephone bills -- including federal taxes and toll charges -- are paid by the employee concerned, and he is immediately reimbursed from the advance money of this agency for the cost of his bill less the cost of federal taxes and personal toll charges. It is worthy of comment that if these telephones are in reality used exclusively for official business of the Commonwealth, no federal tax could be assessed.
>
> "Except in one instance, these phones are in private homes and listed in the telephone directory only as private phones in the name of the employee concerned. This practice should be immediately discontinued. In those instances where it is determined that such service is used exclusively in business of the Commonwealth, the phone should be listed in the directory only in the name of the Commonwealth.

"There appears to be no justification for such payments, except for those toll calls made in connection with the public activities of the Division of Fisheries and Game."

In connection with the foregoing it was noted that, as of the date of audit, the telephone of the Superintendent of the Bureau of Wildlife Research and Management was listed as a private phone, and he was being reimbursed for business calls only. The former Director of that Division was also listed with a private line at the time of his transfer, and was also reimbursed for business calls only. All other employees of the Division who submit monthly home telephone bills to this agency for payment, have now listed their telephones under the "Commonwealth of Massachusetts."

1954 Licenses Assigned to Cities and Towns - Returned for Credit: A complete check was made of all void and unissued 1954 licenses returned to the Division office by the 351 cities and towns.

In this connection a letter from the town clerk of Gosnold indicated that all unissued licenses on hand in September 1954, were lost when a hurricane struck that area, destroying her house and belongings.

Chapter 627 of the Acts of 1954 repealed the laws pertaining to the issuance of licenses series 14 and 16 - to resident and non-resident military or naval personnel. A letter to all city and town clerks from the Director, dated August 26, 1954, instructed them to return these licenses to the Division's office in Boston at their earliest convenience. Such licenses were returned during the vacation period of the clerk in charge, and the series 14 license books which had been returned by 13 cities and towns were not available with other licenses returned.

It was also noted that refunds totaling $39.25 will be made to eight town clerks for overpayments while one town has been billed for $36.75 because of underpayment.

OUTDOOR ADVERTISING DIVISION REPORT NO. 56-54

Employee's Bond: It was noted that only one of the office clerks is bonded, although there are two who handle the cash receipts. It is suggested that proper bonds be secured for both clerks.

Renewal Permit Fees: As of date of audit there were still two advertisers who had not paid for 24 renewal permits for the year 1956 with aggregate fees of $71.00. While this audit was in progress letters were mailed requesting payment and $69.00 was subsequently received.

STATE RACING COMMISSION REPORT NO. 56-55

Special Daily Double Consolation Pool: The previous audit report stated:

"Rule number 434 (i) of the rules of horse racing as set forth by the Massachusetts State Racing Commission refers to a so-called special daily double consolation pool. As there appears to be a certain ambiguity about this rule it is suggested that the Commission request an opinion from the Attorney General as to the legality of such a payment in the event of a late scratched horse in the second half of the daily double."

It was understood that to date of audit, the Commission had not requested such an opinion.

Unpaid Pari-Mutuel Tickets: At the date of audit, the value of the unpaid pari-mutuel tickets for the 1954 racing season was $65,786.10. This amount, subject to change because of tickets being redeemed subsequently, will be paid to the Commonwealth early in 1956. Checks totaling $62,414.90 were received from the several racing associations early in 1955 covering the unpaid pari-mutuel tickets for the racing year of 1953.

It was understood that the unpaid tickets are under continuous audit by the Commission's accountant until they are paid to the Commonwealth.

DIVISION OF PERSONNEL AND STANDARDIZATION REPORT NO. 56-56

Contract on Job Classification: A contract was awarded to Barrington Associates for job classification studies of all State employees, and was approved by the Commission on Administration and Finance on October 25, 1955 and signed by the Commissioner of Administration. It was also approved as to form by an Assistant Attorney-General.

The contract will extend for the period from October 25, 1955 to June 30, 1957, and a complete report of findings and recommendations is expected before June 30, 1956. The contract price is $85,000.00, the first payment to be made in November 1955, and the final payment in June 1957.

In this connection it was noted that item 0445-02 of Chapter 784, Acts of 1956 provides an appropriation of $100,000.00, expiring June 30, 1957, for this purpose.

DIVISION OF BANKS REPORT NO. 56-57

Examination of Banking Institutions: The cost of the examinations of the various banking institutions under the supervision of the Division of Banks are billed to the respective banks concerned. Charges for these examinations on co-operative banks, credit unions and savings banks are based on a percentage of the assets of these institutions and do not in all instances compensate for the actual cost of the examination.

During this audit period from October 13, 1954 to December 8, 1955 these costs and reimbursements were as follows:

	Costs	Reimbursement Billings	Difference
Savings and Loan Associations	$ 3,850 79	$ 3,850 79	-
Other Banking Institutions	8,297 41	8,297 41	-
Credit Unions	95,328 77	44,209 93	$ 51,118 84
Trust Companies	146,635 54	146,635 54	-
Co-operative Banks	197,800 63	188,609 95	9,190 68
Savings Banks	294,687 92	227,196 53	67,491 39
	$746,601 06	$618,800 15	$127,800 91

STATE TEACHERS COLLEGE AT LOWELL REPORT NO. 56-58

Lunchroom: The lunchroom is operated by a caterer who pay wages to all employees, furnishes the dishware and cleans the entire lunchroom every afternoon. There is no rental charge made to him for the utilities which are supplied by the Commonwealth.

Refund of Extension Course Fee: It was noted that a cash refund was made directly of a tuition fee to an applicant for the Summer School Course.

It is recommended that all refunds be made through the Department of Education in the manner prescribed by the Comptroller's Bureau.

COMMISSION ON ADMINISTRATION AND FINANCE,
OFFICE OF THE COMMISSIONER REPORT NO. 56-59

Minutes of the Commission's Meetings: An examination of the minutes of the Commission's meetings was made and it was noted that they were of an informal nature and not signed by the Chairman and the other members of the Commission. It is again suggested that this important record be maintained on a more formal basis.

Rules and Regulations for Disposition of Grievances: Chapter 30 of the General Laws, as amended by Chapter 485 of the Acts of 1945 which inserted Sections 53 to 57, inclusive, state in Section 53, in part, as follows:

> "The Commission on Administration and Finance shall, subject to the approval of the governor and council, make rules and regulations providing informal procedure for the prompt disposition of any grievance of any employee of the commonwealth. ...."

On the date of audit it was noted that the records of the office of the Secretary of the Commonwealth failed to indicate that the Commission on Administration and Finance had ever filed an attested copy of the rules and regulations required under this statute.

It is suggested that the existing statute be complied with forthwith.

Assignment of Rooms in the State House: Attention is directed to the fact, that a private contractor, operating a private business for profit has been allotted space in the Department of the Secretary of State at no cost, and in addition is also provided free heat, light and telephone service.

Section 10 of Chapter 8 of the Tercentenary Edition of the General Laws provides that the Superintendent, under the supervision of the Governor and Council and "with the approval of the commission on administration and finance ..." shall make such assignments.

The records of the Commission fail to indicate that the Superintendent of Buildings had ever requested or received the approval of the Commission for the assignment of this space to this private contractor.

TEWKSBURY STATE HOSPITAL REPORT NO. 56-60

General: Considerable improvement was noted in the maintenance

of the records at this institution. The general ledger was posted to the close of the month prior to the audit date and the cash book entries were current at the date of audit.

Balancing of Cash: The following were shortages noted in connection with the balancing of the several cash accounts as of the inception of this audit on December 15, 1955:

Account	Shortage
State	$270 94
Patients	123 69
Post Office Box	11 69
Locker Key Fund	10 73
	$417 05

State Cash: The cash count indicated a shortage on the date of the audit of $270.94, an increase of $42.85 over the shortage of $228.09 found at the time of the previous audit. It was noted that this item is carried on the books as part of the "1955 Advance Unaccounted For". The amount of this shortage was recognized in closing the books as of June 30, 1955. It was further noted in this connection that the cash has been properly accounted for since July 1, 1955.

It was noted that bank deposits have been generally made weekly and that remittances of income to the State Treasurer were frequently for two and three weeks accumulations. It is suggested that the regulations in the Comptroller's Bureau Accounting Manual with reference to prompt remittances of these items be complied with.

VETERANS' BONUS COMMISSION REPORT NO. 56-61

Volume of Transactions: As of the close of business December 15, 1955, 154,046 applications for bonus payments had been received at the Commission's office and 147,523 bonuses totaling $39,636,900.00 had been paid. The remaining 6,523 applications were in the process of being acted upon. Of these, 5,383 were being held for irregularities or awaiting additional necessary information. The balance of 1,140 had been sent to the I. B. M. room, but checks had not been drawn.

SOLDIERS' HOME IN HOLYOKE REPORT NO. 56-62

Advance Funds: In this connection the previous audit report stated:

> "Advance Funds: It was noted that advance cash on hand included $68.14 representing advance funds of previous years. It is recommended that this amount be transmitted to the State Treasurer as a return of previous years advances.
>
> "Unaccounted for Advances: Unidentified advances totaling $211.11 are still outstanding on the records of this institution. It is recommended that the Comptroller's Bureau advise this institution of the necessary steps to clear this account.

It was noted the advance funds of previous years were transmitted to the State Treasurer as income and the indicated unaccounted advances have been cleared.

Materials and Supplies: A complete inventory of Materials and Supplies in the institution storeroom was taken on December 30, 1955 and indicated shortage of $46.38 and overages of $2.72 on the total value of goods inventories of $33,597.05. The adjustments made during the audit period totaled overages of $646.56 and shortages of $66.90 on total materials issued for $33,968.76.

Patients' Funds Investment: It was noted that Patients' Funds deposited in the custody of the institution treasurer on December 28, 1955 totaled $15,297.55. As this balance has been rather large for the entire audit period, it is recommended that all cash in excess of working requirements be deposited in savings banks accounts so that they may earn interest.

STATE TEACHERS COLLEGE AT WORCESTER
(SPECIAL CASH AUDIT) REPORT NO. 56-63S

No Comments.

DEPARTMENT OF EDUCATION REPORT NO. 56-64

Reimbursements to Cities and Towns: Under the provisions of various chapters of the General Laws, certain cities and towns are reimbursed in part for expenses in connection with educational activities. Annually the General Court appropriates several million dollars for such reimbursements. On examining the expenditures under these appropriations, it was noted that payments from the current year's appropriations pertain to prior school years. As of June 30, 1955 there existed a contingent liability of the Commonwealth in this respect of many million dollars. It is not the present practice to enter this contingent liability on the records since there is generally little or no balance remaining in the several appropriations. As a result neither the Department's annual statements nor the Comptroller's records reflect these contingent liabilities. The following schedule shows the extent of this contingent liability as of June 30, 1955:

	1955 BALANCES CARRIED FORWARD AND 1956 APPROPRIATION	SCHEDULED FOR PAYMENT TO NOV. 30, 1955	REIMBURSEMENT PERIOD COVERED
SCHOOLS FOR CHILDREN OF WORKING MOTHERS	$ 12,500 00	-	-
SIGHT SAVING CLASSES	27,500 00	$ 1,000 00	SEPT. 1, 1954 - AUG. 31, 1955
SCHOOL SUPERINTENDENTS IN SMALL TOWNS	189,546 78	173,683 25	JULY 1, 1954 - JUNE 30, 1955
SCHOOL TRANSPORTATION	3,000,000 00	3,000,000 00*	JULY 1, 1954 - JUNE 30, 1955
VOCATIONAL EDUCATION - TUITION	4,012,007 61	3,988,622 08	SEPT. 1, 1953 - AUG. 31, 1954
VOCATIONAL EDUCATION - TRANSPORTATION	89,410 00	89,409 47	SEPT. 1, 1953 - AUG. 31, 1954
ADULT ENGLISH SPEAKING CLASSES	96,743 28	60,054 28**	SEPT. 1, 1953 - AUG. 31, 1955
EDUCATION OF DEAF AND BLIND PUPILS	80,000 00	-	-
	$7,507,707 67	$7,312,769 08	

* ADDITIONAL PAYMENT OF $398,169 33 APPLICABLE TO YEAR ENDED JUNE 30, 1955, TO BE MADE WHEN FUNDS ARE AVAILABLE.

** ESTIMATED ADDITIONAL PAYMENTS OF $37,434.29 APPLICABLE TO YEAR ENDED AUGUST 31, 1955, TO BE MADE.

DEPARTMENT OF CORRECTION REPORT NO. 56-65

Department of Correction Contracts: It is suggested that all contracts by the Department be numbered consecutively, for control purposes.

In this connection it was noted that two contracts had exceeded the specified completion date. It was further noted that a request has been made to extend the completion date on one of them and a request for extension is being considered on the other.

WESTBOROUGH STATE HOSPITAL REPORT NO. 56-66

Pay Roll Account - Checks Not Endorsed by Employees: In vouching the pay roll checks for the month of August 1955 there were nine instances where checks had not been endorsed by the respective payees.

It is not clear on what basis the banks paid these checks without the required signatures.

Employees Occupying Rooms Without Charge: The quarters register was checked to the pay roll for one month during the period covered by the current examination and in this connection it was noted that there were two employees who, according to the quarters register occupied rooms yet rent was not deducted from their salaries. Both of these employees are no longer in the service of the Commonwealth.

This matter was called to the attention of the institution treasurer who it is understood will attempt to obtain collection of these items.

It is advised that the quarters register be regularly checked to the pay rolls so that omissions of this kind will not again occur.

Patients' Fund - Certain Requisitions Not Properly Approved: It was noted that certain patients' requisitions were not signed by the patient nor were they approved by an official of the institution and applied particularly to the purchase of ice cream, milk and newspapers. It was further noted that requisitions for cash, which were apparently signed by the respective patients, bore only the approval in the form of an imprint by rubber stamp, e.g., "approved Asst. Supt." without a signature validating the stamp.

This matter was discussed with the institution Superintendent and he stated that in the instances of purchases of ice cream, milk and newspapers, these requisitions merely served as a record to indicate which patients are receiving these particular benefits, as the money for these items is given by a friend or relative of particular patients for the express purpose of being expended for the items mentioned. As a matter of fact, the donor usually informs the Patients' Fund clerk that the money is to be spent for such purposes and it is thus earmarked in the patients records. In order to maintain the accounting for these funds in an orderly manner, the requisitions are then routinely prepared by her. The Superintendent further indicated that certain patients involved were not capable of signing requisitions, and consequently he did not believe that approvals by officials were necessary.

In the matter of requisitions for cash, however, the Superintendent indicated that he would instruct the proper officials and employees so that all future requisitions will be properly approved by a responsible official.

Patients' Valuables: Previous audit reports have commented relative to the disposition of patients' unclaimed valuables. This

matter was reviewed during the course of this examination and it was noted that no such valuables had been disposed of. It was, however, understood that all preparatory work toward the disposition of these valuables has been done to June 30, 1955, and the lot is now being prepared for auction. After this has been done it is planned to dispose of such items annually as of July 1.

METROPOLITAN TRANSIT AUTHORITY REPORT NO. 56-67

See Metropolitan Transit Authority section of this report.

BOSTON METROPOLITAN DISTRICT REPORT NO. 56-68

See Metropolitan Transit Authority section of this report.

PAROLE BOARD REPORT NO. 56-69

No Comments.

ART COMMISSION REPORT NO. 56-70

No Comments.

UNIFORM STATE LAWS REPORT NO. 56-71

Annual Report: As of the date of audit the Commissioners had not filed their annual report for the fiscal year 1955.

REPORTER OF DECISIONS OF THE SUPREME JUDICIAL COURT REPORT NO. 56-72

Verifax Copy: During the fiscal year 1955, a Verifax copying machine was purchased for the copying of opinions. It is understood that a rate of forty cents per page will be charged for the services of this machine.

CUSHING HOSPITAL REPORT NO. 56-73

General: Chapter 469 of the Acts of 1954, which was enacted on May 25, 1954, authorized the Commonwealth to acquire the former Cushing General Hospital, located in Framingham, from the United States Government. This statute further provided that the new hospital be known as the Cushing Hospital and be under the control of the Department of Mental Health. This Act reads as follows:

"Section 1. The department of mental health is hereby authorized to accept on behalf of the commonwealth the conveyance of the United States of America subject to the terms and conditions provided and authorized by the Federal Property and Administrative Services Act of 1949, as amended, of all of the right, title and interest of the United States in and to the property known as Cushing General Hospital, in the town of Framingham, including lands of the United States and improvements thereon.

"Section 2. There is hereby established on the property acquired under section one of this act for the care and custody of elderly persons, the Cushing hospital. Said

hospital shall be under the control of the department of mental health and shall be operated as a public medical institution as defined in section one B of chapter one hundred and eighteen A of the General Laws.

"Section 3. Section 5 of chapter 19 of the General Laws, as most recently amended by section 2 of chapter 684 of the acts of 1950, is hereby amended by inserting after the word 'hospital', in line 10, the words:-, Cushing hospital, - so as to read as follows:- Section 5. The Boards of trustees of the following public institutions shall serve in the department: Belchertown state school, Boston psychopathic hospital, Boston state hospital, Danvers state hospital, Foxborough state hospital, Gardner state hospital, Grafton state hospital, Walter E. Fernald state school, Medfield state hospital, Metropolitan state hospital, Monson state hospital, Norfolk state hospital, Northampton state hospital, Taunton state hospital, Westborough state hospital, Worcester state hospital, Cushing hospital, Myles Standish state school and Wrentham state school.

"Section 4. Section 25 of chapter 123 of the General Laws, as amost recently amended by section 3 of chapter 684 of the acts of 1950, is hereby further amended by inserting after the word 'hospital', in line 10, the words:-, Cushing hospital, - so as to read as follows:- Section 25. The state institutions under the control of the department shall be Worcester state hospital, Taunton state hospital, Northampton state hospital, Danvers state hospital, Grafton state hospital, Westborough state hospital, Foxborough state hospital, Medfield state hospital, Monson state hospital, Gardner state hospital, Wrentham state school, Boston state hospital, Walter E. Fernald state school, Metropolitan state hospital, Norfolk state hospital, Cushing hospital, Myles Standish state school, and such others as may hereafter be added by authority of law.

"Section 5. The provisions of law relative to the admission of elderly persons to, and reception, custody, care, treatment and support of such persons at, and the discharge of such persons from, the Cushing hospital, shall not take effect until such hospital is ready for the reception of the elderly persons; and such time shall be fixed by proclamation of the governor in accordance with a notification from the department of mental health.

"Section 6. The initial appointments of members of the board of trustees of Cushing hospital shall be so made by the governor, with the advice and consent of the council, that the term of one such member shall expire on the first Wednesday of February in the years nineteen hundred and fifty-five to nineteen hundred and sixty-one, inclusive, subject, however, to the provisions of section six of chapter nineteen of the General Laws."

It is understood that considerable work must be done at the hospital before it will be ready to admit patients. Contract specifications are now being prepared which will stipulate that the work be completed within a year after the contract bid is accepted. It is understood that it is improbable that this hospital will be opened before February 1957.

At present a "stand-by" crew of thirty-one employees are engaged in making minor repairs and in maintenance work, etc. at the hospital. Persons so employed are on a temporary basis and are paid from the "Salaries - Other" account.

WALTER FERNALD STATE SCHOOL
(SPECIAL CASH AUDIT) REPORT NO. 56-74S

No Comments.

HURRICANE RELIEF BOARD REPORT NO. 56-75

State Financing of Hurricane Relief Funds: To provide for the relief of the areas damaged by the hurricanes of August 31, 1954 and September 11, 1954, the sum of $12,000,000.00 was made available by Section 1 of Chapter 689, Acts of 1954, as amended by Section 1 of Chapter 46, Acts of 1955. To finance the expenditures necessary to carry out the provisions of this Act, Section 3 of Chapter 689, Acts of 1954, as amended by Chapter 690, Acts of 1954, authorizes the State Treasurer, at the request of the Governor and Council to issue and sell bonds of the Commonwealth not to exceed the aggregate amount of $12,000,000.00. These bonds when issued are to designate on the face, "Hurricane Relief Loan, Act of 1954". These bonds shall mature not earlier than July 1, 1955 nor later than June 30, 1966. As of the date of audit, the State Treasurer's records indicate that $10,000,000.00 of the foregoing bonds were issued and outstanding. These bonds were dated November 1, 1955 and will mature over a ten year period through the serial payment plan of $1,000,000.00 annually on November 1st of each year from 1956 to 1965 inclusive.

Federal Grants: Under the terms of an agreement between the United States Government and the Commonwealth dated September 27, 1954, and supplemented by a later agreement dated October 7, 1954, covering terms of Federal assistance and expenditure of Federal Funds, the original allocation of $1,500,000.00 authorized by the President as of September 3, 1954 was increased by him to $2,500,000.00 for the reimbursement of damage claims resulting from the hurricanes of August 31, 1954 and September 11, 1954. It was also agreed that the Hurricane Relief Board would act as the authorized representative of this Commonwealth for the approval and payment of reimbursement claims from the Federal Grants awarded by the Federal Civil Defense Administration, through its Regional Administrator. As of the date of audit, this Board's records indicate that payment totaling $2,499,897.43 have been made to Cities and Towns from these Federal Grants for the reimbursement of claims applicable in the category - "Clearance of Debris - Public Property."

DIVISION OF LIBRARY EXTENSION REPORT NO. 56-76

Marshall Field Library Trust Fund: This fund in the amount of $36,500.00 was established to provide for a two-year library project in twelve towns in western Massachusetts. It has been completed and all available funds were disbursed and a final report made available. The equipment purchased from the trust funds has been turned over to the Division of Library Extension for the furtherance of the library program in these communities.

MASSACHUSETTS BOARD OF EDUCATIONAL TELEVISION — REPORT NO. 56-77

General: In accordance with Chapter 662 of the Acts of 1953, this Board was created for the purpose of providing or sponsoring educational, cultural and informational television programs for citizens of the Commonwealth.

The Board is authorized to establish and manage a trust fund to be known as the Educational Television Program Fund, and may expend moneys from it without appropriation.

Section 6 of the statute places certain restrictions on the types of programs to be sponsored by the Board, which deal principally with commercial, religious and political programs. This Section further provides that the Board may:

> "(a) Acquire, construct, hold, lease and dispose of real and personal property;
>
> "(b) Prepare programs, enter into agreements providing for the furnishing to the board of programs, equipment, assistance and personnel, purchase broadcast time from others, and enter into other contracts;
>
> "(c) Obtain assistance from, and co-operate with others, including, without restriction, institutions of learning and groups interested in television broadcasting;
>
> "(d) Hold and administer real and personal property and money given, whether outright or in trust, to the board or to the commonwealth for the use of the board, and disburse the proceeds thereof, provided the foregoing shall not authorize any action in contravention of the requirements of section one of Article LXIII of the Amendments to the Constitution; and
>
> "(e) Do all acts and things necessary or convenient to carry out the purpose for which the board is created or any of the powers expressly granted in this act."

As of the date of audit, the Educational Television Program Fund had not been activated.

The activities of this Board during the current fiscal year are being financed from the $11,560.49 unexpended balance reserved from the 1954 appropriation of $25,000.00. It is understood that the extent of the activities of this Board will bear a direct relationship to the amounts appropriated by the General Court, since there appears to be no immediate plans for activation of the Educational Television Program Fund. Unless a substantial appropriation is given to the Board, it cannot become an active program-producing agency and may be forced to limit itself to supervisory activities.

No appropriation for 1956 fiscal year is indicated to date. It is understood that the Board will go on an inactive status on or about April 1956, unless further funds are made available.

OFFICE OF SCHOOL LUNCH PROGRAM — REPORT NO. 56-78

Liability June 30, 1955 for Claims by Schools for Reimbursements: It was noted that the 1955 appropriation for School Lunch Partial Assistance totaled $1,672,000.00, and included a supplementary appropriation of $243,000.00 to pay the excess of claims for the 1955 fiscal year over the amount originally appropriated.

DIVISION OF IMMIGRATION AND AMERICANIZATION REPORT NO. 56-79

No Comments.

MASSACHUSETTS COMMISSION AGAINST DISCRIMINATION REPORT NO. 56-80

No Comments.

PUBLIC BEQUEST COMMISSION REPORT NO. 56-81

Accumulation of Funds: In this connection, the previous report stated:

"Section 28C of Chapter 6 of the Tercentenary Edition of the General Laws reads as follows:

'Section 28C. Distribution of Income - When and so long as, the principal of said fund amounts to five hundred thousand dollars, said commission, with the approval of the governor and council, may distribute, in accordance with its rules and regulations relative thereto, the income from said fund to such worthy citizens of the commonwealth, as, in its opinion, by reason of old age and need, are entitled thereto. No man under sixty-five and no woman under sixty shall be deemed to be entitled to assistance from such fund.'

"It is noted that the total amount accumulated in this fund since September 1, 1929 is only $4,119.29. Since no payments may be made from the fund until the principal amounts to $500,000.00, it is apparent that unless contributions are increased to a far greater extent than those which have been received to date, there is little likelihood that the purpose for which the fund was created will ever be carried out."

There were no contributions received by this fund during the audit period.

DIVISION OF SAVINGS BANK LIFE INSURANCE REPORT NO. 56-82

Medical Director's Account: It was noted that the bank balance of this account on January 20, 1956 was $4,236.29 and actually represents surplus resulting from over estimating of assessments.

In this connection it was noted that the assessment rate was reduced from $1.50 per $1,000.00 of insurance to $1.20 per $1,000.00 of insurance effective January 1, 1956.

The disbursements were analyzed and it was learned that bank charges totaling $148.38 were paid from this account during the audit period. In this connection an officer of the bank was contacted while this audit was in progress and it is understood that henceforth no bank charges will be levied against this account.

DIVISION OF ADMINISTRATION AND DIVISION OF EMPLOYMENT OF THE AGED — REPORT NO. 56-83

Accounts Receivable: In this connection, attention is directed to the Comptroller's Bureau "Accounting Manual", page 66, paragraph 2, which reads as follows:

> "When money is received on account of income, the spending agency will record it on the receipts side of the cash book as a debit to Cash. The credit will be entered in the Accounts Receivable column of the cash book if the money is received on account of a charge which had previously been billed. The credit will be entered in the proper Income column, such as Sales, etc., if the money is received on account of a cash transaction. At the end of the month these columns will be added and the total posted to the Accounts Receivable account in the General Ledger."

It appeared, however, that this account did not reflect the billings of its spending agencies; it did not reflect the income of the Department, and the balance did not reflect the monies due the Commonwealth for services rendered.

For the period under audit, the Accounts Receivable account merely showed transactions involving reimbursements by the Federal Government for services rendered by the Division of Apprentice Training and those of bad checks. It is recommended that the Department completely comply with the directives of the Comptroller's Bureau.

BOSTON ARENA AUTHORITY — REPORT NO. 56-84

General: The Boston Arena Authority was created to provide an indoor rink, primarily for schoolboy hockey, in the cities and towns of the Metropolitan Park District. The legislation which created this Authority appropriated $325,000.00 for such purposes of which $280,000.00 was to be expended to acquire the Boston Arena, thus leaving the Authority with only $45,000.00 for operating capital.

The previous audit report stated in relation to this matter as follows:

> "Attention is directed to the fact that all of the assets thus acquired were and still are badly run-down and that many other items of equipment needed to successfully operate a project of this type were legally removed by the prior owners before transfer of title to the Authority.
>
> "Attention is directed to the fact that the fundamental and worthwhile purposes of the Authority as provided by statute are not of the type that will earn the profits necessary to physically rehabilitate the property and to acquire equipment needed for maximum use of these facilities. The Authority has strictly observed the intent of the statute to give top priority to schoolboy hockey and consequently have not been able to accumulate funds needed for urgent renovations. Under such circumstances financial assistance should be provided."

In connection with the foregoing it was noted that $65,000.00 was

provided under Chapter 598 of the Acts of 1955 to enable the Authority to make necessary repairs.

Bookkeeping: It is suggested that a weekly pay roll book be maintained which should list all employees, wages paid, etc., and also show the total weekly pay roll. A pay roll bank account should also be opened and a check for the total amount of each of the weekly pay rolls should be drawn on the regular account and deposited in this pay roll bank account.

It is also suggested that a voucher register be maintained, and all bills received should be given a voucher number and entered in that register immediately upon receipt.

Cross reference folio numbers should be used for all postings from subsidiary books and records to the general ledger. The accounts should be ruled off when the books are closed and open balances should be brought forward at the beginning of each fiscal year.

MASSACHUSETTS MARITIME ACADEMY REPORT NO. 56-85

Bonds: It is suggested that the Commissioners consider the advisability of bonding those faculty members who have charge of the funds of the Athletic Board and Year Book accounts.

Transfer of Property to the Town of Barnstable: Chapter 556 of the Acts of 1955, effective October 17, 1955, authorized and directed the transfer of certain parcels of land together with buildings to the Town of Barnstable in consideration of the sum of $10,000.00.

As of the date of audit this transfer was being processed.

MASSACHUSETTS CORRECTIONAL INSTITUTION AT FRAMINGHAM (SPECIAL CASH AUDIT) REPORT NO. 56-86S

No Comments.

SUPERVISOR OF LOAN AGENCIES REPORT NO. 56-87

No Comments.

STATE BOARD OF PROBATION REPORT NO. 56-88

No Comments.

EMERGENCY FINANCE BOARD REPORT NO. 56-89

No Comments.

STATE HOUSING RENT CO-ORDINATOR REPORT NO. 56-90

Function of the Rent Co-ordinator: Paragraph (b) of Section 3 of Chapter 434 of the Acts of 1953 which outlines the functions of the Rent Co-ordinator reads as follows:

> "The co-ordinator may prescribe such forms to be used consistent with the provisions of this act as he deems necessary or desirable to effectuate the provisions hereof. He shall be available, in an advisory capacity, to city and town rent boards for the purpose of attaining, as nearly as practicable, uniformity in

establishing rents, and rules and regulations. The co-ordinator shall co-operate with the federal government in effectuating the purposes of this act, and shall endeavor to procure and may accept from officers and agencies of the federal government such co-operation, information, records, data and equipment as will assist the local rent boards in effectuating such purposes."

Reimbursements to Cities and Towns: Section 4 of Chapter 434 of the Acts of 1953 provides for the reimbursement of 40% of the amounts expended by the cities and towns for rent control. As of date of audit, appropriations amounting to $467,000.00 have been authorized for this purpose and reimbursements to cities and towns totaling $295,931.23 have been made.

WESTFIELD STATE SANATORIUM REPORT NO. 56-91

Accounts Receivable - Board of Patients: It was noted that the outstanding Accounts Receivable for board of patients in the hands of the Attorney General for collection totaled $10,843.41. The following is an analysis, by the year, of their submission to the Attorney General:

Year Submitted	Number of Accounts	Amount
1942	2	$ 232 50
1953	5	4,226 00
1954	16	3,192 98
1955	9	3,191 93
	32	$10,843 41

It is recommended that the Division of Settlement and Support Claims of the Department of Public Health be requested to make a periodic check with the Director of Collection in the Department of the Attorney General relative to the progress and disposition of accounts submitted for collection.

Materials and Supplies: A complete inventory of the Materials and Supplies which was taken on January 31, 1956, in connection with this audit, indicated overages totaling $1.27 and shortages totaling $42.86 as compared with materials inventories of $26,963.39. During the period covered by this audit, the total adjustments were $250.98 on issues aggregating $119,532.56.

STATE TEACHERS COLLEGE AT WESTFIELD REPORT NO. 56-92

President's House: It was noted that the two story dwelling formerly occupied as the president's residence has not been occupied nor rented since September 1954. It was further noted that a fire in August 1954 damaged the interior of that house and no repairs were made.

It is recommended that the Department of Education make arrangements to dispose of this property if it is determined that it is of no further use to this college.

Annual Report: Attention is directed to the provisions of Section 33 of Chapter 7 of the General Laws which states as follows:

> "The commission shall, annually on or before the second Wednesday in January, submit to the general court a printed abstract of its annual report, exhibiting a full and accurate statement of the financial condition and transactions of the commonwealth for the preceding fiscal year . . ."

This statute distinctly calls for a "full and accurate statement of the financial condition . . . of the commonwealth".

Attention is also directed to the provisions of Section 34 of the same Chapter, which states as follows:

> "Such report shall contain a summary statement of the receipts into, and payments from, the treasury of the commonwealth for the preceding fiscal year; a detailed statement of such receipts and expenditures, including obligations, whether paid or unpaid, . . ."

This Section requires that the annual report of the Commission shall include obligations of the Commonwealth, "whether paid or unpaid" as of the date of the report and, therefore, the Commission is required to report the financial condition of the Commonwealth and include in that report a statement of all unpaid obligations.

In this connection attention is further directed to the fact that the abstract of the annual report issued by this Commission as House No. 500 does not comply with the provisions of the law, since unpaid obligations of the Commonwealth, which on June 30, 1955 totaled more than $37,000,000.00 had not been included.

Such obligations not included in this abstract represent in most instances reimbursements due certain cities and towns of the Commonwealth for funds actually expended locally.

Annual Report - Valuation of Securities at Market Value: Section 35 of Chapter 7 of the Tercentenary Edition of the General Laws requires that the annual report of the Commission shall include the following:

> ". . . In making such report the commission shall estimate the value of securities at their market value at the time of making its report . . ."

It was noted that the annual report for the fiscal year ended June 30, 1955 did not include this information.

Advances Unaccounted For - June 30, 1955: The advances unaccounted for as of this date totaled $4,035,963.78 and included $6,898.97 of prior year balances as follows:

Fiscal Year	Balance
1952	$2,031 86
1953	384 56
1954	4,482 55
	$6,898 97

The balance of record as of January 31, 1956 was $16,522.54 and included $12,047.61 of 1955 fiscal year balances and $4,474.93 of prior years. Cash returns of unexpended balances from June 30, 1955 to January 31, 1956 totaled $133,305.27 including $2,424.04 representing a 1954 fiscal year balance. The balance of $130,881.23 had been included with the expenditures of the 1955 year. It is recorded as miscellaneous income in 1956, thereby overstating both items in the respective years involved.

It was also noted that 40 agencies had failed to make an accounting for 74 advances for the 1955 year on June 30, 1955 as required.

It is suggested that the Comptroller's Bureau take the necessary steps to correct this situation and an organized effort should be made to recover the amounts due on account of the prior years' advances.

TREASURER AND RECEIVER GENERAL — REPORT NO. 56-94

Highway Fund: The 78th Article of Amendment of the State Constitution approved and ratified by the people of the Commonwealth on the second day of November of 1948 reads as follows:

> "No revenue from fees, duties, excises or license taxes relating to registration, operation or use of vehicles on public highways, or to fuels used for propelling such vehicles, shall be expended for other than cost of administration of laws providing for such revenue, making of refunds and adjustments in relation thereto, payment of highway obligations, or cost of construction, reconstruction, maintenance and repair of public highways and bridges and of the enforcement of state traffic laws; and such revenue shall be expended by the commonwealth or its counties, cities and towns for said highway purposes only and in such manner as the general court may direct; provided, that this amendment shall not apply to revenue from any excise tax imposed in lieu of local property taxes for the privilege of registering such vehicles."

Attention is directed to the fact that on January 31, 1955, the Monthly Report of State Funds issued by the State Comptroller indicated that there existed a cash deficit of $34,629,508.00 in the General Fund, while the Treasurer had on hand on that date $44,328,664.00 belonging to the Highway Fund. It becomes immediately obvious that on the date of the Comptroller's report, the Commonwealth was being supported almost entirely by Highway Fund cash. This is possible because for many years, the State Treasurer has mingled indiscriminately cash received from all sources. However, the various funds, as received, are properly segregated on the records of the Comptroller's Bureau and the State Treasurer; and, therefore, while there has been no actual permanent diversion of Highway Fund, the fact remains that the General Fund has -- at times -- had no cash balance and the Commonwealth has been able to meet its obligations only through the unrestricted use of Highway Funds.

The Governor's Debt Management Committee: In his address to the opening session of the 1955 General Court, the Governor recommended the establishment of a Debt Management Board whose purpose would be to advise the Governor and Council and the State Treasurer as to when and on what basis bonds of the Commonwealth should be offered. This recommendation of the Governor's was subsequently printed as House Bill No.

2382, and on May 9, 1955 it was rejected. Despite this, however, the Governor did appoint his own Debt Management Committee. On September 27, 1955, in a letter to the Governor, that Committee recommended borrowings by the Commonwealth in the total amount of $159,870,000.00 to be issued in the fall of 1955 as well as further borrowings totaling $97,050,000.00 to be issued in the spring of 1956.

Attention is directed in this connection to the fact that included with the borrowing recommendations of the Governor's Debt Management Committee was a proposal to borrow $83,000,000.00 under the Highway Improvement Act of 1954. However, it is worthy of comment that at the time this recommendation was made there was available in cash with the State Treasurer in the Highway Fund, an amount in excess of $40,000,000.00. This Committee must have been aware that this money would not be needed for Highway Fund purposes, for on page 6 of their letter, they recommended that . . .

> ". . . excess cash that will be received from the fall sale of the additional Highway bonds be invested in United States Treasury Bills to be used to pay additional Highway and Capital expenditures as they occur."

Because of the great confidence that has been apparently placed on the opinions of this Committee, it would seem that it should have been aware that the State Constitution forbids the use of funds of the Highway Fund for anything other than highway purposes. The other recommendation that they be used for "Capital" expenditures was not only also in violation of the Constitution, but certainly adds additional doubt as to the propriety and the necessity of borrowing this huge sum for highway purposes at that particular time.

Attention is also directed to the fact that these funds were borrowed by the State Treasurer in January 1956 and immediately thereafter $88,000,000.00 was invested in United States Treasury Bills. This amounts to more than the money borrowed for highway purposes. In further connection with this matter, attention is directed to the fact that as of March 31, 1956, there was more than $84,000,000.00 still invested in Treasury Bills which obviously represented excess cash in the Highway Fund.

The Governor's Debt Management Committee proposed borrowings under the Veterans' Services Fund of $30,000,000.00 under authority of Chapter 440 of the Acts of 1953. Attention is directed to the fact that when this proposal was made, there was still $40,000,000.00 of temporary notes outstanding against it, of which $25,000,000.00 matured in February 1956, $5,000,000.00 in March 1956, and $10,000,000.00 in May 1956. At that time, the State Treasurer wrote to the Governor in opposition to this borrowing and pointed out that if this money was borrowed in November of 1955 -- as proposed by the Governor's Debt Management Committee -- the State would be paying interest on the $30,000,000.00 borrowed under its proposal and, in addition, would be also paying interest on the temporary notes that were outstanding. This borrowing program, however, did proceed in accordance with the recommendations of the Governor's Debt Management Committee and the money was received by the Treasurer in January 1956. Immediately thereafter, $32,500,000.00 of Veterans' Services funds were invested by the State Treasurer in United States Treasury Bills.

Attention is directed to the fact that in its original letter proposing the borrowing of $159,870,000.00, the Governor's Debt Management Committee had stated as follows:

". . . We cannot over-emphasize the savings that will accrue to the State if its present rating of Aaa be maintained; nor can we over-emphasize that if the rating should be dropped to Aa it would in all probability be many years before the Aaa rating could be restored."

However, the State Treasurer followed specifically the recommendations of the Governor's Debt Management Committee; nevertheless, immediately thereafter, the credit rating of the State did drop from Aaa to Aa.

It is also worthy of comment that the monies from this borrowing were received by the State Treasurer on January 16, 1956, and on March 31, 1956, the Department still had investments of excess cash in the amount of $120,696,253.00. In its original letter to the Governor dated September 27, 1955, with respect to this matter, the Debt Management Committee recommended additional borrowings in the spring of 1956 of $97,050,000.00. On March 6, 1955, the State Budget Commissioner also recommended to the Governor further borrowings of $100,025,000.00, and this recommendation was approved by the Governor and Council despite the enormous investments of excess cash already held by the Department of the State Treasurer.

DIVISION OF INDUSTRIAL ACCIDENTS REPORT NO. 56-95

Public Employees Compensated for Injuries: The 1955 appropriation for these purposes totaled more than $664,500.00, an increase of $114,500.00 over the previous year. Payments from this appropriation were $617,805.00 in 1955 as compared with $460,400.00 for the 1954 year.

While a large part of this increase is due to greater costs of medical and hospital care, it is also evident that lack of a definite safety program has undoubtedly contributed to the rise in the number of accidents among public employees.

Insurance Deposit Fund: This fund originally comprised funds of certain defunct foreign insurance companies and sureties which were held in trust by this Division for payment of possible claims. In February of 1955, two checks totaling $1,988.60 were received as a "final dividend" on two such defunct companies. This money would ordinarily have been expended within a short time after receipt, but, inasmuch as this is the second so-called "final dividend" which has been received, the Division is currently holding this amount awaiting another possible dividend. It is recommended, however, that this money be distributed to the respective parties entitled thereto. It is further recommended that if any of the distribution checks are returned to the Division they be transmitted to the State Treasurer to be credited to the Unpaid Check Fund.

Self-Insurance: In accordance with the provisions of Paragraph 4 of Section 25A of Chapter 152 of the General Laws, the Department of Administration and Finance determines the expenses necessary to carry out the provisions of the Workmen's Compensation Act relating to self-insurance for each fiscal year.

The 1955 fiscal year assessments amounted to $56,065.99, which was properly collected.

ATTORNEY-GENERAL REPORT NO. 56-96

Accounts Referred for Collection: Previous audit reports have

commented upon the difficulty of making an audit under the present system of keeping records by the so-called card docket file. It has been suggested that this file, which is now alphabetically maintained by names of persons, should be supplemented by a file arranged by State Departments and Institutions. Since such an arrangement has not been put into operation, it is again recommended that this be done and that under each State subdivision there should be a record of each individual or concern owing money to a State agency. Periodic verification of these records should be made by correspondence with the various State Departments and Institutions.

Division of Public Charities: Chapter 529 of the Acts of 1954 provides that charitable organizations shall pay a filing fee of $3.00. At the present time, the Division is in the process of determining which organizations should be required to file reports. Receipts of $6,336.00 were collected during the audit period.

It is believed that Division personnel will shortly establish a list of unpaid fees, and it is suggested that the Comptroller's Bureau be contacted relative to the installation of an Accounts Receivable ledger for the recording of all such fees due and unpaid.

STATE AIRPORT MANAGEMENT BOARD REPORT NO. 56-97

State Airport Management Board: Attention is directed to the fact that the excess of disbursements over receipts for the 15 year period ended June 30, 1955 was $32,395,350.55. In addition, the outstanding bonded indebtness was found to be $19,221,000.00 and the interest requirement thereon to be $1,892,634.00.

Logan Airport - Income: The cash receipts from airline operators using the airport facilities and the receipts from other commercial rentals at Logan Airport continues to show an increase. The comparison of such receipts for the past seven fiscal years follows:

1949	$ 382,772 91
1950	445,838 61
1951	648,378 53
1952	787,830 72
1953	905,142 76
1954	960,677 83
1955	1,001,576 97

Present indications are that revenue from these sources will experience further increases since the facilities at this airport have not yet been completely developed. There is now a certain amount of new construction in process which, when completed, should bring substantial revenue increases. Such construction includes the new American Airlines Hangar, which was completed May 9, 1955, and the new Control Tower Building which is being construced with State funds. It is also understood that a new automotive service center which will be privately constructed on the basis of a long term lease will also bring in additional revenues.

Logan Airport - Delinquent Account Due: The analysis of outstanding Accounts Receivable showed the following charges due from an airline concern operating from these facilities:

Date	Flight Fees	Tie Down	Utilities	Hangar	Building Space	Total
Sept. 1955	$28 00	$ 56	$ 143 04	-	-	$ 171 60
Oct. 1955	23 00	74	344 68	$2,229 17	$ 596 25	3,193 84
Nov. 1955	10 00	24	249 52	104 16	596 25	960 17
Dec. 1955	8 00	20	266 72	104 17	596 25	975 34
Jan. 1956	7 00	56	282 82	2,354 17*	596 25	3,240 80
Feb. 1956	7 00	-	87 45	104 16	596 25	794 86
	$83 00	$2 30	$1,374 23	$4,895 83	$2,981 25	$9,336 61

* Includes $104.17 charge for Gasoline Storage.

In connection with the foregoing it was noted that leases between this Airway and the State Airport Management Board state:

With Relation to Hangars:

"The rental for each calendar year shall be paid in advance in four equal quarterly installments due and payable on January 1st, April 1st, July 1st, and October 1st."

With Relation to Building Space:

"Payment of rental of space in the Boutwell Building, use of public address system and heating of the Boutwell Building shall be due monthly in advance and shall be paid within ten (10) days after receipt of bill."

As this concern is not conforming to the terms of these leases, it is therefore suggested that steps be taken to enforce the terms of collection.

There was another delinquent Account Receivable due from a second airline. The charges against this concern as of February 13, 1956 were as follows:

Date	Flight Fees	Tie Down	Utility Charges	Building Space	Total
Oct. 1955	$ 645 23	-	-	$3,752 00	$4,397 23
Nov. 1955	436 30	-	-	-	436 30
Dec. 1955	423 70	$ 96	-	-	424 66
Jan. 1956	417 86	-	$36 00	3,750 00	4,203 86
	$1,923 09	$ 96	$36 00	$7,502 00	$9,462 05

In this connection, Paragraph 3 of Section II of the original lease between this concern and the Airport Management Board states:

"Method of Payment: Payment of landing area charges shall be made by arrangement with Lessor.
"Payment of rental of space in said Temporary Terminal Building shall be due quarterly in advance, and shall be paid within ten (10) days after receipt of bill. The first payment of Three Thousand Seven Hundred Fifty Dollars ($3,750.00) is to be made on April 1, 1954, and subsequent payments on the first day of July and October, 1954."

On November 15, 1954 this lease was extended for one year to end December 31, 1955 and all original terms and conditions continued as before.

It is urged that this concern be obligated to conform with the terms of its lease.

WALTER E. FERNALD STATE SCHOOL REPORT NO. 56-98

Funds of Patients on Parole: As of the date of audit, there were 88 employed paroled patients for whom the Commonwealth functions as trustee.

It was understood that the institution's social workers make monthly inspections and financial reports on these paroled patients. It is suggested in this connection that these reports indicate whether the bank books of the patient have been checked.

NEW BEDFORD INSTITUTE OF TEXTILES AND TECHNOLOGY REPORT NO. 56-99

American Association of Textile Chemists and Colorists Fund: The Rhode Island section of this Association donated $1,000.00 to this institute to establish this fund; the income to be used to award an annual prize to that student submitting the best paper on any subject related to textile chemistry. The first award should have been made in 1952.

However, one of the conditions of this fund states as follows:

> "In the event that less than four competing papers are submitted for two successive years, the competition is to be discontinued and the principal and accrued interest of this fund delivered to the National Treasurer of the American Association of Textile Chemists and Colorists."

It was understood that four competing papers had not been submitted in any year since the fund was established.

The previous audit noted in this connection as follows:

> "It is understood that the American Association of Textile Chemists and Colorists has been requested to change the agreement so that this fund may be retained."

An answer to this request had not been received as of the date of the current audit.

BALLOT LAW COMMISSION REPORT NO. 56-100

No Comments.

TRANSIT MUTUAL INSURANCE COMPANY REPORT NO. 56-101

See Metropolitan Transit Authority section of this report.

FLOOD RELIEF BOARD REPORT NO. 56-102

State Financing of Highway Flood Relief Funds: To provide for certain repairs upon public highways in the areas stricken by the floods

caused by the rains of August 18 and 19, 1955, the sum of $25,000,000.00 was made available by Section 1 of Chapter 698 of the Acts of 1955, as amended by Section 1 of Chapter 739, Acts of 1955. To finance the expenditures necessary to carry out the provisions of this Act, Section 2 of said Chapter 698, authorizes the State Treasurer, at the request of the Governor and Council to issue and sell bonds of the Commonwealth not to exceed the aggregate amount of $25,000,000.00. These bonds when issued are to be designated on the face "Highway Flood Relief Loan, Act of 1955", and shall be on the serial payment plan for such maximum term of years not exceeding 20 years from the date of issue as the Governor may recommend to the General Court. The initial maturities of such bonds shall be payable not later than one year from the date of issue thereof, and the entire issue not later than June 30, 1981. All interest and principal payments on these bonds shall be paid from the Highway Fund. As of the date of audit, January 30, 1956, the State Treasurer's records indicate that $15,000,000.00 of the above bonds were issued and outstanding. The bonds are dated November 1, 1955 and will mature over a twenty year period through the serial payment of $750,000.00 annually on November 1st of each year from 1956 to 1975, inclusive.

State Financing of August Flood Relief Funds: To provide for the purposes of disaster relief in the areas stricken by the floods caused by the rains of August 18 and 19, 1955, the sum of $30,000,000.00 was also made available by Section 1 of Chapter 699, Acts of 1955. To finance the expenditures necessary to carry out the provisions of this Act, Section 3 of Chapter 699, Acts of 1955, authorized the State Treasurer, at the request of the Governor and Council to issue and sell bonds of the Commonwealth not to exceed the aggregate amount of $30,000,000.00. These bonds when issued are to be designated on the face "August Flood Relief Loan, Act of 1955," and shall be on the serial payment plan for such maximum term of years not exceeding 20 years from the date of issue as the Governor may recommend to the General Court. The initial maturities of such bonds shall be payable not later than one year from the date of issue thereof, and the entire issue not later than June 30, 1977. As of the date of audit, January 30, 1956, the State Treasurer's records indicate that $5,000,000.00 of the above bonds were issued and outstanding. The bonds are dated November 1, 1955 and will mature over a twenty year period through the serial payment of $250,000.00 annually on November 1st of each year from 1956 to 1975, inclusive.

Improper Payment Approved and Paid From Flood Relief Funds: It was noted that a vendor's invoice amounting to $1,524.80 for supplies sold to the State of Connecticut, Civilian Defense Agency, was approved for payment in a group of invoices received from the same vendor for supplies sold to the Massachusetts Civil Defense Agency and was paid from the Flood Relief Expenditure Account #8334-01. The "Authorization for Payment" schedule to which the Connecticut invoice was attached was prepared and approved by the Massachusetts Civil Defense Agency and was forwarded to the Flood Relief Board which placed its approval on it. The Comptroller's Bureau which pre-audits all State expenditures apparently noted that the foregoing schedule was approved by the proper Board officials and passed the schedule for payment without close scrutiny of the accompanying invoices. The vendor, however, upon receipt of the Commonwealth's check, including payment for the Connecticut invoice, noted the overpayment and promptly refunded $1,524.80 to the Flood Relief Board.

An examination of the Connecticut invoice indicated that there was no signature of any Civil Defense Agency official noting the fact that supplies had been received by any Massachusetts Agency or Municipality.

Duplicate Engineering Services on Survey Projects: It was noted, from the examination of the expenditures for engineering consultant services, that two engineering firms had received payment for certain comparable services performed on five survey projects in connection with flood damage in the Town of West Springfield. The locations of these projects are listed below, as follows:

Project Location

Bear Hole Dam
Bear Hole Filter Plant, Pumping Station and Access Road
Southwick Well Field
Powder Mill Brook Pipe Bridge
Riverdale Road Pipe

It appears, from the Board records, that the duplication of engineering services on these survey projects was due to the issuance of similar work orders by the Board to two different firms of engineering consultants to survey the extent of the flood damage in the Town of West Srringfield. The Board Appropriation Account #8334-01 indicates that the firm, which completed the investigation and report on Flood Damage on the above projects, received the sum of $540,36 and the other firm which had performed a substantial portion of its investigative phase of the above projects, before they were advised by the Board to cease work in West Springfield, received a payment of $884.42, which included the cost of other partially completed survey projects in West Springfield.

STATE RETIREMENT BOARD REPORT NO. 56-103

General: The audit reports for the past seven years have consistently noted the fact that due to the failure of the Board to maintain its accounting records on a current basis it has been impossible to make the proper annual examination required by statute.

Again, it was noted at the beginning of the current examination of the Board records for the 1955 calendar year, that the general ledger accounts and the subsidiary accounting records were in such a dilatory condition, that to conduct a proper examination of the accounts of the approximately 34,700 members of the State Retirement System and certain related fund accounts was deemed impossible.

Below is listed a summary of the condition of certain Board accounting records and fund accounts as they appeared on June 29, 1956.

General Ledger Trial Balance: Adjusting Entries and Closing Entries for year 1955 not made. Consequently important financial statements as of December 31, 1955 could not be prepared.

Members' Account Cards: Transactions for year 1955 and first six months of 1956 not posted to any of the 34,700 accounts.

Members' Ledger Accounts: Annual totals for year 1955 not posted to any of the 34,700 accounts.

Reconciliation of Members' Ledger Account Balances to their Respective Subsidiary Control Ledger Balance: There were 9,088 ledger accounts reconciled to sub-ledgers for year 1954; approximately 25,600 ledger accounts for year 1954 not yet reconciled. None of the ledger accounts for year 1955 reconciled.

Trial Balances of Members' Ledger Accounts: There were 28 trial balances involving 9,088 accounts for year 1954 completed, but, 39 trial balances involving 25,600 accounts for year 1954 not completed. No trial balances started for year 1955.

Trial Balance of Subsidiary Control Ledgers: None for the years 1954 and 1955.

Reconciliation of Trial Balance of Subsidiary Control Ledgers to the General Ledger Accounts for "Annuity Deposits of Members" and "Interest Credited to Members": None for the years 1954 and 1955.

General Ledger Accounts: Amortization of Investments held by Board on December 31, 1955 not computed for year 1955 thus affecting the status of the following fund accounts:

Investments
Total Interest Credited to Members
Annuity Reserve
Deficit in Pension Account

Annual Financial Statement for Year Ended December 31, 1955 (Paragraph (h) Subsection 5 - Section 20 of Chapter 32 of the General Laws: This statement required annually of all retirement boards and to be filed with the Commissioner of Insurance by March 1, 1956 was not submitted by the State Retirement Board.

A parallel of the delinquent state of the accounting records of this Board is not to be found in any other State agency. It is extremely doubtful if a financial agency in private industry having assets in excess of $57,000,000.00, and responsible for the deposits of some 34,700 members' accounts, and disbursing in excess of $5,000,000.00 annually to pensioners numbering over 2,900 would be permitted to operate for a period of six months after the foregoing conditions were made public to its depositors. Yet this State agency responsible for its financial activities to the State Commissioner of Insurance has been permitted to operate its accounting records below minimum accounting standards for eight continuous years.

Monies Due State Retirement Board: It was noted from the Board records that accounts totaling $445,667.50 were due to the State

Employees' Annuity Savings Fund as of December 31, 1955. Below is a summary of these accounts and the subsequent dates of payment.

Agency	Period Applicable	Amount	Date Paid
Metropolitan District Commission	July 1, 1954 to June 30, 1955	$302,773 21	May 25, 1956
Division of Employment Security	July 1, 1941 to June 30, 1954	71,994 21	May 18, 1956
Division of Employment Security	July 1, 1954 to June 30, 1955	44,292 61	April 24, 1956
Division of Employment Security	July 1, 1955 to December 31, 1955	25,857 54	April 24, 1956
City of Westfield	Year Ended December 31, 1955	749 93	June 11, 1956
		$445,667 50	

The delay in the payment of the Division of Employment Security account for the fiscal years 1942 to 1954, inclusive, was directly due to the fact that this agency did not receive official approval from the U. S. Department of Labor to include in their Supplemental Budget their share of State retirement costs for the fiscal years 1942 through 1954 until the latter part of November 1955.

The Board records further indicate that the Division of Employment Security did not request the State Retirement Board for a bill covering their share of the State retirement costs for the above retroactive period until the latter part of January 1956.

Annual Statement to Members of State Retirement System: It was noted that the annual statement showing the status of each members' account for the calendar year 1954 had not been issued by the Board to any of the approximately 34,700 members of the State retirement system on or before July 1, 1955 as required by Paragraph (i) Subdivision (5) of Section 20 of Chapter 32 of the General Laws, as amended. However, on July 1, 1956, twelve months after the statutory date of issuance, 9,088 members annual statements amounting to but 26.19% of the total membership in the system were mailed or in process of being typed by employees. The remaining 25,600 or so members annual statements were not ready for issuance since these members account balances had not been reconciled with their respective group control balances. It is expected that these remaining 1954 annual statements will be issued by the Board prior to December 1, 1956.

Variances Between Certain General Ledger Accounts and the Trial Balances of Subsidiary Control Ledgers: In connection with the audit of the "Annuity Deposits of Members" and "Total Interest Credited to Members" accounts an examination was made of the trial balances of the subsidiary control ledger balances for the year ended December 31, 1953, since the members' ledger account balances at the close of the 1953

calendar year were not reconciled with their respective subsidiary control ledger balances until the latter part of December 1955. On June 30, 1956 only 26% of the members' ledger accounts for the 1954 calendar year had been reconciled to their subsidiary control accounts.

A reconciliation of the trial balances of the subsidiary control ledger balances for the year ended December 31, 1953, the most recent year completed by the Board, with the general ledger balances of the same date, of the "Annuity Deposits of Members" account and the "Total Interest Credited to Members" account indicated large variances between the general accounting records and the subsidiary control records for members' ledger account balances.

Below is a schedule of these accounts showing the variances as of the close of the years 1953 and 1952:

Account	General Ledger Balance	Trial Balance Subsidiary Control Ledger	Variance
Annuity Deposits of Members:			
December 31, 1953	$34,289,436 56	$34,241,519 46	$47,917 10
December 31, 1952	30,959,856 69	30,921,850 16	38,006 53
Total Interest Credited to Members:			
December 31, 1953	$7,857,648 87	$7,573,371 32	$284,277 55
December 31, 1952	7,128,618 56	6,933,906 28	194,712 28

The above facts appear to indicate that certain of the Board's general ledger account balances which are used in the preparation of the various financial statements issued annually by the State Retirement Board are not in agreement with their subsidiary records. Until these accounting irregularities are corrected the Board should qualify all of their financial statements containing the above named accounts.

Annuity Deposits of Former Members: Previous audit reports have repeatedly brought out the fact that the balances in the accounts of members who have terminated their service with the Commonwealth and have failed to make application for refunds of their deposits should be transferred in accordance with statute to a fund which would be of service to the Commonwealth. Accounts of members who have left the State service are not credited with interest after two years from the date of termination of service per Paragraph 6 (d) of Section 22 of Chapter 32 of the General Laws, as amended. The balances in these accounts totaled over $200,000.00 as of December 31, 1955 and numbered over 3,000 accounts, some of which have been on the books since 1913. It was noted from the Board records that an opinion had been received from the Attorney-General's office early in November of 1955 which stated that special legislation was required for the disposition of members' unclaimed funds. No further action was taken on this matter until May 1956 when the accountant making the annual audit of the State Retirement Board brought to the attention of Board officials the fact that unclaimed monies of former members were permitted to lie idle while the deficit in the Pension Fund account, which exceeded $1,100,000.00 on December 31, 1954, mounted annually. The deficit in the Pension Fund was expected to be substantially larger when the closing entries for the year ended December 31, 1955 are recorded on the books. Consequently the State Treasurer, who is also Chairman of the State Board of Retirement, sent a letter to the Commission on Administration and Finance

requesting that legislation be proposed that would permit the transfer of unclaimed deposits of members, with certain exceptions, to the Pension Fund account where it would be applied to reduce the deficit.

Overpayment of Accident Disability Pension: A cross examination of the pension accounts of employees retired under Section 7 of Chapter 32 of the General Laws, as amended - "Accident Disability Retirement" against the Industrial Accident Board monthly warrant payments to persons entitled to industrial accident compensation indicated that excessive monthly accident disability pensions amounting to over $2,000.00 had been paid by the Board to a retired employee through the failure of the Industrial Accident Board to notify the State Retirement Board of its compensation payments to this retired employee.

Appropriations for 1956 Fiscal Year: An examination of the budgetary control records of the Board indicates that this agency received a Supplemental Appropriation of $13,490.00 and a Transfer from the Governor's "Extraordinary Expense" account of $3,000.00 in addition to its regular Maintenance Appropriation of $74,240.00 to meet the Board's operating expenses for the fiscal year ended June 30, 1956. Despite these additional grants amounting to $16,490.00 the Board's accounting records continued to remain substantially in arrear of the Board's financial transactions as noted by the Board's abnormally large backlog of work existing on June 30, 1956, which is listed in the earlier part of this report.

It is therefore urged that this agency avail itself of the opportunity to place its accounting records upon a current basis by seeking the services of a business machine organization to process the Board's backlog of work through the organization's service bureau for a reasonable fee. This action would enable this agency to fulfill its obligation to its 34,700 member depositors and to the Commonwealth.

Pension Pay Rolls: In connection with the audit of pension payrolls which amounted to $4,749,488.40 for the calendar year 1955 it was noted that very little control is exercised by the Board to determine whether the 2,900 pension checks issued monthly are being received by the pensioners of record or their beneficiaries of record, except for the widows' pensions which are checked monthly to their eligibility records. A review of Board procedure applicable to the issuance of monthly pension checks indicated that the Board employees do not examine the canceled pension checks to note whether the pensioner or beneficiary is endorsing his or her own check.

Attention is directed to the fact that one out of every seven pension checks is mailed to addresses outside the Commonwealth. It is suggested that the Board take proper safeguards to determine that the pension checks are being received by the pensioners or beneficiaries of record, as is presently being done by retirement systems of other States.

Uncashed Refund Checks on Hand: An examination of the refund checks returned to the Board by the Post Office because of inability to deliver these checks to former members of the retirement system indicated that eight of the twenty-two refund checks on hand the date of audit were over one year of age. It is suggested that the instructions appearing in the Comptroller's Accounting Manual for the disposition of checks payable from Commonwealth funds but not cashed by the payee within one year from the date of their issue be followed by the Board employees with respect to refund checks returned to the custody of the Board.

CIVIL DEFENSE AGENCY REPORT NO. 56-104

Inventory Control: Previous audit reports have commented on the lack of essential records for recording inventories and transfers of supplies and equipment. At the time of this current audit, the agency was in the process of installing such stock records on work sheets. The only records that could be checked were from annual inventories of radio equipment and emergency hospital units in various parts of the Commonwealth. Also stockpiles at 27 state and 3 county institutions and a list of 350 first aid stations located in 114 cities and towns throughout the Commonwealth which are accounted for on quarterly reports made out by agency employees and local Civil Defense Directors. In connection with the checking of the records of these stations, 142 litters and 100 blankets were unaccounted for.

It was also suggested in previous audits that radio equipment be reported on quarterly reports. It was noted in this connection that permission had been obtained from the Comptroller's Bureau, in a letter dated May 12, 1955, to take inventories of communications and other physical property annually, with the understanding that quarterly inventories of medical supplies should be continued.

As this agency is now planning to extend its communications system it now becomes most urgent that better records be maintained of these items.

DIVISION OF APPRENTICE TRAINING REPORT NO. 56-105

Contracts: Contracts expiring June 30 are executed annually between the Division of Apprentice Training of the Department of Labor and Industries and the Federal Government which provide for reimbursement of a portion of the salaries and travel expenses of the employees of this division that have benefited the Veterans Administration Program for veterans training and rehabilitation.

Such contracts are authorized under the provision of Public Law 346 as amended and Public Law 550 of the 82nd Congress. Under contracts #V-1001V-676 that expired June 30, 1955 and #V1003V-64 that will expire June 30, 1956, the Federal reimbursements during the period of audit totaled $33,919.76 for reimbursable expenses sustained by this division to October 31, 1955.

As of the date of this examination, reimbursement vouchers for November and December, 1955 had not yet been submitted to the Federal Government nor had they been entered as a receivable item on the Department control records.

It was noted that these reimbursements, as provided by the contract for the fiscal year ending June 30, 1955, were limited to $30,358.80, while actual expenses which were approved and reimbursed for the same period, totaled $29,530.00.

During the first four months on the 1956 fiscal year, $300.45 was expended for travel. If expenses for travel should continue at the same rate for the remainder of this fiscal year, the division will exceed the limitations for such expenses as stipulated in its contract for the fiscal year 1956 by approximately $150.00.

DIVISION OF STANDARDS REPORT NO. 56-106

Employees Bonded: It was noted that the Director in this division is not bonded. Steps should be taken to arrange proper bonding for him.

Accounts Receivable: It was noted that the unpaid billings were not recorded in the control account maintained by the Administration Division nor in the records of the Division. Such a record should be maintained.

DIVISION OF OCCUPATIONAL HYGIENE REPORT NO. 56-107

No Comments.

DIVISION OF STATISTICS REPORT NO. 56-108

Publishing of Annual Report: It was noted that the last previous annual report submitted by this division which is on file with the Secretary of State was for the fiscal year ending June 30, 1953. No public documents that relate to labor statistics or manufacturing statistics have been available since 1939. There have been available, however, bulletins and/or special reports as the Commissioner has deemed expedient to publish.

BOARD OF CONCILIATION AND ARBITRATION REPORT NO. 56-109

Cases Serviced: It was noted there were 749 cases serviced by this Board during the fiscal year ending June 30, 1955, of which 55 were pending from the previous year. There were still 33 pending as of June 30, 1955.

DIVISION OF INDUSTRIAL INSPECTION REPORT NO. 56-110

Industrial Homework Licenses and Permits: The second paragraph of Section 147 of Chapter 149 of the General Laws (Tercentenary Edition) formerly read as follows:

> "A fee of fifty dollars shall be paid to the commissioner for the original issuance of an employer's permit. For each annual renewal of such permit, the employer shall pay to the commissioner a fee of (1) fifty dollars, where at no time during the preceding calendar year did the employer directly or indirectly have business relations with more than fifty homeworkers; (2) one hundred dollars, where during the preceding calendar year the employer directly or indirectly had business relations with more than fifty, but less than one hundred, homeworkers; (3) two hundred dollars, where during the preceding calendar year the employer directly or indirectly had business relations with one hundred or more but less than two hundred, homeworkers; (4) three hundred dollars, where during the preceding calendar year the employer directly or indirectly had business relations with two hundred or more homeworkers. Any such fees received by the commissioner shall be paid into the state treasury to the credit of the general fund."

This paragraph was amended by Section 7 of Chapter 764 of the Acts of 1955, which became effective after December 8, 1955, to read as follows:

> "A fee of fifty dollars shall be paid to the commissioner

for the original issuance of an employer's permit. For each annual renewal of such permit the employer shall pay to the commissioner a fee of fifty dollars, plus two dollars for each homeworker with whom the employer directly or indirectly had business relations during the preceding calendar year. Any such fees received by the commissioner shall be paid into the treasury to the credit of the General Fund."

In connection with the foregoing it was noted that to determine the liability of the employer to the Commonwealth, the foregoing statute was disregarded. The department took from the employer's file of monthly reports, that month during the preceding calendar year when the greatest number of employees were so engaged and used that as the criterion under the two statutes.

In this connection, the reports of 8 of approximately 200 employers of industrial homeworkers, that operated under the old statute, which became ineffective on December 8, 1955, were picked at random and examined. The same number of employer reports of companies operating under the new statute that became effective after December 8, 1955 were also picked at random and examined. The following shows the results of this test check:

UNDER OLD STATUTE

EMPLOYER	PER DIVISION NUMBER OF EMPLOYEES	PER DIVISION AMT. PAID	PER AUDIT NUMBER OF EMPLOYEES	PER AUDIT SHOULD HAVE PAID	BALANCE DUE COMMONWEALTH
1	162	$ 200 00	210	$ 300 00	$100 00
2	38	50 00	48	50 00	-
3	323	300 00	379	300 00	-
4	96	100 00	153	200 00	100 00
5	71	100 00	111	200 00	100 00
6	119	200 00	142	200 00	-
7	195	200 00	236	300 00	100 00
8	56	50 00	74	100 00	50 00
TOTALS		$1,200 00		$1,650 00	$450 00

UNDER NEW STATUTE

EMPLOYER	PER DIVISION NUMBER OF EMPLOYEES	PER DIVISION AMT. PAID	PER AUDIT NUMBER OF EMPLOYEES	PER AUDIT SHOULD HAVE PAID	BALANCE DUE COMMONWEALTH
1	33	$116 00	49	$148 00	$ 32 00
2	9	68 00	12	74 00	6 00
3	46	142 00	73	196 00	54 00
4	35	120 00	43	136 00	16 00
5	9	68 00	12	74 00	6 00
6	2	54 00	2	54 00	-
7	5	60 00	6	62 00	2 00
8	16	82 00	26	102 00	20 00
TOTALS		$710 00		$846 00	$136 00

Because of the results indicated by the foregoing, it is recommended that this division review all fees received on account of

Homeworker Certificates and Permits which are not excluded by the Statute of Limitations.

DIVISION OF MINIMUM WAGE REPORT NO. 56-111

Industrial Homework: It was noted that a total of $11,778.00 was received on account of 203 certificates issued to concerns employing industrial homeworkers during the period under audit. This money was collected by the Division of Industrial Inspection acting as agent for the Division of Minimum Wage.

An examination, on a test basis of reports submitted by business organizations employing industrial homeworkers, indicated not only monetary deficiencies, but also 24 instances of incomplete information which is required from these reports for efficient enforcement of the Minimum Wage Law. In addition, these reports further indicated the following instances of apparent violations of the Minimum Wage Laws:

Employer	Hours Worked	Gross Wages Paid	Hourly Rate Paid in Cents	Legal Minimum Hourly Rate in Cents
1	196	$120 00	61.23	.75
2	134	78 44	58.54	.75
3	90	44 88	49.84	.65
4	32	13 50	42.18	.65
5	41	23 75	57.92	.75
6	153 1/2	92 20	60.00	.75
7	73 1/4	38 94	53.16	.65
8	123	62 58	50.87	.65
9	28	14 40	51.43	.75
10	124 1/2	72 97	58.61	.75
11	128 1/4	73 53	57.30	.75
12	60 1/4	28 06	46.60	.65
13	42 5/6	28 84	67.40	.75
14	112 3/4	51 62	45.80	.65
15	133 2/3	76 01	56.90	.75
16	140	80 12	57.20	.65

As of the date of this audit, the Division acknowledged that it was aware of the foregoing items and it was obvious that to date, no real effort had been made to process the information made available by these reports.

It is, therefore, strongly urged that greater care be exercised in processing these reports to insure that proper compensation is paid to these industrial homeworkers for services rendered and to further facilitate the enforcement of the Minimum Wage Laws.

STATE LIBRARY REPORT NO. 56-112

No Comments.

DIVISION OF NECESSARIES OF LIFE REPORT NO. 56-113

Motor Fuel Sales: The expenses of this section of this Division, by law, cannot be in excess of the receipts from licenses fees. During the 1955 fiscal year there was an excess of income over expenses as follows:

Receipts from License Fees		$62,291 00
Expenses:		
Cash Paid	$59,015 59	
Accounts Payable	2,402 22	61,417 81
Excess of Receipts Over Expenses		$873 19

LABOR RELATIONS BOARD REPORT NO. 56-114

Transcription Fees: During the audit period it was necessary for the Commission to occasionally engage the services of public stenographers, who were paid at the rate of $.90 per page for an original and $.20 per page for each copy. Inasmuch as the Commission charges only $.17 per page consideration should be given to increasing this rate so that it would be more consistent with rates charged commercially.

SERGEANT AT ARMS REPORT NO. 56-115

No Comments.

RUTLAND STATE SANATORIUM REPORT NO. 56-116

Payments Being Made on Account Which Was Charged Off by the Attorney-General: In this connection the previous audit report stated as follows:

> "On March 16, 1954 an account totaling $664.00 for board and treatment of a private patient was sent to the Attorney-General for collection, and was canceled by him on April 12, 1954. This patient is an alien and it is understood that immigration officials have ruled that aliens must pay hospitalization or be subject to deportation.
>
> After this bill was canceled by the Attorney-General payments were made on this account as follows:
>
> | | | |
> |---|---|---|
> | May | 12, 1954 | $10 00 |
> | February | 14, 1955 | 10 00 |
> | March | 28, 1955 | 10 00 |
>
> It was further noted that whenever a payment was made a charge was correspondingly entered."

Payments continued to be made on this account during the period covered by this examination, and were handled in the manner indicated. Bills are, however, being sent monthly showing the amount of the original charge less payments made to that date.

High Net Weekly Per Capita Cost: The previous audit report called attention to the high net weekly per capita cost for the 1954 fiscal year.

It was noted that the net weekly per capita cost for the 1955 fiscal year was again high because collections are not being currently made on outstanding accounts, also because increasing numbers of new patients continued to have their settlements determined as State cases.

Shortage on Gasoline: In connection with a test inventory taken on the date of audit it was noted that the gasoline was short 261 gallons.

It was learned in this connection that the previous adjustment of this item was made on March 31, 1954, nearly two years ago, for a shortage of 43 gallons. Since that date, no adjustments have been made for this item, and 8,377 gallons of gasoline have been issued. It therefore appears that this shortage was not excessive in relation to the number of gallons used. It was understood that an adjustment will be made in this account on March 31, 1956 based upon an inventory taken by institution employees.

In further connection with this matter it was learned that the monthly inventory taken by the institution storekeeper was based upon memoranda kept by him and not an actual physical measurement. It is therefore recommended that this item be actually measured each month and adjustment then made, if necessary, so that any unreasonable variances will be detected immediately.

MONSON STATE HOSPITAL REPORT NO. 56-117

Cash on Hand - Children's Colony: The previous audit report recommended that all cash in excess of normal working requirements at this location be deposited with the institution treasurer. In this connection, the Superintendent, in a report to the Commissioner of Mental Health, stated that a minimum of $225.00 should be maintained for canteen purchases by the patients at the Children's Colony. However, a review of the monthly average balances indicated that this minimum of $225.00 was not maintained but that the average cash balance was $318.28. At no time during the period covered by this audit, were funds deposited with the institution treasurer.

It is therefore recommended that all cash deposited for patients at this institution for any purpose whatsoever be deposited and held in the custody of the institution treasurer. It would also seem that necessary arrangements could be completed for the Colony to purchase required items from the canteen.

Medicines and Drugs: The previous audit report recommended that a perpetual inventory be maintained at the pharmacy of this institution. In connection with the activities of the pharmacy the following was noted at this time:

1. Annual inventories of supplies are not taken.
2. Storage of supplies disorderly.
3. Supplies are withdrawn from the pharmacy without requisition or record by persons other than the pharmacist.
4. The pharmacist assumes no responsibility for supplies under his jurisdiction and has no apparent control of supplies received and withdrawn.

The Superintendent of the institution advised that a perpetual inventory would be most difficult because the pharmacy is operated on a 24 hour per day basis while the pharmacist is on duty only 40 hours per week.

It is nevertheless recommended that immediate steps be taken to insure better internal control in the pharmacy.

TEACHERS RETIREMENT BOARD REPORT NO. 56-118

Confirmations of Payments by Cities and Towns: A total of 359

verification notices were mailed to the treasurers of the several Cities, Towns and School Districts in the Commonwealth for the purpose of verifying payments to the Board during the 1955 calendar year. Of these, 305 were returned.

Reimbursements to Cities and Towns: Section (2) (c) of Section 20 of Chapter 658 of the Acts of 1945 provides for certain reimbursements to cities and towns for pensions paid to teachers.

Item 2613-11 of Chapter 706 of the Acts of 1955 appropriated $1,650,000.00 for this purpose for the fiscal year ending June 30, 1956, of which to April 1, 1956 a total of $1,644,254.28 had been expended as follows:

Boston, Balance of 1952 - 1953 School Year	$ 58,792 36
Boston, 1953 - 1954 School Year	987,666 97
Boston, 1953 - 1954 School Year	295,272 92
Boston Retirement Board, 1953 - 1954 School Year	285,850 91
Brookline, 1953 - 1954 School Year	3,408 44
Cambridge, 1953 - 1954 School Year	6,125 84
Milton, 1953 - 1954 School Year	4,045 08
Wellesley, 1953 - 1954 School Year	3,091 76
	$1,644,254 28

Records - Microfilm: The financial accounts relating to the teachers' records have been microfilmed through December 31, 1955 and the films are stored in a vault in a branch of the First National Bank of Boston.

BRADFORD DURFEE TECHNICAL INSTITUTION REPORT NO. 56-119

Puerto Rico Development Fund: In this connection, the previous report stated:

> "Because this fund has been inactive for several years and because there are presently no students from Puerto Rico enrolled at this institute, it is recommended that the balance of $466.11 remaining in this fund be transferred to a savings bank account so that it may earn interest."

As no action has been taken with regard to the foregoing the recommendation is again submitted for consideration.

Frank S. Stevens Scholarship Fund: As of March 7, 1956 this fund owed to the E. P. Charlton, Jr. Scholarship Fund $205.00 because of scholarship payments erroneously made during previous audit periods.

During this audit period this fund disbursed $87.50 for scholarships and $20.00 as a reimbursement to the E. P. Charlton Jr. Scholarship Fund.

The comment which follows, included in the previous audit report, is therefore repeated:

> "It is suggested that the E. P. Charlton, Jr. Scholarship Fund should be reimbursed before awarding other scholarships."

INSTITUTE FOR JUVENILE GUIDANCE REPORT NO. 56-120

Institute for Juvenile Guidance: This institution comprises buildings which were formerly part of the Bridgewater State Farm, and is under the jurisdiction of the Division of Youth Service.

As of April 5, 1956, the inmate population totaled 89 as compared with a maximum capacity of 97.

Inmates' Funds: In this connection, the previous audit report commented as follows:

> "During the period under audit no cash book was maintained for the inmates' funds.
>
> "It is recommended that an adequate cash book be installed as soon as possible and that consideration be given to the opening of a bank account for funds not needed for immediate cash requirements."

It was noted that an adequate cash book was installed and is being maintained. A bank account was also opened during the period under audit.

State Accounts: In this connection the previous audit report also commented as follows:

> "As of the date of audit a single checkbook was being used for both the State Fund and the Escrow Retirement Fund, although separate bank accounts were being maintained.
>
> "It is recommended that separate prenumbered checkbooks be obtained for these funds."

It was noted that separate, prenumbered checkbooks are now being used in conformance with the foregoing suggestion.

DIVISION OF THE BLIND REPORT NO. 56-121

Suspense Accounts Receivable: It was noted that $213.65 in active accounts receivable were transferred to "Suspense" during the current audit period and were referred to the Attorney General for collection. In addition, $450.66 of "Suspense" accounts were transferred back to the active accounts, of which $366.75 was charged off with the authorization of the Attorney General as uncollectible. Cash received on suspense accounts was $83.91.

Federal Participation - General Administration: In accordance with the approved plan of Federal participation in the expenses for "General Administration, Aid to the Blind," one-half of 5% of the salaries of the personnel in the bookkeeping department is reimbursed by the Federal Government. Of the expenses for rent and light, one-half of 34% is paid by the Federal Government. One-half of 44% of the telephone expense is reimbursed to the State. The salaries of other members of the personnel are reimbursed on the basis of 50% of the following percentages:

Director	26%
Secretary to the Director	26%

Supervisor of Research	60%
Junior Clerk and Stenographer	26%
Junior Clerk and Stenographer	5%
Assistant Supervisor of the Blind	100%
Senior Workers with the Blind (11)	100%
Senior Workers with the Blind	50%
Guides to Blind Workers (3)	100%
Senior Statistical Clerk	100%
Senior Statistical Clerk	25%
Junior Clerks and Stenographers (3)	100%
Junior Clerk and Typist	5%
Worker with the Blind (2)	100%
Supervisor of Individual Services	44%
Principal Clerk	5%
Principal Bookkeeper	5%
Senior Bookkeeper	5%
Senior Clerk	5%
Senior Clerk and Stenographer	25%

Woolson House Inventories: No physical inventory at this location was taken on the date of audit because of the condition of the stock ledgers. This same condition existed at the time of the previous audit and it is again urgently suggested that the finished goods and raw materials stock ledgers be brought to date so that they can be currently maintained henceforth.

General: Chapter 676 of September 11, 1956 amended certain sections of Chapter 15 of the General Laws and established five Bureaus within the Division.

This reorganization, as of the date of audit, had not been entirely completed.

DETENTION CENTER REPORT NO. 56-122

Relocation of the Detention Center: In December 1955 the offices of this Center were moved to its present location at 450 Canterbury Street, Roslindale. It is understood that this building will be used as a Detention and Reception Center for boys, while the former building in Jamaica Plain will be used as a Detention and Reception Center for girls.

Material and Supplies: It was again noted there was no stock ledger nor general ledger control account in use at this agency, and no test inventory of materials and supplies was taken in connection with this audit. It is suggested that the Comptroller's Bureau install a stores ledger together with the necessary controlling accounts.

Reimbursements by the City of Boston: Under the terms of Chapter 422 of the Acts of 1952 the City of Boston is assessed 50% of the annual costs of operation of this Detention Center.

In checking the reimbursements received in accordance therewith during the four years ended June 30, 1955 the following variances were noted:

1952 Overbilled	-	$1,388 06
1953 Underbilled	$1,388 07	-
1954 Overbilled	-	2,430 36
1955 Underbilled	4,221 18	-
	$5,609 25	$3,818 42

As a result of the foregoing incorrect billings the net amount still due the Commonwealth for maintenance is $1,790.83. It is understood that this credit will be permitted when the assessment for the 1956 year is made in the next annual settlement between the Commonwealth and the various Cities and Towns.

Maintenance of Detention Center: Section 2, of Chapter 422, of the Acts of 1952, amending Chapter 542 of the Acts of 1948 as amended, provides as follows:

> "For establishing and maintaining a place or places of custody under this act, the board may expend such sums as may be appropriated therefor. Not later than October first in each of the years nineteen hundred and fifty-two, nineteen hundred and fifty-three and nineteen hundred and fifty-four, the board shall certify to the state treasurer the total amount expended by it under this act during the preceding fiscal year. One half of such amount shall be assessed on the city of Boston as provided by section twenty of chapter fifty-nine of the General Laws."

It was noted that only the charges for maintenance were assessed by the State Treasurer for the five years ended June 30, 1955.

A previous audit report commented that under the foregoing it would appear that the City of Boston should possibly also be assessed for a share of the cost of the establishment of the Detention Center. To date, however, the State Treasurer has not made such an assessment. It was noted, however, that the State Treasurer requested an opinion from the Attorney General relative to this matter, but to the date of this audit no advice has been received from that agency.

MASSACHUSETTS HOSPITAL SCHOOL REPORT NO. 56-123

Accounts Receivable: It was noted that the balances owed for private cases and by cities and towns for their cases which were in the hands of the Attorney General at the date of audit totaled $45,990.97 and represents an accumulation over a number of years.

It is recommended that the Department of the Attorney General be requested to review those accounts which they have for collection so that disposition can be made as soon as possible.

LEGISLATIVE RESEARCH COUNCIL REPORT NO. 56-124

Contracts with Non-Employees: The contracting for temporary professional and non-professional services are subject to the approval of both the Chairman and Vice-Chairman. In examining these contracts there were two contracts in which these signatures of approval did not appear.

In another instance, the contract indicated specifically the maximum amount to be expended. There was, however, an approved extension in time to this contract, but no increase in amount was stated and the amount paid was accordingly greater than the maximum stated. In discussing this matter with the Director, he stated that when the due date of the contract was extended it was implied that the maximum expenditure was to be increased. However, there was nothing in writing to this effect.

When these matters were brought to the attention of the Chairman and Vice-Chairman while this audit was in progress, their written approvals were then given.

It is also recommended that a standard contract form for these services be drawn up to include space for the signatures of the Chairman and Vice-Chairman. A signed copy of all contracts should also be available in the files of this agency.

STATE TEACHERS COLLEGE AT SALEM REPORT NO. 56-125

Co-operative Society: The accounts of this activity of the student body were not examined in connection with the current audit.

Book Store Account: It was noted that a balance of $610.11 was reflected on the ledger for "Custodial Accounts Payable", which represents the balance remaining from scholarship grants for tuition, books, and other student expenses. It is suggested that this amount be transferred to the College and that accounts be maintained on the College's books to properly account for these funds.

INDUSTRIAL SCHOOL FOR GIRLS REPORT NO. 56-126

Pay Roll Bank Account Overdrawn: In connection with reconciling this account it was noted that whereas the bank balance was actually only $308.07, outstanding checks totaled $4,838.80. This difference was caused by a check for $4,530.73 not being drawn from the regular bank account and deposited in the pay roll bank account for the week ending March 17, 1956 together with January 1956 overtime. Of this amount $4,154.49, representing the regular pay roll for the week ending March 17 1956, was deposited in this bank account on March 26, 1956 while $376.24 representing the January 1956 overtime was not deposited until April 3, 1956.

On March 26, 1956 the institution was notified by the bank that this account had been overdrawn.

It is therefore recommended that the balance in this account be maintained at a level sufficient to cover all items written against it. Checks should never be written unless there is a sufficiently large balance to honor them.

Deposits of Income Not Made Weekly: It was noted that income received by this institution was usually deposited only twice a month. Occasionally three or four weeks elapsed between the deposit dates.

It is recommended that deposits be made more frequently at least once each week.

COUNCIL FOR THE AGING REPORT NO. 56-127

Duplication of Payment: It was noted that the same invoice for he services of a secretary, who was, in the first instance, paid by the Chairman of the Council, was submitted on two occasions for reimbursement and was paid twice. The Executive Secretary has been informed of this duplicate payment which involved $46.15 and said he would contact the Chairman as soon as possible.

MASSACHUSETTS SCHOOL OF ART REPORT NO. 56-128

Registration Fees: In order to facilitate the deposit of

registration fees within the time limit prescribed by statute the Comptroller's Bureau in a letter dated November 3, 1955 to the Department of Education, outlined six suggested steps to be followed in the handling of registration fees of all students.

Inasmuch as this school is not actually following the outlined program it is suggested that steps be taken so that this directive may be complied with forthwith.

Trust Funds: Attention is again directed to the fact that the Rebecca R. Joslin Scholarship Fund has as one of its stipulations, that all repayments of loans originally made from income shall become part of the principal. Inasmuch as it is also stipulated that loans can only be made from income, the principal is accordingly increased. The effect of this routine will, of course, deplete the income available for loans.

YOUTH SERVICE BOARD REPORT NO. 56-129

Benefits for Wards: Effective August 1, 1955, Social Security benefits received by the Youth Service Board for care and maintenance of certain wards shall be turned over to the Treasurer of the Commonwealth provided the Commonwealth is furnishing care and maintenance to the ward. The following copy of an order covers the disposition of such benefits received:

September 26, 1955

BOYS AND GIRLS DIVISION
SUPERINTENDENTS OF ALL FACILITIES

1. The Youth Service Board vote of April 18, 1951 regarding Social Security and Veterans Administration benefits is hereby rescinded.

2. Re Veterans Administration benefits:

Since benefits received from the Veterans Administration are allocated to beneficiaries as an extraordinary award to certain persons, it is our policy to deposit such benefits in a savings account of the beneficiary. Withdrawals from this account may be made for extras or for unusual purchases approved of by the Veterans Administration.

3. Social Security Benefits
(also Railroad Benefits):

Effective August 1, 1955 Social Security benefits received by the Youth Service Board for care and maintenance of certain wards shall be turned over to the Treasurer of the Commonwealth provided the Commonwealth is furnishingcare and maintenance to the ward. Otherwise these benefits shall be deposited in ward's savings account.

4. Some wards now have savings accounts as a result of receiving benefits either from Social Security, Railroad Retirement Act, or Veterans Administration benefits in accord with the Youth Service Board policy of April 18, 1951. These savings accounts will remain in the wards' name and will be turned over to the ward at the proper time.

/s/ John D. Coughlan
Director

Payments to School Outside the State: It was noted that payments of $375.00 per month have been made for the care of a boy at a school in East Rindge, New Hampshire from July 1955 to date.

Transfer of Monies to State Treasurer for Support: The minutes of the Board meeting of September 26, 1955 indicated the authorization to turn over to the State Treasurer the balance of $57.98 in the savings bank account of a girl, case number 666 GR. Apparently the bookkeeping section did not receive this authorization, as the transfer was not made.

It is suggested that this transfer be made, and it is also suggested that a review be made of the girls' accounts to determine if there are other amounts that should be turned over to the State Treasurer for support.

Consultant Psychiatric Services: It was noted that payments of $790.00 per month have been made to a clinic from July 1955 through March 1956 for psychiatric services. There is a letter of agreement on file in the Comptroller's Bureau from the Director of the Clinic to the Director of Youth Service approved by the Commissioner of Administration July 8, 1955.

Standard invoices approved for payment do not indicate the detail of services rendered by the clinic.

It is suggested that a contractual agreement form approved by the Attorney General be substituted for the presently used letter form, and it is also suggested that Standard Invoices submitted for payment indicate the services performed for each month.

METROPOLITAN DISTRICT COMMISSION WATER DIVISION REPORT NO. 56-130

General: The Metropolitan District Commission has under its supervision the construction, maintenance and operation of a system of Metropolitan Water Works for supplying sufficient pure water to the cities and towns of the Metropolitan Water District. In addition to the twenty towns named in Section 10 of Chapter 92 as constituting the district there may be admitted to membership in the district any other town any part of which is within ten miles of the State House and any other town any part of which is within fifteen miles of the State House which the commission can reasonably supply with water. The commission may also provide water from the system to agencies of the United States, the commonwealth, the counties and to towns not eligible for membership in the district. Section 12 of Chapter 92 allows the commission to utilize the fall of water at any dam under its charge and may produce, transmit and sell power or electricity. The maintenance and operation of the aforementioned activities are assigned to the Water Division of the Commission.

The cost of maintenance as appropriated by the legislature and debt service is financed principally through assessments on the cities and towns of the district. These assessments are computed at the rate of $80.00 per million gallons consumed. Section 26A of Chapter 92 provides that the State Treasurer shall borrow on the credit of the commonwealth such sums as may be necessary each year to meet the balance, not met by the assessments authorized in sections ten and twenty-six of the requirements for maintenance and operation, for miscellaneous interest, for any credits to member towns, for the sinking fund and for interest and principal payments on all bonds issued for the construction of the Metropolitan Water System, and on all bonds issued under the authorization of this section. The assessments upon the cities and towns of the

district payable November 20, 1955 were as follows:

METROPOLITAN WATER ASSESSMENT FOR 1955

Cities and Towns in District	1955 Charge at $80.00 per million gallons (Chapter 618, Acts of 1953)
Arlington	$ 87,680 32
Belmont	55,699 04
Boston	3,222,387 52
Brookline	149,394 64
Cambridge (1)	1,616 08
Chelsea	109,618 88
Everett	242,105 44
Lexington	56,456 24
Malden	157,517 28
Marblehead	36,284 00
Medford	124,583 60
Melrose	52,990 72
Milton	44,315 36
Nahant	7,908 00
Needham (2)	586 88
Newton (3)	234,253 84
Quincy	213,243 60
Revere	87,320 64
Saugus	28,017 28
Somerville	281,311 76
Stoneham	43,320 00
Swampscott	30,103 60
Waltham	144,638 24
Watertown	100,878 40
Winchester (4)	11,309 52
Winthrop	50,528 40
	$5,574,069 28

(1) Partial supply only
(2) Needham entered the district in accordance with agreement dated June 3, 1954 for the purpose of obtaining a portion of the town's supply
(3) Newton began taking full supply May 5, 1954
(4) Area served undetermined

NOTE: Not included in above:
Credit to Belmont on account of overassessment in 1954 due to a defective meter, $20,417.36
Credit to Waltham on account of overassessments in 1953 and 1954 due to a defective meter, $27,670.40
A third credit of twenty-five annual credits of $1,564.36 to the Town of Brookline for property acquired
A third assessment of ten annual assessments of $11,870.24 against the Town of Saugus for the cost of water connection
Assessment against Newton for purchase of 2,414.749 million gallons of water from January 1, 1954 to January 1, 1955, $193,179.92

General: The Metropolitan District Commission is empowered to acquire, maintain and make available to the inhabitants of the thirty-seven cities and towns which constitute the Metropolitan Parks District open spaces for exercise and recreation which are known as reservations. The Commission may construct and maintain suitable access roadways and boulevards.

All sums of money collected or received by the Commission in the exercise of its functions in relation to reservations or boulevards, are paid to the State Treasurer and together with amounts received in payment of betterments assessed by the Commission are held in a separate account. This account is used as a credit to the cities and towns of the Metropolitan Parks District toward the payment of assessments made thereon under general law to meet the cost of maintenance of reservations in said district.

The assessments upon the cities and towns comprising the district payable November 20, 1955 were as follows:

Metropolitan Parks District Reservations and Boulevards

Total Assessments for 1955

Cities and Towns	Total Serial Bonds	Total Interest	Total Maintenance	Grand Totals
Arlington	$ 81 05	$ 13 23	$ 60,555 25	$ 60,649 53
Belmont	74 17	12 12	48,683 10	48,769 39
Boston	1,839 99	300 53	1,270,001 29	1,272,141 81
Braintree	40 91	6 69	30,961 77	31,009 37
Brookline	211 09	34 47	128,182 60	128,428 16
Cambridge	241 25	39 40	174,498 86	174,779 51
Canton	12 92	2 11	9,859 23	9,874 26
Chelsea	59 43	9 71	47,662 42	47,731 56
Cohasset	-	-	679 55	679 55
Dedham	37 25	6 09	26,863 24	26,906 58
Dover	8 10	1 32	4,667 33	4,676 75
Everett	112 82	18 43	76,263 66	76,394 91
Hingham	24 31	3 97	16,820 73	16,849 01
Hull	22 91	3 75	12,447 28	12,473 94
Lynn	193 49	31 60	141,435 68	141,660 77
Malden	98 69	16 12	76,693 42	76,808 23
Medford	110 95	18 12	85,648 88	85,777 95
Melrose	56 08	9 16	40,018 35	40,083 59
Milton	57 25	9 35	38,213 99	38,280 59
Nahant	7 33	1 20	4,796 89	4,805 42
Needham	38 73	6 33	26,446 12	26,491 18
Newton	232 86	38 03	150,817 75	151,088 64
Quincy	185 66	30 32	129,661 49	129,877 47
Revere	53 80	8 79	43,930 44	43,993 03
Saugus	22 33	3 65	19,203 37	19,229 35
Somerville	157 13	25 67	125,743 08	125,925 88
Stoneham	21 02	3 43	16,583 73	16,608 18
Swampscott	34 43	5 62	22,025 26	22,065 31
Wakefield	31 95	5 22	24,964 07	25,001 24
Waltham	79 44	12 97	61,250 45	61,342 86
Watertown	75 92	12 40	54,570 20	54,658 52

Cities and Towns	Total Serial Bonds	Total Interest	Total Maintenance	Grand Totals
Wellesley	$ 63 40	$ 10 35	$ 40,157 39	$ 40,231 14
Weston	16 16	2 64	10,130 99	10,149 79
Westwood	11 04	1 81	8,146 50	8,159 35
Weymouth	73 18	11 95	50,926 70	51,011 83
Winchester	48 47	7 92	30,598 37	30,654 76
Winthrop	34 10	5 57	25,902 59	25,942 26
Woburn	30 39	4 96	24,676 51	24,711 86
	$4,500 00	$735 00	$3,160,688 53	$3,165,923 53

In accordance with the provisions of Chapter 554 of the Acts of 1949, 39% of the cost of Maintenance of reservations and boulevards is charged to the Metropolitan Parks District.

Parks Division Contract No. 885: This contract called for the Demolition and Removal of Concession Building at the Public Landing, William J. Day Boulevard, opposite Farragut Road in South Boston. The Commission voted on March 18, 1955 to award this contract to the lowest bidder in the amount of $1,750.00. However, on March 22, 1955 a letter was received from that bidder requesting his bid be withdrawn because of lack of a binding agreement with a sub-contractor for completing a certain phase of this work. The Commission voted on March 24, 1955 to accept this notice as an abandonment of the contract and his bid deposit of $300.00 was retained by the Commission in accordance with the terms of the contract. The Commission subsequently voted to accept the next lowest bid of $4,800.00.

Parks Division Contract No. 873: This contract calls for lighting the James J. Storrow Memorial Drive and Embankment Road from Boston University Bridge to Longfellow Bridge and was awarded on December 23, 1954 for $73,952.00 under alternate proposal No. 1.

The minutes of a meeting held on that date indicate this to be the "lowest authentic bid" received. However, a canvas of the bids for this work indicated that a more favorable bid had been received in the aggregate amount of $65,673.50. It was noted, however, that no amount had been entered under Item 11 on this bid, and the actual sum of the computed totals was $914.00 less than the total sum entered on the proposal by that bidder. The matter was referred to the Attorney-General's office by the Commission for an opinion and a reply was received on December 28, 1954 which reads in part as follows:

> "As requested in your letter of December 15th, I have examined the proposal submitted by .....relating to lighting on Storrow Memorial Drive. It is my opinion that the proposal is defective in that no bid has been made on Item 11.
>
> . . . . . .
>
> Under these circumstances, where the proposal is for unit prices rather than for a lump sum bid, and where the totals are expressly stated not to be part of the proposal, such totals should not be used for the purpose of determining a unit price on Item 11."

METROPOLITAN DISTRICT COMMISSION SEWERAGE DIVISION REPORT NO. 56-132

Tardy Transmittal of Receipts to Financial Office: Outstanding balances of Accounts Receivable on the date of audit were verified by correspondence. It was noted that certain balances, which the records indicated were due from employees for rents, had been paid. These payments were not reflected on the records in the Business Agent's office because of delays in transmittal either at the district or division offices. In some instances it was found that amounts were not received at the Business Agent's office until two months after the date of payment. It is suggested that the Commission impress upon the personnel responsible for transmittal of these receipts in the Sewerage Division the importance of their immediate disposition.

Sewerage Division Contract for Renewal of Piping and Fittings at the East Boston Pumping Station, East Boston, Massachusetts: It was noted that the lowest bid for completion of this work was $1,333.33. However, the informal bid notice describing the work to be done contains the following paragraph:

> "This work is urgently required and the successful bidder will be required to perform the work as quickly as possible consistent with other work being done in the station to maintain pumping capacity."

The report of the Director of this Division, dated September 28, 1955 and furnished to the Commission for their consideration in connection with awarding of the contract indicates that the lowest bidder, after being informed of the urgency of completing this work as quickly as possible to conserve the pumping capacity at the East Boston Pumping Station, offered to withdraw his bid because of his limited facilities.

The Commission voted on September 29, 1955 to award this contract to the second lowest bidder as follows:

> "VOTED that in view of the inability of the low bidder to assure satisfactory completion of the work, that he be allowed to withdraw his bid, and that the work be awarded to ..... for the sum of $1,420.00."

Sewage Disposal Plant, Quincy: The staff at this location has been engaged for some time in compiling stock control cards on items in the inventory of supplies and equipment. Since the inventory records were not complete as of the date of audit it was considered impractical to check the physical inventory at that time.

Gas is produced at this plant as part of the process of sewage disposal. Some of it is utilized to operate the machinery and the surplus is burned off daily. It is understood that marketing this surplus gas would be too costly to justify it from an economical point of view.

METROPOLITAN DISTRICT COMMISSION
CONSTRUCTION DIVISION REPORT NO. 56-133

Construction Division Contract No. 221: The contract calls for the construction of Section 132 of the Framingham Trunk Interceptor, in the towns of Wellesley, Dover, and Natick. In this connection a canvass of the bids was made, the report of the Chief Engineer to the Commissioner was reviewed and the action of the Commission in awarding

the contract to the second lowest bidder was noted.
The three lowest bids of record were as follows:

Contractor A	$544,321 46
Contractor B	680,745 05
Contractor C	747,634 32

There is a difference of $136,423.59 between the lowest and the second lowest bid. It was noted that the report of the Chief Engineer indicates among other things, that the lowest bidder would have difficulty in obtaining the required bond. In addition this bidder's legal representative stated that a mistake had been made in the bid and they did not desire to be recommended for the job. The Chief Engineer indicated that investigation of other work done by this contractor showed satisfactory work on smaller jobs but somewhat unsatisfactory reports had been received on major jobs, and he concluded his report with the following paragraph.

> "From the information set forth above, it is quite possible the . . . . . have not had sufficient experience to satisfactorily complete a contract of this magnitude. However, due to the $136,423.59 difference between the low and the second bidder, I feel obliged to recommend in the event it meets with your approval that Contract No. 221 be awarded to the low bidder . . . . . at their bid price of $544,321.46."

Apparently the commission did not concur with the opinion of the Chief Engineer on the ability of this bidder to successfully complete the contract for their vote on September 8, 1955 is recorded as follows:

> "V O T E D that the bid of . . . . . be rejected on the grounds that the bidder is not qualified either by experience or financially to perform this work, and that the contract for the construction of Section 132 of the Framingham Trunk Interceptor, Construction Division Contract No. 221 in the sum of $680,745.05 be awarded to ..... the lowest qualified bidder. Mr. Cook desired to be recorded as voting NO on this action of the Commission."

DEPARTMENT OF COMMERCE REPORT NO. 56-134

Consultant Services: This department employed several consultants during the period, and for these purposes in the nine months ending March 31, 1956 a total of $27,052.65 was expended or encumbered.
The previous audit reports have commented on the lack of proper time records for these consultants, and it was noted that proper records have been installed and maintained during the audit period.
It was also noted, however, that certain clerical work in the department was being paid for from the appropriation for "Services - Non-Employees," under the subcode for "Clerks, Stenographers, and Secretaries to Special Commissions." Two employees have charged the department each week for a full week's services under this subsidiary account. It is suggested that such services be handled through the regular accounts for salaries and wages.

SUPREME JUDICIAL COURT REPORT NO. 56-135

No Comments.

DANVERS STATE HOSPITAL REPORT NO. 56-136

Maintenance Charges: Collections on account of house, apartment and room rent during the audit period totaled $34,881.20. In this connection a test check was made of the potential rent. The following indicates the trend in the decrease of income from this source and meals during the past six calendar years:

Year	Room Charge	Meals	Total
1950	$34,345 18	$28,006 20	$62,351 38
1951	32,850 50	19,292 40	52,142 90
1952	31,285 47	19,331 80	50,617 27
1953	29,080 21	19,598 10	48,678 31
1954	28,435 91	19,513 50	47,949 41
1955	29,038 66	17,560 20	46,598 86

STATE TEACHERS COLLEGE AT NORTH ADAMS REPORT NO. 56-137

Suspense Advances: It was noted that a suspense account from 1950 advances which had been disallowed for $19.70 was still being carried in the general ledger. However, it did not appear on the financial reports of the college.

It is recommended that the Comptroller's Bureau advise the college to adjust its accounts.

Special Appropriations: It was noted that the special appropriation for "Masonry Repairs", which has expired, still shows outstanding encumbrances of $422.80 on the college's financial records.

It is understood that this amount was being withheld on a 1952 contract until certain adjustments were completed by the contractor. It is recommended that the Department of Education take the necessary steps to clear this account so that either the bill can be paid or the encumbrance liquidated.

MOUNT GREYLOCK TRAMWAY REPORT NO. 56-138

Savings Bank Deposit: It was again noted that the Treasurer of this Authority has deposited $7,500.00 of the funds advanced by the Commonwealth in a savings bank. However, accrued interest in the amount of $362.15 for the following periods has not been recorded on the savings bankbook:

October 15, 1954	$ 18 75
April 15, 1955	112 77
October 15, 1955	114 46
April 15, 1956	116 17
	$362 15

Steps should be taken to have the foregoing items properly entered.

Federal Participation Contracts: For the 1956 fiscal year service contracts were entered into with the Federal Government, a brief description of which follows:

Army National Guard Service Contract: Contract No. DA19-093-NG-193 between the Federal Government and the Commonwealth of Massachusetts effective July 1, 1955 and ending June 30, 1956. This contract covers the maintenance and operations of Army National Guard Facilities as follows:

> Commonwealth Supply Depot, Natick, Mass., Commonwealth Maintenance Depot, Ayer, Mass., Fort Devens Airfield, Ayer, Mass., Massachusetts Military Reservation, Falmouth, Mass., Seventeen (17) Service Centers, Massachusetts Army National Guard, Camp Curtis Guild, Wakefield, Mass.

The contract provides that the Federal share is not to exceed $83,936.00 for the year and the State share not to exceed $27,978.66. Invoices for fuel and other maintenance supplies are received by the office of the State Quartermaster where, after approved, they are forwarded to the United States Property and Disbursing Officer who pays the vendors direct. The salaries of the maintenance employees are paid by the State, which at the end of the year are reimbursed by the Federal Government not to exceed $31,290.00, but may be reduced if necessary to provide that the State's share shall be 25% of the total allowable costs.

The contract further provides:

> "13. Applicability of Income Received: All revenue received by the contractor from the operations of any facility, the maintenance and/or operation of which is included in the aforesaid contract, and any income from rebates, refunds, etc., shall be accounted for by the contractor and applied in the reduction of the cost of operating said facility; and it is further provided that only the agreed portion of the net cost of the use and/or operation of all facilities covered by this contract shall be reimbursed by the Government."

By contractor is meant the Commonwealth of Massachusetts.

Air National Guard Service Contract: Contract DA19-093-NG-194 between the Federal Government and the Commonwealth of Massachusetts effective July 1, 1955 and ending on June 30, 1956. This contract covers the maintenance and operations of Air National Guard Facilities as follows:

> Logan International Airport, East Boston, Mass., Barnes Airport, Westfield, Mass., State Armory, Worcester, Mass.

The contract provides that the Federal share not to exceed $90,475.00 for the year and the State share not to exceed $30,158.33 for the year.

Invoices for fuel and other maintenance supplies are received by the office of the State Quartermaster where, after approval, they are forwarded to the United States Property and Disbursing Officer who pays the vendors direct.

The contract provides:

> "(G) The Commonwealth of Massachusetts will pay twenty-five per cent of the combined Federal and State costs allowed under this contract, not to exceed $30,158.33. In lieu of paying twenty-five per cent of the cost of each and every item property allowable under this contract, the Commonwealth of Massachusetts will pay all salaries incident to this contract, and the entire cost of maintenance of the Air Force portion of the Worcester Armory."

ARMORY COMMISSION REPORT NO. 56-140

Construction of Armories: During the period under audit twelve agreements were entered into between the Armory Commission acting for the Commonwealth of Massachusetts and the Federal National Guard Bureau for the construction of armories. The cost of such construction is divided with certain exceptions as follows: 75% borne by the Federal Government and 25% by the Commonwealth of Massachusetts. These agreements were approved by the Governor and Council and the Attorney General. The contracts for engineering services are also paid by the Federal Government and the Commonwealth of Massachusetts on the same basis, namely, 75% by the Federal Government and 25% by the Commonwealth of Massachusetts. The engineering contracts are approved by the Governor and Council and the Attorney General.

During the period under audit seven contracts were awarded for the construction of armories in the following locations:

Boston - Dorchester
Braintree
Chicopee
Gardner
Newburyport
Ware
Webster

It was noted that these contracts were not approved as to form by the Attorney General.

It was also noted that these contracts did not include a "Liquidated Damage" clause. However, it should be stated that the Armory Commission uses the contract form provided by the Federal National Guard Bureau which includes the following paragraph:

> "GC-6-(c) Failure of the Contractor to comply with the requirements of the Architect under this provision shall be grounds for determination by the Architect that the Contractor is not prosecuting the work with such diligence as will insure completion within the time specified. Upon such determination the Commission may terminate the Contractor's right to proceed with the work, or any separable part thereof, in accordance with the Articles of the Contract."

MILITARY RESERVATION COMMISSION REPORT NO. 56-141

No Comments.

NANTUCKET STEAMSHIP AUTHORITY REPORT NO. 56-142

See Nantucket Steamship Authority section of this report.

MASSACHUSETTS CORRECTIONAL INSTITUTION AT WALPOLE REPORT NO. 56-143

Maintenance Section - Petty Cash: It was noted that petty cash for maintenance use has been obtained, in a few instances, by drawing checks on the Inmates' Personal Fund. It is suggested that this procedure be discontinued and checks for required funds be drawn on the maintenance advance bank account.

Fiscal Year 1955 Maintenance Advance: When the 1955 advance money was returned to the State Treasurer in July 1955, it was classified as having been returned late. As a result, the 1955 advance money returned was treated as 1955 expenditures and for 1956 it will be treated as miscellaneous income.

MASSACHUSETTS CORRECTIONAL INSTITUTION AT NORFOLK REPORT NO. 56-144

Industries Fund: Section 119 of Chapter 770, Acts of 1955 states:

> "Beginning ninety days after effective date of this act all receipts from the labor of prisoners theretofore credited to the Prison Industries Fund shall be thereafter credited to the general funds of the commonwealth and such expenditures, including expenditures for tools, materials, implements, services and wages of prisoners, as were formerly paid from the Prison Industries Fund shall be paid subject to appropriation from the general funds of the commonwealth. Any unexpended balance remaining in the Prison Industries Fund ninety days after the effective date of this act shall be credited to the general funds of the commonwealth."

In compliance with the foregoing act on January 17, 1956, the amount of $499,031.80 was transferred from the Massachusetts Correctional Institution, Norfolk, Prison Industries Fund to the general fund and $353,463.00 was appropriated from the general fund to the Massachusetts Correctional Institution, Norfolk, Industries Section for the period January 17, 1956 to June 30, 1956.

Industries - Profit from Operations: The total sales for the fiscal year 1955 were $558,349.32 as compared to $476,306.64 for 1954, a net increase of $82,042.68 or approximately 17.2% increase over the previous year. The net profit for 1955 was $110,008.72, equivalent to 19.70% on sales.

STATE TEACHERS COLLEGE AT BOSTON REPORT NO. 56-145

Tuition Due: Included with the outstanding accounts receivable

is $1,650.00 which is due from tuition. This item comprises the following:

From the Eastburn Scholarship Fund (City of Boston) being held in the Probate Court awaiting certain adjustments	$1,400 00
From Vocational Rehabilitation	150 00
From State Aid	50 00
Total Charge Off	50 00
	$1,650 00

College Bookstore Account: A great deal of difficulty was experienced in making an analysis of the cash receipts and disbursements of this activity. It is therefore accordingly suggested that the following changes be incorporated with the present routines:

a) All cash received should be deposited intact.
b) The change fund created should be set up in a separate general ledger account.
c) An Overage and Shortages account should be established in the general ledger.
d) The petty cash account should be used only for the purpose originally intended.
e) The present practice of making payments from current receipts should be discontinued.
f) The petty cash receipts and disbursements should not be entered on the main cash book.

It is also suggested that possibly the present bookkeeping system should be revised.

RECEPTION CENTER FOR GIRLS AT LANCASTER REPORT NO. 56-146

No Comments.

SCHOOL BUILDING ASSISTANCE COMMISSION REPORT NO. 56-147

Construction Grants: The General Court has appropriated $19,100,000.00 to April 17, 1956 for the purpose of financial assistance for the construction of public school buildings by the various cities and towns within the Commonwealth. Appropriations were first made effective in 1950.

This Commission, in compliance with Chapter 645 of the Acts of 1948, as amended, has expended to date $18,672,391.85 for such assistance. In addition, encumbrances as of the date of audit totaled $427,608.15.

It was noted that there were eleven certified projects totaling $242,851.43 which should be paid during May and June 1956. There were also one hundred incompleted projects with estimated amounts payable of $1,863,880.16. There were also three projects totaling approximately $173,387.50 representing reimbursements due to districts on account of regional school planning costs. The foregoing several items represent a total commitment of $2,280,119.09 as of April 17, 1956 which should have been paid in the 1956 fiscal year if there were funds available.

It is understood that the budget request for the 1957 year is $8,000,000.00.

It was also noted that grants by the Commonwealth in excess of $50,000,000.00 have been approved for completed projects based on construction costs of more than $150,647,000.00.

Payments were also made on certain incompleted projects with estimated construction grants in excess of $43,600,000.00 based on estimated costs of more than $122,900,000.00.

It is also estimated that further grants of more than $26,500,000.00 will be made against estimated costs of $74,000,000.00 for projects presently in the process of construction.

OLD STATE HOUSE REPORT NO. 56-148

No Comments.

INDUSTRIAL SCHOOL FOR BOYS REPORT NO. 56-149

State Funds Used to Cash Inmates' Fund Checks: In connection with checking the items as recorded on the debit side of the State cash book to corresponding items on duplicate bank deposit slips, it was noted that certain items, which appeared on the latter, could not be identified in the cash book. It was learned that these items were checks which belonged to the Inmates' Fund, but, which had been cashed from State funds. Attention is called to the following regulation appearing in the Comptroller's Accounting Manual:

> "Money received on account of the Commonwealth must not be used under any circumstances for the purpose of cashing checks for employees or any other individuals."

CONTRIBUTORY RETIREMENT APPEAL BOARD REPORT NO. 56-150

No Comments.

BOARD OF COMMISSIONERS OF FIREMEN'S RELIEF REPORT NO. 56-151

Minutes of Board Meetings Not Signed: It was noted that all of the minutes of the meetings of the Board were not properly signed. This matter should be corrected so that approved claims may be properly authorized for payment.

Rates: The following is an excerpt from the minutes of a meeting dated July 6, 1955.

> "After due consideration of the amount to be paid for injury benefits, it was voted to continue payment of the $2.00 a day benefit to callmen and $1.00 a day benefit to permanent men injured in the performance of fire duty for a period not exceeding 100 days on any one injury."

DEPARTMENT OF PUBLIC WORKS HIGHWAYS DIVISION REPORT NO. 56-152

Prior Years Advance Money Not Cleared: The following items represent balances of advances made in prior years which had not been repaid to the State Treasurer as of April 24, 1956.

Unaccounted for Advance	Amount	Disallowed Payrolls	Advances to Employees not repaid
1952 Fiscal Year	$ 2,001 86	$ 2,001 86	-
1953 Fiscal Year	384 65	384 65	-
1954 Fiscal Year	2,058 51	2,058 51	-
1955 Fiscal Year	6,589 22	6,494 67	$94 55
	$11,034 24	$10,939 69	$94 55

The disallowed items for the 1952 and 1953 fiscal years represent overtime paid to two officials of the department, one of whom retired on December 31, 1952. The amount involved in his case was $559.25. The amount paid to the other official, who is still in the employ of the department, was $1,827.26.

It is again suggested that the department arrange for the clearance of all these outstanding advances.

Transits: A card file of transits owned is maintained by the department. Confirmation notices were mailed to those who were charged with possession of these transits. One of the notices returned indicated that a department transit which had been charged off the records on January 13, 1953 by vote of the board was actually in the hands of an engineer in District 6. This transit had been reported as stolen and the board had thereupon authorized the charge-off. Further correspondence with the District Highway Engineer corroborated the fact that the transit was in current use. This information was given to the department storekeeper who stated that he would adjust his records shortly upon physical inspection of the transit in question.

Reimbursements from the Massachusetts Turnpike Authority: The Authority is allowed to incorporate in the turnpike certain state highways and bridges as expressed in Section 6 of Chapter 354 of the Acts of 1952.

> "The Authority may, with the approval of the state department of public works, incorporate in the turnpike any existing state highway or part thereof or any partially completed state highway or any bridge which it may deem necessary for a proper alignment of the turnpike, and the actual cost thereof shall be reimbursed to the commonwealth to the credit of the Highway Fund from the proceeds of its turnpike revenue bonds."

Recent invoices rendered by the department are listed below:

	DATE OF BILL	AMOUNT	DATE PAID	AMOUNT PAID
CONNECTICUT RIVER BRIDGE BETWEEN CHICOPEE AND W. SPRINGFIELD	FEB. 15, 1955	$1,960,047 49	APR. 6, 1956	$1,950,000 00
CONNECTICUT RIVER BRIDGE BETWEEN CHICOPEE AND W. SPRINGFIELD	FEB. 25, 1955	3,584 07	-	-
SPRINGFIELD BY-PASS IN CHICOPEE AND LUDLOW	APR. 10, 1955	604,921 43	MAY 6, 1956	604,921 43
SPRINGFIELD BY-PASS IN CHICOPEE AND LUDLOW	APR. 25, 1955	1,916,785 11	-	-
STOCKBRIDGE - WEST STOCKBRIDGE SECTION	AUG. 23, 1955	2,290,511 32	-	-
SERVICES OF THE REVIEW BOARD ON LAND DAMAGE APPRAISALS ON ABOVE PROJECTS	SEPT. 12, 1955	2,500 00	-	-
MANUFACTURE OF SIGNS	MAR. 23, 1953	711 31	FEB. 17, 1955	711 31
		$6,779,060 73		$2,555,632 74

For the purpose of effecting the transfer of the Connecticut River Bridge between Chicopee and West Springfield from the Department of Public Works to the Massachusetts Turnpike Authority three deeds were prepared and approved by the Commissioners on March 6, 1956. Approval, by the Governor and Council of these deeds was given at a meeting held March 8, 1956. A check was recorded as received from the Authority in the amount of $1,950,000.00 on April 6, 1956. It is understood from correspondence on file that this amount represents partial payment subject to revision upon final audit for the purpose of determining the actual costs.

Two invoices were rendered to the Authority by the Department in connection with the relocation of auto route 20 (Springfield Bypass). The first represents services of an engineering firm in the amount of $604,921.43 and was paid on May 6, 1955. The second invoice covering expenditures by the Department from July 1951 through December 1954 is a partial billing and certain items such as aerial and seismological surveys will be billed at a later date. The Authority has indicated by correspondence that they are prepared to make a payment of $1,900,000.00 after the necessary deed has been prepared and processed.

The Authority is also prepared to make a substantial payment of approximately $2,200,000.00 for transfer of the Stockbridge - West Stockbridge section upon execution, delivery and recording of a deed which will contain a provision for delayed passing of title and control of the way by the Department. Title cannot pass to the Authority until such time as the highway may be closed to public use.

The amount received from the sale of the Connecticut River Bridge between Chicopee and West Springfield has been returned to the Highway Fund from which the funds originally expended thereon were received. Amounts as received on the other two properties to be sold are to be placed in a separate account since these projects were financed by bond issues, and reimbursements will be used on replacement projects in the same area, as indicated in Section 2, Chapter 556 of the Acts of 1952 and Section 2 of Chapter 403 of the Acts of 1954 each of which provide for accelerated highway programs:

> ".....If any road or bridge, whether completed or under construction in any area is acquired by the Massachusetts Turnpike Authority, the department of public works is hereby authorized and directed to proceed forthwith to construct and reconstruct other roads and bridges in the same areas as defined in the bond issue or bond issues in which funds for such acquired roads and bridges were provided and to expend therefor and for no other purposes such sums not exceeding in the aggregate the amount originally expended on such acquired road or bridge from the proceeds of the bond issue authorized by this act or of any previous bond issue or bond issues but not to exceed in any event the amount received from said authority. Any sums so received are hereby made available without further appropriation."

New Construction Project Awarded without Competitive Bidding: As noted in the preceding audit report, an extension of sub-structure, surface roads and approaches from High Street to Oliver Street, Boston, which work was not anticipated or included in the original plans and specifications, was awarded to the contractor engaged on adjacent construction of the John F. Fitzgerald Expressway in Boston. This new

construction was classified by the department as an alteration (no. 2) of the adjacent construction project and was approved by the Commissioners at their board meeting of December 16, 1954. The estimated cost of this new project was $343,012.35.

In connection with this additional work the Department filed a "Notice of Intention" with the Comptroller's Bureau on December 8, 1954 reporting the estimated cost of an extra work order (no. 14) in the amount of $25,218.00. The balance of the construction involved in this addition to the expressway consisted of work or materials similar to that listed in the original contract executed April 15, 1952 and would be paid at the contract unit prices therein set forth. Consequently, department officials pointed out, the only "extra work" connected with the extension construction are the non-contract items which consist of work or materials not employed or utilized in the construction of the D-1 and H-1 sections of the contract.

As stated in the prior report the department's definition of "Extra Work" reads as follows:

> "Work or materials for which no price agreement is contained in the contract and which is deemed necessary for the proper completion of the improvement."

The Comptroller has stated that it is the opinion of his office that alteration no. 2 is in its entirety "extra work" and comes within the provisions of General Laws, Chapter 29, Section 20A.

The opinions of the two state agencies were at variance over the interpretation of this statute and the Comptroller's Bureau withheld processing for payment on vouchers which contained items under alteration no. 2. The statute is quoted below:

> "Section 20A. Public Inspection of Certain Orders and Claims, in Advance of Approval or Rejection Thereof, in Connection with State Contracts. -- No order for, or claim for payment for, extra work or materials, furnishings or equipment, in addition to an existing contract for the construction or repair of any structure or of public works of any nature whatsoever or for equipment or furnishings, shall be approved by any official, board, department or commission on behalf of the commonwealth until one week after notice of intention to act upon such order or claim shall have been filed by him or it with the comptroller; provided, that, in the case of any such order estimated to involve a cost of less than one thousand dollars and in the case of any such order necessitated by extreme emergency involving the health or safety of persons or damage to property or to work in progress, notice of the approval of such order may be filed after the work has been commenced or completed, but such notice shall be so filed as soon as practicable, with a brief statement as to the character of the extreme emergency, if any, and in any event such notice shall be filed before final payment is made on the contract to which the order or claim for extra work or payment relates. The foregoing requirements shall not apply to change in quantities of work or materials covered at unit prices by an item or items in any such original contract, nor to work, other than extra work, for which payment is specifically provided in the contract or specifications. Every notice under this section shall contain the number or other

designation of such contract, together with the title and date thereof, and a statement of the amount of the accepted bid and of the estimated total cost based on the bid prices of such contract, and of the total amount of orders or claims previously approved for payment, and of the character and location of work proposed or included under each such order or claim, and of the estimated cost or amount under each such order or claim. Said notices shall be entered by the comptroller upon a docket and shall be open to public inspection.

No such order or claim shall be split or divided for the purposes of evading any provision of this section. (1937, 407.)"

In this connection the preceding audit report stated:

"To correct the distorted financial picture of certain construction projects of which this Extention represents only one instance, the Commission on Administration and Finance is urged to make arrangements to define those construction costs that come within the categories of "Extra Work" and "Over-runs".

At the request of the Commissioner of Administration and Finance a lengthy opinion was received from the Attorney General's Department. Excerpts from this opinion are quoted below:

C O P Y

(Atty. Gen's. File #86289)
August 12, 1955.

Carl A. Sheridan, Esq.
Commission of Administration
State House
Boston, Massachusetts

Re: V. Barletta Co. - Contract No. 5071

Dear Sir:

"By letter dated July 28, 1955 you have requested my opinion on questions relating to proposed payments to V. Barletta Co. for certain work on the John F. Fitzgerald Expressway as follows:

'1. If a contract contains unit prices, may the department which executed the contract using such unit prices authorize additional work not included in the original contract without filing a Notice of Intention as required by General Laws, Chapter 29, Section 20-A, provided the additional work is based on the same unit prices?'

'2. Does the extension of the substructures and surface roads by V. Barletta Co. come within the provisions of extra work as set forth in General Laws, Chapter 29, Section 20-A?'

'3. May payment be made to V. Barletta Co. for work done between High Street and Oliver Street when the Department of Public Works has not filed a Notice of Intention as set forth in General Laws, Chapter 29, Section 20-A?'

.....If the work here in question is within the general scope of the contract, it must be either an 'alteration' or 'extra work,'

.....'Alteration' - 'Change in the form or character of any of the work done or to be done.'

..... 'Extra Work' - 'Work or materials for which no price agreement is contained in the contract and which is deemed necessary for the proper completion of the improvement.'

The definition of 'alteration' quoted above must be taken to refer to 'any of the work done or to be done' as described and limited by special provision, plans and detailed specifications. Broadly, this would restrict 'alterations' to those things which lie within the original scope of the work 'done or to be done' as defined in the particular contract under consideration.

By contrast, the definition of 'Extra Work' carries the implication that the work in question was not anticipated and was not called for by the plans and specifications, but was deemed necessary to complete the project.

..... Question No. 1, because of its broad assumptions, is here treated as a general question not limited to the fact of Contract 5071 with V. Barletta Co. The words 'additional work not included in the original contract' are here understood to relate to work beyond the scope of the original contract and not to mere changes in detail in accomplishing work to be done as limited by the contract. In that sense, 'additional work not included in the original contract' is 'extra work' provided also that it was in fact necessary to the completion of the original project in a satisfactory form. For such work, a Notice of Intention would be necessary. However, the fact that the contract contains unit prices, and that the 'additional work' is based on the same unit price is not controlling in determining whether 'additional work' is an 'alteration' or 'extra work', and in some instances may not even be material, as where the 'additional work' constitutes such a change in the contract as to be beyond the scope of the contract as originally written. See Morse v. Boston, 253 Mass. 247, 254. As so construed, the answer to Question No. 1 is 'No.'

.....Question No. 2. .....However, whether the 'extension' here involved, treated as a whole, is an 'alteration' or 'extra work' remains a technical question of fact to be determined by the department having administrative jurisdiction over performance of the contract, although such determination should be made within the bounds of the legal principles hereinbefore set forth. The function of this department is to advise on questions of law and not to make findings of fact on matters of an administrative nature lying within the jurisdiction of another department.

Consequently, the answer to Question No. 2 is that Notice of Intention under G. L. c. 29, Sec. 20A must be given if the Department of Public Works determines that the entire change here involved was 'extra work,' but need not be given if that Department finds that such change was an 'alteration' as defined above.

Question No. 3 related to the validity of making payment to V. B. Co. for work done on the 'extension' here involved. Whether a Notice of Intention must be filed depends on the answer to Question No. 2."

It would appear from the definition of terms and the legal principles set forth in the Attorney General's opinion together with an objective survey of all the facts that the issue of whether the subject change was an Alteration or Extra Work, turns solely on whether or not such work was contemplated or required in the original contract. The

fact that the new work was or was not, by chance, covered by unit price items in the contract, is immaterial.

It would further appear that the "die", as it were, "having been cast" by prior Board statements concerning and approval of Alteration #2 and Extra Work Order #14 on December 16, 1954, coupled with the fact that the contractor had gone forward in good faith and expected payment therefor, that the point of no return had been reached.

Neither the refusal of the Comptroller to approve payments upon his inadvertent apprisal of the facts concerning this increase of original contract cost, nor, subsequently, the rather pointed opinion of the Attorney General of August 12, 1955 setting forth the legal principles, within the bounds of which administrative determination of the question must of necessity be made, nor even the Comptroller's unique requirement of an affidavit to be executed under the penalties of perjury deterred the Board on August 31, 1955 from reaffirming its December 16, 1954 approval of "Alteration #2" and Extra Work Order #14 on Contract #5071.

The following is an excerpt from the final page of the Attorney General's Opinion regarding the powers and duties of the Comptroller:

"The duties of the Comptroller in regard to payment here involved are defined in G. L. c. 7, Sec. 13, so far as here material, as follows:

> Sec. 13 - 'The comptroller shall examine all accounts and demands against the commonwealth..... He may require affidavits that articles have been furnished, services rendered and obligations incurred, as claimed. Such affidavit for any office, department, commission and institution shall be made by the person authorized to incur such obligation ..... if it appears to him that there are improper charges in said accounts or demands he shall report the same to the governor and council with a separate certificate therefor.'

It would appear from said Sec. 13, that, in the event that the Comptroller does not concur in the finding which may be made by the department, and believes that the charges are improper in any regard, he must report that fact to the governor and council, presumably for their final scrutiny and determination."

Accordingly, the Comptroller under the above statutory mandate, believing the charges for Alteration #2 to be improper, reported his complete file on same to the Governor and Council in the letter that follows:

C O P Y

Sept. 14, 1955

His Excellency the Governor
and the Honorable Council
Executive Chambers
State House
Boston, Mass.

Gentlemen:

With due respect to the right of a department to make a determination as to an "alteration" or "extra work" as enunciated in an opinion of the Attorney General, dated August 12, 1955 I cannot concur with the findings made by the Public Works

Department with reference to Extra Work #14 and Alteration #2 under contract 5071 entitled "Construction of substructure and approaches for section of John F. Fitzgerald Expressway."

It is my opinion that "Extra Work #14" and Alteration #2 is one entire Extra Work order, requiring compliance with the provisions of General Laws, Chapter 29, Section 20-A, relative to Extra Work.

As there has been no compliance regarding Alteration #2, I feel that the charges for Alteration #2 are not in proper order.

Therefore, in accordance with the provisions of General Laws, Ter. Ed. Ch. 7, Sec. 13, I am reporting, for your determination, vouchers numbered 001 in the amount of $95,972.86, voucher 002 in the amount of $71,432.55, voucher 003 in the amount of $82,470.94 and voucher 004 in the amount of $66,424.22 on a separate certificate #879.

The above vouchers include charges for work under Alteration #2 as follows:

Voucher numbered 001 in the amount of $65,227.00
Voucher numbered 002 in the amount of 44,179.00
Voucher numbered 003 in the amount of 18,712.75
Voucher numbered 004 in the amount of 6,000.00

Attached hereto are other valuable documents which may be of assistance in your determination.

Very truly yours,

/s/ Fred A. Moncewicz
Comptroller

The amounts indicated in the preceding letter were paid as the warrant including them contained the Comptroller's necessary certification. No further payments for work done under Alteration no. 2 have been made. The Comptroller's Bureau has returned to the department all subsequent invoices for payment under the original contract which contained items under Alteration no. 2 with the request that such items be vouched on separate invoices.

It is difficult to understand why the Comptroller certified the aforementioned warrant (#879) when he felt so strongly that the charges were improper as expressed in the aforementioned letter and particularly in view of the language of the certification as quoted below:

"To his Excellency the Governor, and the Honorable Council I hereby certify that there is due upon the roll hereunto annexed the sum set against each name, amounting in the aggregate to $316,300.57 on account of Department of Public Works.

See Comptroller's letter dated September 14, 1955.

/s/ Fred A. Moncewicz"
COMPTROLLER

Certification for Payment Withheld by Comptroller: At a meeting of the Governor and Council on December 15, 1955 warrant no. 1802 which called for a payment of $17,025.67 to a Department of Public Works Contractor (contract #5907) was held over.

Correspondence indicates that the Comptroller elected to withhold his certification of this amount because of non-compliance with the provisions of the General Laws, Chapter 29, Section 20A relative to "extra work".

On a subsequent date the warrant was submitted to the State Treasurer without the Comptroller's certification. The State Treasurer, however, refused to deliver this amount since under Chapter 29, Section 18 of the General Laws the Comptroller's certification is necessary. A letter stating these facts was sent to the Governor and Council by the State Treasurer.

The payment in question had not been made as of April 24, 1956.

MOUNT GREYLOCK RESERVATION COMMISSION REPORT NO. 56-153

No Comments

DEPARTMENT OF PUBLIC UTILITIES
ADMINISTRATIVE DIVISION REPORT NO. 56-154

Accounts Receivable: The department general ledger does not include a control accounts receivable account.

It was noted that the Gas and Electric Division bills two concerns for meter inspections. Four April 1956 charges totaling $1,023.75 of which $818.80 were paid during the course of the audit.

Bad Checks: The previous audit stated:

"It is suggested that a memorandum record be kept of all bad checks. This record should include the following information:
Date of check and maker's name.
Date returned by the State Treasurer.
Receipts voucher date and number.
Date made good".

A memorandum record is now being kept but it does not include the complete information suggested.

PONDVILLE STATE HOSPITAL REPORT NO. 56-155

Accounts Receivable - Old Accounts: Previous audit reports have commented on the failure of the Institution to take action on old accounts receivable and urged that they be referred to the Attorney General for collection and/or disposition.

An analysis of the accounts receivable balance as of May 3, 1956 showed 106 accounts totaling $15,117.74 for calendar years prior to and including 1953.

These old accounts, which are more than doubtful of collection as indicated by letters sent by the Treasurer's office and further evidenced by replies received on verification notices, have not been sent to the Attorney General's office as recommended in the previous audit report and are accumulating year by year.

It is again recommended that all the accounts be reviewed and those determined to be uncollectible be forwarded to the Attorney General's office for action without further delay.

Income: Attention is directed for comparative purposes to the fact that income for employees' maintenance charges in the amount of $1,412.57 for June 1955 was recorded by the Comptroller's Bureau as income for the 1956 fiscal year because of untimely submittal at the end of the 1955 fiscal year.

The Comparative Statement of Receipts Account of Income and Disbursements under Appropriations, Schedule No. VI, shows $15,565.24 as Employees Maintenance Charges and Receipts of $232,678.60. These two amounts are understated by the amount of $1,412.57, because of this adjustment for fiscal 1955 and will be overstated for the 1956 fiscal year by the same amount.

Laundry Building: Chapter 604 of the Acts of 1952 appropriated $60,000.00 for the remodeling of the old laundry building, including the cost of furnishings and equipment.

The April 30, 1956 Financial Report shows $49,846.92 expended to that date with an appropriation balance of $10,153.08.

The acceptance date of 100% completions was April 11, 1955. Since that date the building has remained idle, and no laundry machinery has been installed.

It is estimated that an additional $22,000.00 is required in addition to the $10,153.08 balance to purchase this machinery and equipment.

At present, the laundry is being done at Norfolk Prison Colony at a monthly charge of $1,082.25 as computed on the June 30, 1955 per capita basis.

An inspection of this building disclosed the fact that certain equipment was installed under the remodeling contract that is peculiar to the needs of a laundry such as hot water tanks, drains, ventilating fans, etc.

FOXBORO STATE HOSPITAL REPORT NO. 56-156

Creation of Walnut Lodge: It was noted that during the current audit period a hospital, known as Walnut Lodge, was opened for aged persons who are not mentally ill. This hospital has been placed under the direction of the Department of Mental Health and consequently controlled by the superintendent of the Foxboro State Hospital. Chapter 464 of the Acts of 1952 states in part:

> "The Department of Mental Health is hereby authorized to reconstruct and develop the property, under its control in the Town of Foxborough known as the 'Farm School', for use as a hospital for aged persons who are not mentally ill. Admissions of patients to said hospital shall be voluntary and not by commitment, and said hospital, although under the supervision and control of said department, shall be deemed to be a public medical institution within the meaning of section one of chapter one hundred and eighteen D of the General Laws."

It was further noted that Walnut Lodge was licensed as a public medical institution by the Department of Public Health on August 9, 1955 and that the first patients were admitted on August 22, 1955. On the audit date Walnut Lodge, with a capacity of 96 patients, had a patient population of 50.

CONNECTICUT RIVER VALLEY FLOOD CONTROL COMMISSION REPORT NO. 56-157

Tax Losses: Tax losses and repayments determined by the commission under Article V of Chapter 692 of the Acts of 1951 were as follows:

Tax Losses - 1954

Vermont		$ 1,443 20
New Hampshire		2,728 73
Massachusetts		19,140 64

Tax Repayments - 1954

To Vermont:		
Massachusetts	50%	$721 60
Connecticut	40%	577 28
To New Hampshire:		
Massachusetts	50%	$1,364 36
Connecticut	40%	1,091 50
To Massachusetts:		
Connecticut	40%	$7,656 25

Tax Losses - 1955

Vermont		$ 2,039 32
New Hampshire		3,270 81
Massachusetts		12,691 01

Tax Repayments - 1955

To Vermont:		
Massachusetts	50%	$1,019 66
Connecticut	40%	815 73
To New Hampshire:		
Massachusetts	50%	$1,635 40
Connecticut	40%	1,308 32
To Massachusetts:		
Connecticut	40%	$5,076 40

MASSACHUSETTS AERONAUTICS COMMISSION REPORT NO. 56-158

Reimbursement to Cities and Towns for Airport Construction Projects: During the current audit period, funds were expended from special appropriations for construction work at various municipal airports within the Commonwealth. The Federal Government, the Commonwealth and the various municipalities concerned, participated in the program for airport construction projects in the approximate ratio of 50%, 25% and 25% respectively. Under the provisions of Chapter 525 of the Acts of 1953, nine agreements were entered into by the Commonwealth in which there will be no Federal participation. To date, five have been completed, but no funds have been disbursed on the other four.

All contracts awarded under this program are approved by the Massachusetts Aeronautics Commission, since, under provisions of appropriating acts of the 1950 and subsequent fiscal years the approval of contracts by the Massachusetts Public Buildings Commission is no longer required. Progress of work is checked by engineers of the Massachusetts Areonautics Commission.

Invoices are presented to the Massachusetts Aeronautics Commission by the municipalities for reimbursement of the Commonwealth's share of construction cost.

Checks sent by the Federal Government are payable to the Massachusetts Aeronautics Commission as agent for the municipalities concerned. The Commission deposits these checks in a separate bank account and almost immediately draws checks on this account payable to the particular city or town concerned.

Apparently the amounts awarded by the Federal Government under the program are not controlled by the Commonwealth.

The following schedule indicates the amount of Federal and State aid paid to cities and towns for airport construction from February 10, 1955 to May 2, 1956:

City or Town	State Aid	Federal Aid	Total
Worcester	$42,588 41	$57,293 19	$ 99,881 60
New Bedford	6,212 94	34,541 43	40,754 37
Norwood	5,775 57	..	5,775 57
Pittsfield	4,481 77	-	4,481 77
Fitchburg	1,604 76	-	1,604 76
Lawrence	400 00	-	400 00
	$61,063 45	$91,834 62	$152,898 07

COMMISSIONER OF VETERANS' SERVICES REPORT NO. 56-159

Reimbursement to Cities and Towns for Veterans' Benefits: On June 30, 1955 there was owing to cities and towns the amount of $2,376,831.14 for the months of January 1955 through June 30, 1955. This latter amount was reimbursed from the 1956 fiscal year's appropriation during the months of August 1955 through February 1956.

Reimbursement to Cities and Towns for World War II Allowances: On June 30, 1955 there was $13,909.24 owing to the various cities and towns for the months of January 1955 through June 30, 1955. This amount was reimbursed during the months of August 1955 through February 1956 from the 1956 fiscal year funds.

MASSACHUSETTS CORRECTIONAL INSTITUTION
AT CONCORD REPORT NO. 56-160

Accounts Receivable: Included in the maintenance accounts receivable outstanding on date of audit is an amount of $176,747.35 due from Industries for heat, light and power. The Comptroller's office in a letter dated May 7, 1956 to the Commissioner of the Department of Correction, authorized that the above amount be charged off the books of this institution. This letter reads in part as follows:

> "The Acts of 1955, Chapter 770, Section 119, provided that 'Any unexpended balance remaining in the Prison Industries Fund ninety days after the effective date of this act shall be credited to the general fund of the commonwealth;' and this provision having been accomplished, your request has the approval of this bureau and you are hereby authorized to make the requested charge-off on the books of the institution."

The remaining balance in outstanding accounts on date of audit consisted of $1,199.99 representing $929.64 rent which is subject to pay roll deductions during May 1956 and two other accounts dating back to 1953. It is understood that these two accounts will be settled in the near future.

Industries - Compensation for Inmates: Since January 18, 1956 all inmates, except those in solitary, have been credited by groups with wages earned at rates of 30 cents, 25 cents, and 15 cents per day. The total inmate population is split into three groups on a percentage basis as follows:

Group	Rate per Day	% of Inmate Population
A	30¢	25%
B	25¢	50%
C	15¢	25%

No money shall be paid directly to any inmate during the term of his imprisonment. One half of the money earned by an inmate may be spent on behalf of the inmate for articles for use of the inmate. Upon release, the inmate is paid the balance remaining in his account.

General: Since the prior audit date, a new act relative to the penal and reformatory institutions of the Commonwealth, has been written into the General Laws, namely Chapter 770, of the Acts of 1955. This Act changed the name of this institution from "Massachusetts Reformatory" to "Massachusetts Correctional Institution, Concord". The title of the head of the institution is to be known as "Principal Officer".

STATE TEACHERS COLLEGE AT WORCESTER REPORT NO. 56-161

Sales Book Missing: In connection with accounting for sales books used during the period covered by this examination it was noted that there was one complete book on hand on the date of the previous audit which could not be accounted for on the date of the current examination.

It is therefore recommended that more care be exercised in the safeguarding of these books so that they will be available for an accounting at the time of an audit.

Income from Cafeteria: In this connection previous audit reports have stated as follows:

> "Although a cafeteria is operated by a private individual in the college building, no income from this source was noted on the books of the college."

It was again noted that no income from this source appeared on the records of the college during the current audit period.

Income from Vending Machine: Previous audit reports have stated in this regard as follows:

> "There is a Coca-Cola machine located in the cafeteria of the college building. It was learned, however, that the income from it is given to the Students' Activities Fund."

Apparently this function is still being handled in this manner and no income to the Commonwealth from this source was accrued during the current audit period.

STATE EMPLOYEES' GROUP INSURANCE COMMISSION REPORT NO. 56-162

Minutes of the Meetings of the Commissioners: The minutes of the meetings of the Commissioners are generally kept in a haphazard manner; minutes of the following meetings were not available:

December 12, 1955
December 22, 1955
December 30, 1955
January 27, 1956

It was noted in the minutes that were produced that no mention was made of the fact that any insurance contracts were awarded and/or on

what basis they were awarded.

The minutes of the meeting dated November 9, 1955 stated:

> "It was duly voted to insert an advertisement in the newspapers requesting bids and to publicize all pertinent information to assure all interested parties an opportunity to bid."

No evidence was presented to indicate that this vote was complied with.

Cash: An attempt was made to balance the cash. However, the examination revealed that the receipts of January and February of 1956 were not recorded in the cash book. The receipts for March were recorded and analyzed, but the remaining receipts for April 1956, and the period May 1 to May 10, 1956 inclusive, were not analyzed. Receipts on hand since May 10, 1956 were not deposited until May 16, 1956.

Accounts Receivable: Premiums due or past due were not recorded.

General Ledger: None was maintained.

Internal Control: Considering the volume of money handled, this Department must direct attention to the complete lack of internal control which has been aggravated by the elimination of the recording of the receipts and expenditures by the State Treasurer and the Comptroller's Bureau. All other spending agencies must have such receipts recorded, whether or not the funds involved represent income to the Commonwealth, as is evidenced by the following funds which are not income of the Commonwealth but which the Treasurer and Receiver-General and the Comptroller's Bureau record because of the fiduciary aspects of the matter:

1. Income Tax Deductions
2. Savings Bonds
3. Employee Retirement Deductions
4. Prison Industry Funds
5. Lowell Textile Research Foundation Funds

In view of the fact that insurance premiums are deducted from State pay rolls, in addition to the control that should be maintained by this agency, the State Treasurer and Receiver-General should also account for these funds.

However, the State Treasurer sought and received an opinion from the Attorney General which permitted the elimination of such control. The opinion of the Attorney General, however, was apparently based on the language of Section 1, subsections 8(b) and 8(c) of Chapter 628 of the Acts of 1955, which reads as follows:

> "Section 8(b). If an employee is not entitled to receive during a premium paying period, any salary, wages or other compensation, he may continue his insurance in effect by paying directly to the treasurer of the commonwealth a sum equal to the amount which would otherwise have been deducted from his salary or wages, except that if an employee is granted a leave of absence without pay he shall contribute the entire cost of his insurance to the treasurer as aforesaid and there shall be no contribution by the commonwealth for such employee's insurance."

"(c) All amounts withheld from an employee's salary or wages as provided in paragraph (a) and all amounts paid by an employee as provided in paragraph (b) and all amounts withheld from pensions or retirement allowances under the provisions of section nineteen of chapter thirty-two shall be forwarded by the treasurer or other agency responsible for the payment of employee salaries and wages or pensions and retirement allowances to the commission. The commission, from funds appropriated therefor, shall authorize payment of the contribution of the commonwealth as provided in said paragraph (a), which, together with the employee payments shall be paid at least once each month to the carrier or carriers entitled to the premium."

The Attorney General in his opinion ruled "that the checks may be forwarded to the Employees' Group Insurance Commission endorsed 'without recourse', and need not be deposited in the regular Commonwealth account. Such procedure is recognized by subsection 8(c) quoted above."

Since this ruling indicates that "monies thus received (by this agency) do not constitute money received on account of the Commonwealth", the present statute should be amended to make it obligatory on this agency to conform with the accepted procedures as set up by the Comptroller's Bureau. Premium payments should be made payable to the Commission who in turn would remit them with receipt vouchers to the State Treasurer for deposit. Payments to insurance companies would then be subject to warrants approved by the Governor and his Council after a review by the Comptroller's Bureau. Conformance with the above suggestion would force tightening the present loose handling of these funds.

Improper Diversion of State and Bond Funds: For the fiscal year ending June 30, 1956, the Legislature appropriated $10,000.00 for the administration of the State Group Insurance Commission. In addition, $3,000.00 was later transferred from the Governor's Extraordinary Fund. It was then discovered that these funds were not sufficient, and the Commission then deliberately by-passed statutes and regulations by illegally "borrowing" personnel, paid by bond funds, money set aside for Veterans' Services, and funds appropriated for other purposes, with the consent of the Commissioner of Administration, who is also a member of State Employees' Group Insurance Commission.

Inserted in the minutes of the meeting of April 27, 1956, was the following:

"Exclusive of the three accountants temporarily assigned by the Insurance Companies, the following accountants hired for the Commission, through the courtesy of the Division of Accounts, in the Department of Corporations and Taxation effective March 6, 1956, are now well trained in the audit operation. The present source of funds for these accountants will be exhausted May 28, 1956:

Name	Funds Required to June 30, 1956
Mr. M. L.	$310 15
Mr. E. F.	297 23
	$607 38

"In view of the need for continuation of the services of the above-named accountants, it was voted that the Commission of Administration and Finance be requested to approve payment from the Appropriation '03' Account to June 30, 1956."

This is a direct abuse of the purposes for which the 03 Account, "Services, Non-Employees", is appropriated.

In addition to the funds appropriated to administer the Employees' Group Insurance program, as authorized by the Legislature and Governor, money was spent by improper borrowing of personnel paid from the following appropriations and bond funds:

	Appropriation and/or Bond Fund	Number of Employees	Approximate Amount
1.	Veterans' Services	2	$ 793 50
2.	Department of Corporations and Taxation, Bureau of Accounts	2	1,210 56
3.	Civilian Defense and Commission on Administration and Finance	1	926 82
4.	Hurricane Relief (Bond Fund)	8	3,547 17
			$6,478 05

In addition to these diversions, attention is directed to the fact that four men were also borrowed from insurance companies to help the Commission in an attempt to extricate that agency from its difficulties. The cost of this personnel will necessarily decrease dividends that would have accrued to the benefit of the Commonwealth and is, therefore, a proper part of the cost of operating this agency.

This Department must emphasize the fact that of the money spent for administering the State Employees' Group Insurance program, $3,547.17 was illegally taken from Hurricane Relief bond funds.

In regard to this diversion of funds, it must be declared that:

1. It is unconstitutional
2. It is a breach of the Hurricane Relief Loan, Acts of 1954 (Chapter 689, Acts of 1954) and falsifies the cost of hurricane relief
3. It falsifies the cost of the administration of State Employee Group Insurance Program

Similarly, the cost of the other State agencies in the above tabulation will be falsely reported. No conclusion can be reached other than that the personnel involved were available because they were in excess of the needs of the agency from which they were "borrowed".

Non-Compliance with Appropriation Act: Included in Section 2 of Chapter 784 of the Acts of 1955 is the following item:

0448-02 For the commonwealth's share of the state employees' group insurance; provided, that the employees' group insurance commission shall charge the division of employment security and other departments and divisions which have federal funds allocated to them for this purpose for that portion of the cost of the program as it determines should be borne by such funds, and shall notify the comptroller of the amounts to

be transferred, after similar determination from the Highway, Inland Fisheries and Game, and Metropolitan District Commission Funds, and amounts received in payment of all such charges shall be credited to the General Fund.....$1,000,000.00

Although payments have been made out of this appropriation, the Commission, as of the date of this audit, has not complied with the proviso in the above statute which relates to the determination of the costs of this program to Federal and other State funds.

Premiums: The Commission has alleged in its publications and press releases that all covered employees, except those on leave without pay and those that are retired, shall pay one half (1/2) the premium. This is not the true fact.

Section 9 of Chapter 32A of the General Laws, as inserted by Chapter 628 of the Acts of 1955, states that:

"Any dividend or other refunds or rate credits shall inure to the benefit of the Commonwealth, and shall be deposited with the treasurer and receiver-general of the Commonwealth and shall be applied to the cost of such insurance."

The cost of such insurance to the Commonwealth will thus be decreased while the cost to the employee will remain constant.

Contract Negotiations: Section 4 of the enabling act, Chapter 32A of the General Laws as inserted by Chapter 628 of the Acts of 1954 that follows:

"Section 4. The commission shall negotiate with and purchase, on such terms as it deems to be in the best interest of the commonwealth and its employees, from one or more insurance companies, savings banks or non-profit hospital or medical service corporations, a policy or policies of group life and accidental death and dismemberment insurance covering persons in the service of the commonwealth, and group general or blanket insurance providing hospital, surgical and medical benefits covering persons in the service of the commonwealth and their dependents, and shall execute all agreements or contracts pertaining to said policies or any amendments thereto for and on behalf and in the name of the commonwealth. Said commission may negotiate a contract for such term not exceeding three years as it may, in its discretion, deem to be the most advantageous to the commonwealth; provided, however, that the portion of the cost of the premium per month to be borne by the commonwealth shall not exceed the estimated monthly cost for which funds have been appropriated by the general court for the then current fiscal year.

"For the purposes of this chapter, any savings bank authorized to engage in the insurance business in accordance with chapter one hundred and seventy-eight and any non-profit hospital service corporation or non-profit medical corporation organized under chapter one hundred and seventy-six A or one hundred and seventy-six B shall be and is hereby authorized to enter into a reinsurance agreement as

herein provided in the same manner as any other insurance company."

It is crystal clear that the Legislature intended that the Massachusetts savings banks should be considered as possible insurers.

The Commission at its discretion decided to invite proposals from all insurance companies licensed in Massachusetts. In its invitation for proposals the Commission reserved the right to reject any or all bids,

> "and to negotiate and purchase such group policy or policies on such terms as it deems to be in the best interest of the commonwealth and its employees . . ."

Due diligence and discretion, as implied in the law, would have of necessity forced the Commission to follow generally accepted procedures and standards followed by other agencies such as recording the following information:

1. Date of receipt of proposals
2. Tabulation of the retention figures based on the specifications in the invitation to bid
3. Tabulation of the benefits available to the employees and the cost of such benefits
4. Tabulation of dividends that would be available to the Commonwealth based on the specifications in the invitation to bid
5. If the lowest bidder was not awarded the contract the reason therefor

Such records were either not maintained or they were intentionally not made available during this audit. While the Commission did announce publicly that an out-of-state insurance company was the low bidder for the contract on life insurance and accidental life and accidental dismemberment, it resorted to its right to reject all bids, and to renegotiate on a non-bid basis with Massachusetts carriers who were willing to meet the bid of the out-of-state low bidder. On December 16, 1955, the Commission announced in an article in the "National Underwriter" (a magazine specializing in the insurance industry), it was granting Massachusetts companies the privilege of meeting the low bid of the out-of-state underwriter.

From information available to this Department the following events preceded the awarding of the insurance contract:

Telegrams were sent to the five members of the Commission on December 16, 1955, referring to the above-mentioned article in the "National Underwriter", on behalf of the Massachusetts savings banks in which request was made that the Massachusetts savings banks be advised of the basis and details of the renegotiation. No acknowledgments were received as to the receipt of the telegrams until Wednesday, December 28, when the Chairman of the Commission asked a representative of the savings banks by telephone, if the savings banks would be willing to match the 90¢ rate quoted by the low out-of-state bidder. At 4 P. M. of the same day, the Chairman of the Commission was notified that the savings banks not only would meet the low bid of 90¢, but would also include superior benefits to those contained in a standard accidental dismemberment rider.

Nothing further was heard concerning this matter until the

Commissioner of Administration, (also a member of the State Group Insurance Commission), was visited by a representative of the Massachusetts Savings Banks and a discussion held on the matter at 11 A. M. on December 30, 1955. The Commissioner stated then that an award would be made that afternoon and he suggested that the representative of the savings banks should be available by telephone during the course of the afternoon. On or about 3:30 P. M. December 30, 1955, the representative of the Savings Banks received a telephone call from the secretary of the Commissioner of Administration advising him not to expect further communication from the latter.

At 4:30 P. M. December 30, 1955, the savings banks learned through the Press Room at the State House that the contract had been awarded to a Mutual Insurance Company who would reinsure through seven other companies.

In evaluating this information, the following facts should be considered:

1. "Best's Life Insurance Reports of 1955" shows no previous group life insurance had been issued by the Mutual Insurance Company which received the contract.

2. "Best's Reports of 1955" shows that 64% of the premium income received by the same Mutual Insurance Company was for industrial weekly premium insurance.

3. Prior to December 30, 1955, the same Mutual Insurance Company's "Certificate of Authority", as approved by the Commissioner of Insurance, did not include the authority to write group life insurance.

4. The Commissioner of Insurance did not approve of an amendment of the same Mutual Insurance Company's "Certificate of Authority" to include the right to issue group life insurance until December 30, 1955.

5. The first group life insurance policy of the same Mutual Insurance Company was approved December 30, 1955.

6. The Mutual Company involved merely retained 5% of the underwriting and reinsured the remaining 95% with other companies.

7. Under such circumstances attention is further drawn to a comparison between certain benefits effective under the Mutual contract and corresponding benefits offered at the same rate by the Massachusetts Savings Banks.

(a) Under the Mutual contract Accidental Death and Dismemberment Insurance is discontinued for retired employees; under the Savings Banks' proposal corresponding benefits would be available up to $1,000.00 for retired employees. A natural question is therefore raised as to whether or not this benefit is permissible under the law setting up this insurance.

(b) The dismemberment benefit under the Mutual Accidental Death and Dismemberment provision is payable only for injuries sustained through accidental means; whereas under the Savings Banks' proposal benefits for the same losses are payable if the injuries are sustained from any cause (accidental or otherwise). For example, if an employee should have an arm or leg amputated because of cancer, no benefit is payable under the Mutual contract; whereas $1,000.00 would be payable under the Savings Banks' proposal. Moreover, if an employee should lose the sight of both eyes through glaucoma (or any other non-accidental cause) no benefit is payable by the Mutual contract; whereas $2,000.00 would be paid by the Savings Banks.

(c) Dismemberment caused or contributed to by mental illness, (ptomaines, poisoning, and non-accidental bacterial infections) are not covered by the Mutual contract; except for self-inflicted cases, they would be covered by the Savings Banks' proposal.

(d) The Waiver of Premium benefit under the Mutual contract is applicable to the employee's life insurance only; whereas the Savings Banks' Waiver of Premium benefit continues in full force the employee's life insurance and his disability benefits and accidental death benefits.

(e) The Waiver of Premium benefit under the Mutual contract provides that the life insurance benefit on a totally and permanently disabled employee shall be reduced to $1,000.00 when he retires; whereas under the Savings Banks' proposal such employee's life insurance shall continue for $2,000.00.

(f) The Mutual contract does not include a twelve-month extended death benefit in the event of total disability prior to the employee's sixtieth birthday -- this is included in the Savings Banks' Waiver of Premium provision.

(g) The individual level premium ordinary policies available through the Insurer or any Reinsurer under the Conversion Privilege of the Mutual contract are not as low in cost, nor as favorable in other respects, as the Savings Bank Life Insurance contracts.

General: This Commission has demonstrated in its negotiations, and its illegal use of appropriated and borrowed funds, an almost complete inability to set up and to operate this organization. Even the basic things that should have been accomplished at the very beginning have not even at this late date been initiated.

As of the date of audit, the actual liability of the Commonwealth and its employees has not been determined. At the meeting of the Commission on February 23, 1956, it was voted:

> "That a partial payment of 85% (based upon the premiums payable through the monthly pay roll) be made to the insurance carriers for the months of February and March and for all future payments falling due where the reports cannot be audited in time to make a final payment on, or before the premium date."

On April 27, 1956, almost four months after the effective date of the policy, the following schedule was inserted in the minutes of the meeting of the Commission indicating hardly if any progress in determining the actual liability of the Commonwealth.

	State Agencies Reports		Estimated Covered Employees	
	Number Reporting	Percent	Number	Percent
Reports for January, February and March of 1956	200	100	32,000	100
Audited by the Commission	116	58	6,800	21
	84	42%	25,200	79%

In addition to the lack of determination of the liability, the Commission, at the date of audit, had failed to determine the number of employees covered and the number of employees in each category of coverage.

Indications of the lack of experience and initiative (which are prerequisites of proper future planning and good administration) are revealed in the Commission's requests for additional expenses for administration. Originally $10,000.00 was requested and granted for 6 months administration of the State Employees' Group Insurance Program.

Then it was found necessary to request an additional $3,000.00 from the Governor's Extraordinary Fund to complete the 6 months activity. Finding the $13,000.00 still insufficient, the Commission, in complete disregard for existing statutes, borrowed personnel from other agencies and from the insurance carriers. For the ensuing full fiscal year, the original budget request was for $25,000.00. On February 23, 1956, the Commission voted to increase the budget to $37,870.00. On April 27, 1956, the Commission voted that "an amended budget be submitted to reflect a total request of $91,865.00". Actually, the real basic costs of administration have been inflated by the increased burden upon the employees of various institutions and agencies, brought about in complying with the red tape and unnecessarily complicated reports required by the Commission's bulletins.

This Department recommends, in view of the above report, that a survey be made which should include experts in mechanical and electronic bookkeeping, to cover all functions of this agency, and it further recommends that this survey be made before the granting of any additional permanent personnel positions to the State Group Insurance Commission.

This Department feels that by the use of due diligence and the employment of proper procedure in handling public monies, insurance contracts could have been negotiated which would have reflected a greater savings to the Commonwealth and greater benefits to its employees and that through proper procedures and routines the Commission could have achieved greater savings in the administration of this insurance program.

WEATHER AMENDMENT BOARD REPORT NO. 56-163

No Comments.

DEPARTMENT OF PUBLIC WORKS
DIVISION OF WATERWAYS REPORT NO. 56-164

Gloucester Fish Pier: On February 26, 1937 the Commonwealth of Massachusetts through this Department, in accordance with the provisions of Chapter 311 of the Acts of 1931, Chapter 303 of the Acts of 1936 as amended by Chapter 29 of the Acts of 1937 and Chapter 91 of the General Laws, leased to Gloucester Community Pier Association, Inc., the Gloucester Fish Pier with certain buildings to be erected thereon at an annual rental of $20,000.00, said lease to run for twenty years. On October 10, 1949, the lease was extended for a twenty-year period to September 30, 1969, and the rent was increased to $25,000.00 annually to be paid quarterly, beginning October 1, 1949.

Under the provisions of Chapter 653 of the Acts of 1945, as amended by Chapter 663 of the Acts of 1947, the Department of Public Works was authorized to expend not more than $350,000.00 to make certain additions to a building and its equipment which are located on the Gloucester Fish Pier, provided that the Department shall first execute an agreement with the Gloucester Community Pier Association, Inc., to reimburse the Commonwealth for the cost of such work in twenty equal annual installments, the first to be made on the date of completion of the work. Such an agreement was executed as of October 10, 1945 and was amended on September 3, 1947. The work was completed on December 19, 1949 at a cost of $349,479.34 and the first annual payment of $17,473.97 was accordingly received on January 31, 1950.

In this connection it was noted that payments are being maintained

currently. As of date of audit there was no outstanding balance on this account.

Accounts Receivable - Overdue Accounts: It was noted that accounts totaling $11,163.06 representing charges dating back several years were still carried with the active accounts.

During previous examinations of the records of the Division of Waterways, suggestions were made that all accounts more than a year old be turned over to the Attorney General for collection or disposition. These suggestions are based on the provisions stated in the Comptroller's Bureau Accounting Manual on overdue accounts. Inasmuch as these suggestions have not been complied with, they are again made.

DEPARTMENT OF PUBLIC WORKS
DIVISION OF PUBLIC BEACHES REPORT NO. 56-165

A Division of Public Beaches was created in the Department of Public Works by Chapter 666 of the Acts of 1953 which took effect upon its passage July 3, 1953. This statute includes the transfer of control of the Salisbury Beach Reservation.

Salisbury Beach Reservation: Chapter 673 of the Acts of 1953, which also took effect on July 3, 1953, provided for the erection and maintenance of certain recreational facilities in the Salisbury Beach Reservation to cost in the aggregate not more than $900,000.00. A bond issue of $1,000,000.00 by the State Treasurer upon the request of the Governor and Council is provided to meet the expenditures necessary to carry out the provisions of this act.

It also provided that from the proceeds of the sale of bonds there shall be set aside the sum of $100,000.00 as a reserve fund to pay charges for interest and amortization until the earnings from the recreational facilities shall be sufficient to pay said charges, and any balance remaining in the reserve fund shall be applied to the payment of the maturity of said bond.

Horseneck Beach: Chapter 583 of the Acts of 1955, which became effective July 22, 1955, provided for the acquisition of land and construction of recreational facilities at Horseneck Beach; the land cost not to exceed $1,500,000.00 and the buildings cost not to exceed $1,500,000.00. It was also provided that from the proceeds of the sale of bonds there shall be set aside sums of $100,000.00 and $200,000.00 as reserve funds to pay charges for interest and amortization of said bond issues during the period of construction of the facilities, any balances remaining in these reserves to be applied to the payment of maturity of said bonds.

Scusset Beach: Chapter 472 of the Acts of 1954, which became effective May 25, 1954, authorized the acquisition by lease from the United States of the land known as Scusset Beach, located in the towns of Sandwich and Bourne, provided that the rental of the leased premises shall not exceed one dollar. The Department of Public Works is authorized and directed to improve and develop Scusset Beach and for said program may expend such sums as may be appropriated therefor. Chapter 738 of the Acts of 1955 provides Capital Outlay of $750,000.00 for this purpose.

BEACHES UNDER SUPERVISION OF DIVISION OF PUBLIC BEACHES

Salisbury Beach	In Operation
Province Lands Bathhouse	In Operation
Horseneck Beach	In Planning Stage, No Construction
Scusset Beach	In Planning Stage, No Construction

Bond Issues: Of the $1,000,000.00 bond issue for recreational facilities at Salisbury Beach, $100,000.00 was still held in reserve as of June 30, 1955. Total payments have been made from the $900,000.00 available amounting to $560,680.07 of which $323,843.40 was spent in the 1955 fiscal year. The balance of this account as of June 30, 1955 was $339,319.93.

Use of Income Cash for Local Cash Disbursements: Upon reconciling the potential income, per meter readings, from parking fees at Provincetown, with amounts actually transmitted, a shortage of $3.60 was noted. This difference arose because a local disbursement for postage and expenses was made from income receipts, and transmittal of only the net amount was made.

Under no circumstances may income receipts be used for local disbursements by the spending agencies. Article 63, Section 1 of the Constitution of the Commonwealth of Massachusetts reads:

> "All money received on account of the Commonwealth from any source whatsoever shall be paid into the Treasury thereof."

It is suggested that personnel having access to income cash be instructed to comply with this constitutional dictate.

ALCOHOLIC BEVERAGES CONTROL COMMISSION — REPORT NO. 56-166

No Comments.

DEPARTMENT OF PUBLIC WELFARE — REPORT NO. 56-167

Old Age Assistance - State Share: An appropriation of $31,750,000.00 was granted for this purpose for the fiscal year ending June 30, 1956. The status of this appropriation on May 15, 1956 follows:

OLD AGE ASSISTANCE - STATE APPROPRIATIONS

JULY 1, 1955 TO MAY 15, 1956

APPROPRIATIONS	$31,750,000 00
BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR	1,266,049 45
	$33,016,049 45
ALLOTMENTS	31,953,049 45
BALANCE UNALLOTTED	$1,063,000 00

ALLOTMENTS

JULY 31, 1955	$ 1,266,049 45
SEPTEMBER 30, 1955	21,000,000 00
OCTOBER 31, 1955	9,400,000 00
MAY 11, 1956	287,000 00
	$31,953,049 45
EXPENDITURES	31,938,134 34
ALLOTMENT BALANCE	$14,915 11

EXPENDITURES

PAID TO	PAID DURING MONTH OF		AMOUNT PAID	PERIOD COVERED BY PAYMENT
WELFARE DISTRICTS, ADMINISTRATION	AUGUST	1955	$ 10,959 37	SECOND QUARTER 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON	AUGUST	1955	1,238,767 57	FEBRUARY, MARCH 1955
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS - AID	AUGUST	1955	2,329,637 36	JUNE 1955
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS - AID	AUGUST	1955	8,932,271 64	FEBRUARY, MARCH, APRIL, MAY 1955
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS - AID	SEPTEMBER	1955	2,184,483 58	JULY 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON	SEPTEMBER	1955	634,504 30	APRIL 1955
WELFARE DISTRICTS, ADMINISTRATION	SEPTEMBER	1955	615 27	FOURTH QUARTER 1955
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS - AID	OCTOBER	1955	2,356,577 56	AUGUST 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON	OCTOBER	1955	622,303 58	MAY 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON	OCTOBER	1955	550,301 94	JUNE 1955
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS - AID	NOVEMBER	1955	2,320,793 12	SEPTEMBER 1955
WELFARE DISTRICTS, ADMINISTRATION	NOVEMBER	1955	10,083 72	THIRD QUARTER 1955
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS AID	DECEMBER	1955	2,284,812 13	OCTOBER 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON	DECEMBER	1955	1,235,654 95	JULY, AUGUST 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON	DECEMBER	1955	1,180,000 00	SEPTEMBER, OCTOBER 1955
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS AID	JANUARY	1956	2,410,786 17	NOVEMBER 1955
WELFARE DISTRICTS, ADMINISTRATION	JANUARY	1956	846 52	FIRST QUARTER 1956
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS - AID	FEBRUARY	1956	2,362,281 58	DECEMBER 1955
WELFARE DISTRICTS, ADMINISTRATION	FEBRUARY	1956	12,049 17	FOURTH QUARTER 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON	APRIL	1956	647,549 51	NOVEMBER 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON	MAY	1956	612,855 30	DECEMBER 1955
TOTAL EXPENDITURES			$31,938,134 34	

It will be noted that the total unexpended balance in this appropriation as of May 15, 1956 was $1,077,915.11. In this connection it will be further noted that the City of Boston as well as the other cities and towns have been paid through December 1955.

During this period an appropriation of $75,000.00 was granted for services rendered to recipients of Old Age Assistance at the Tewksbury State Hospital from which there was disbursed $59,094.18, leaving an unexpended balance of $15,905.82 on May 15, 1956.

It further appears that by June 30, 1956 there should be a potential liability of approximately $10,300,000.00 in this fund provided the unexpended balance of $1,077,915.11 can be used. At present, such liabilities are not recorded in the general ledger of this department and it is, therefore, suggested that the Comptroller's Bureau be requested to provide for such recording in its general ledger so that the true financial status will be shown.

In this connection it was noted that a letter dated January 31, 1951 from the Comptroller's Bureau to the Department of Public Welfare included the following paragraph:

"Old Age Assistance - State Share: The Auditor suggested that the Comptroller be requested to provide for

the recording in the general ledger of audited and approved liabilities. In accordance with the provisions of Chapter 29, Section 26 of the General Laws, as amended, an expenditure in excess of an appropriation cannot impose legal liability upon the Commonwealth."

Said Section 26, as amended by Section 1 of Chapter 636 of the Acts of 1947, reads as follows:

"Section 1. Chapter 29 of the General Laws is hereby amended by striking out section 26, as most recently amended by section 13 of chapter 242 of the acts of 1945, and inserting in place thereof the following section: - Section 26. Expenses of offices and department for compensation of officers, members and employees and for other purposes shall not exceed the appropriations made therefor by the general court or the allotments made therefor by the governor. No obligation incurred by any officer or servant of the commonwealth for any purpose in excess of the appropriation or allotment for such purpose for the office, department or institution which he represents, shall impose any liability upon the Commonwealth."

With respect to the foregoing, it certainly does not appear that said Section 26 prohibits including in the general ledger accounts for these liabilities. Obviously, to omit such information results in a distorted picture of the financial condition of the Commonwealth.

Aid to Dependent Children - State Share: An appropriation of $6,325,000.00 was granted for this purpose for the fiscal year ending June 30, 1956. A statement showing the status of this appropriation on May 15, 1956 follows:

AID TO DEPENDENT CHILDREN - STATE SHARE

JULY 1, 1955 TO MAY 15, 1956

APPROPRIATION	$6,325,000 00
BALANCE FORWARD	688 56
UNEXPENDED ALLOTMENT BALANCE	$6,325,688 56
ALLOTMENT	$6,325,688 56
EXPENDITURES	6,319,533 74
	$6,154 82

EXPENDITURES

PAID TO	PAID DURING MONTH OF		AMOUNT PAID	PERIOD COVERED BY PAYMENT
OVERSEERS OF PUBLIC WELFARE, BOSTON	AUGUST	1955	$1,487,147 08	JULY 1954 THROUGH FEBRUARY 1955
WELFARE DISTRICTS, ADMINISTRATION	AUGUST	1955	2,911 63	SECOND QUARTER 1955
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS - AID	AUGUST	1955	3,755,164 25	JULY 1954 THROUGH MAY 1955
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS - AID	AUGUST	1955	360,701 42	JUNE 1955
WELFARE DISTRICTS, ADMINISTRATION	SEPTEMBER	1955	310 57	FOURTH QUARTER 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON	OCTOBER	1955	197,285 50	MARCH 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON	NOVEMBER	1955	193,875 70	APRIL 1955

PAID TO	PAID DURING MONTH OF		AMOUNT PAID	PERIOD COVERED BY PAYMENT
WELFARE DISTRICTS, ADMINISTRATION	NOVEMBER	1955	3,416 05	THIRD QUARTER 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON	DECEMBER	1955	317,012 87	MAY AND JUNE (ACCOUNT) 1955
WELFARE DISTRICTS, ADMINISTRATION	JANUARY	1956	96 26	FIRST QUARTER 1956
WELFARE DISTRICTS, ADMINISTRATION	FEBRUARY	1956	3,267 29	FOURTH QUARTER 1955
			$6,321,188 62	
LESS:				
REFUNDS			1,654 88	
TOTAL EXPENDITURES			$6,319,533 74	

It was noted that the total unexpended balance in this appropriation on May 15, 1956 was $6,154.82. On May 15, 1956 the City of Boston and other cities and towns in the Commonwealth had been paid through June 1955. It would appear that by June 30, 1956 there will be a potential liability in this account of approximately $5,300,000.00. These liabilities are not presently being recorded in the Department general ledger.

Assistance for Totally Disabled Persons: This assistance was authorized by Chapter 118D of the General Laws as inserted by Chapter 741 of the Acts of 1951, effective November 1, 1951 and provides for local, State and Federal participation.

Federal participation is available under Title XIV - Aid to Permanently and Totally Disabled as added by the Social Security Act Amendment of 1950.

The Massachusetts State Plan for Aid to Persons Permanently and Totally Disabled was submitted on December 28, 1951 to the Federal Security Agency, Boston, Massachusetts and written approval was received from the Social Security Administration in Washington.

For the fiscal year ending June 30, 1956, an appropriation of $4,340,000.00 was granted. A statement showing the status of this appropriation to May 15, 1956 follows:

STATE SHARE

TOTAL AND PERMANENT DISABILITY ASSISTANCE

JULY 1, 1955 TO MAY 15, 1956

APPROPRIATIONS	$4,340,000 00
BALANCE FORWARD	445,215 44
	$4,785,215 44
EXPENDITURES	4,599,328 75
BALANCE MAY 15, 1956	$185,886 69

EXPENDITURES

PAID TO	PAID DURING MONTH OF		AMOUNT PAID	PERIOD COVERED BY PAYMENT
OVERSEERS OF PUBLIC WELFARE, BOSTON - ADMINISTRATION	JULY	1955	$ 5,224 25	SECOND QUARTER 1952
OVERSEERS OF PUBLIC WELFARE, BOSTON - ADMINISTRATION	AUGUST	1955	15,000 00	SECOND QUARTER 1955
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS, ADMINISTRATION	AUGUST	1955	37,059 38	SECOND QUARTER 1955
WELFARE DISTRICTS, ADMINISTRATION	AUGUST	1955	1,379 58	SECOND QUARTER 1955

PAID TO	PAID DURING MONTH OF	AMOUNT PAID	PERIOD COVERED BY PAYMENT
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS - AID	AUGUST 1955	1,256,490 18	JANUARY THROUGH MAY 1955
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS - AID	AUGUST 1955	281,534 09	JUNE 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON - AID	SEPTEMBER 1955	582,230 26	JANUARY THROUGH APRIL 1955
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS - AID	SEPTEMBER 1955	269,344 17	JULY 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON - ADJUSTMENTS FOR ADMINISTRATION	SEPTEMBER 1955	7,447 40	THIRD QUARTER 1952
WELFARE DISTRICTS, ADMINISTRATION	SEPTEMBER 1955	82 76	FOURTH QUARTER 1955
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS - AID	OCTOBER 1955	285,644 79	AUGUST 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON - AID	OCTOBER 1955	146,804 76	MAY 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON, ADJUSTMENTS FOR ADMINISTRATION	OCTOBER 1955	12,231 54	FOURTH QUARTER 1952
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS, AID	NOVEMBER 1955	270,585 97	SEPTEMBER 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON - AID	NOVEMBER 1955	143,331 69	JUNE 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON - ADMINISTRATION	NOVEMBER 1955	15,000 00	THIRD QUARTER 1955
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS - ADMINISTRATION	NOVEMBER 1955	38,739 90	SECOND QUARTER 1955
WELFARE DISTRICTS, ADMINISTRATION	NOVEMBER 1955	1,622 93	THIRD QUARTER 1955
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS - AID	DECEMBER 1955	285,456 32	OCTOBER 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON - AID	DECEMBER 1955	590,942 28	JULY THROUGH OCTOBER 1955
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS - AID	JANUARY 1956	284,378 65	NOVEMBER 1955
WELFARE DISTRICTS, ADMINISTRATION	JANUARY 1956	72 83	FIRST QUARTER 1956
WELFARE DISTRICTS, ADMINISTRATION	FEBRUARY 1956	1,574 95	FOURTH QUARTER 1955
CITIES EXCEPT BOSTON, TOWNS AND WELFARE DISTRICTS, ADMINISTRATION	FEBRUARY 1956	39,950 05	FOURTH QUARTER 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON, ADMINISTRATION	FEBRUARY 1956	17,236 04	FOURTH QUARTER 1955
OVERSEERS OF PUBLIC WELFARE, BOSTON, ADMINISTRATION	MARCH 1956	9,857 62	FIRST QUARTER 1953
OVERSEERS OF PUBLIC WELFARE, BOSTON, ADMINISTRATION	MARCH 1956	106 36	FIRST QUARTER 1953 (ADJUSTMENT)
TOTAL EXPENDITURES		$4,599,328 75	

It would appear that by June 30, 1956 there will be a potential liability of approximately $2,300,000.00. As stated earlier in this report, such liabilities are not presently being recorded in the Department's general ledger and it is again suggested that the Comptroller's Bureau be requested to furnish assistance in this direction.

Old Age Assistance, Aid to Dependent Children and Assistance for Totally Disabled Persons - State Share - Payments to Cities and Towns: During the fiscal year ended June 30, 1955, disbursements were made to

the cities and towns as reimbursements for the State's share of such payments made by local welfare agencies as follows:

Old Age Assistance	$33,903,510 41	Schedule XVI
Aid to Dependent Children	5,903,771 70	Schedule XVII
Assistance for Totally Disabled Persons	4,390,643 73	Schedule XVIII

The schedules which are referred to are appended to this report and show the payments made during the fiscal year ended June 30, 1955 together with the periods of time which they respectively include

WRENTHAM STATE SCHOOL REPORT NO. 56-168

Material and Supplies Adjustment: An adjustment in the amount of $13,965.88 was made to bring the material and supplies account to agree with the physical inventory count on Bunker "C" fuel oil. Faulty meters was the reason offered by the institution for the cause of the adjustment. The proper approval from the Department has been obtained.

Farm Report for 1955: It was noted that the total egg production for the 1955 farm year was 53,161 dozens at an average production cost of 37.9 cents per dozen.

It was further noted that the production of pork totaled 7,007 pounds at an average cost of 17.7 cents which indicated a decrease of 28.9 cents per pound since the average prior year when the cost was 46.6 cents per pound. As of December 31, 1955 it was noted that no pork producing animals were at this institution.

Milk production has remained almost stationery, while the production cost per quart has increased from 10 cents to 15 cents.

MEDFIELD STATE HOSPITAL REPORT NO. 56-169

Canteen - Club Renovations: During the period under audit $7,098.96 for Club renovations was closed into the Canteen Fund. It is understood that some $8,000.00 more will be expended in the near future for additional renovations. Because of such large scale repairs for club room and canteen activities, it is strongly urged that these expenditures be made from State appropriations.

Coca Cola Machines: There are seven Coca Cola vending machines located throughout this institution which are the property of the Coca Cola Company. Under the present arrangement, the hospital is billed 16 cents for service on every case purchased for these machines. Although the Coca Cola Company delivers to a central storage room and all maintenance and service is performed by institution employees and with the institution truck. During the period under audit, this service charge amounted to $236.16, thereby reducing the profit to the Canteen in that amount.

It is suggested that a study be made as to the practibility of purchasing these machines on the installment plan, (16 cent charge on every case of Coca Cola purchased to be applied to the purchase price of the machines) so that in the near future this institution will own the machines, eliminating the service charge, thereby increasing the profit from machine sales.

DEPARTMENT OF NATURAL RESOURCES REPORT NO. 56-170

Assessments: During the fiscal year ended June 30, 1955 the books of the department and the Comptroller's Bureau showed assessments as follows:

Credited to State Recreation Areas Fund in accordance with the General Laws, Tercentenary Edition, Chapter 132A and Chapter 419, Acts of 1954		$303,925 96
Credited to General Revenue as authorized by Robinson State Park Statute 1949, Chapter 790, Item 7840-02	$ 35,000 00	
Robinson State Park Statute 1951, Chapter 756, Item 7701-01	12,850 00	
Tramway Repairs Statute 1951, Chapter 806, Item 7918-77	5,000 00	
Development and Improvement of Certain Recreation Areas, Statute 1953, Chapter 660, Item 8654-04	55,000 00	
	$107,850 00	
Credited to Gypsy Moth Control Bond Fund authorized by Statute 1954, Chapter 148 and Statute 1954, Chapter 475		$181,704 20

BUREAU OF ACCOUNTS REPORT NO. 56-171

Payrolls: The last audit report commented on payroll procedures as follows:

> "A previous audit report directed attention to the fact that the salary of an employee of the Cigarette Tax Bureau of the Department of Corporations and Taxation was being charged to the pay roll account for this Bureau. While this situation continued during the current audit period, it is now understood that the Commissioner is attempting to have it adjusted in the forthcoming budget."

During the current audit period on March 12, 1956, this employee was removed from the Bureau's Payroll as a junior accountant and was transferred to the Cigarette Tax Division as a tax examiner. To date of audit nothing was done to adjust the budget and the Bureau's books still reflect inflated costs of personnel.

In addition, during the current audit period two employees of the State Employees' Group Insurance Commission were paid out of funds appropriated to this Bureau which further inflated the costs of personnel of this Bureau.

It is strongly recommended that adjustments be made on the records of this Bureau to reflect its true costs.

MASSACHUSETTS CORRECTIONAL INSTITUTION
AT FRAMINGHAM REPORT NO. 56-172

Accounts Receivable: The previous audit report states as follows:

"The previous audit report commented on an outstanding accounts receivable in the amount of $199.98, which was owed by an employee of this institution who was then drawing workman's compensation. This employee who has continued in this category now owes $611.94. An attempt to verify this account through correspondence was unsuccessful.

"It was suggested, at the time of the previous audit, that steps be initiated to collect this balance and if unsuccessful, it should then be turned over to the Attorney General for action. To date, no action has been taken in this direction."

It was noted that this account was turned over to the Attorney General during the current audit period for disposition.

Laundry Service to Employees: Previous audit reports have commented on the practice of doing laundry for employees at the rate of $.44 per dozen pieces, which is substantially lower than the rates charged by commercial laundries in the area. It was suggested that these rates be adjusted so that they would compare more favorably with commercial rates. As nothing has been done to adjust this rate and the practice still continues, the suggestion is accordingly repreated.

Garage Rent: The previous audit report stated as follows:

"There are spaces for 19 vehicles in this institution's garage facilities. In this connection it was noted that at the staff home, there are seven garages, and the employees occupying them are charged a regular monthly fee. At the carpenter's building, there are spaces for 7 cars as well as 5 spaces underneath that building. In most instances, these spaces accommodate State cars, trucks and other State equipment. However, certain employees garage their privately owned cars here on more or less of a permanent basis, yet, no rental fee is charged.

"It is suggested that this entire garaging situation be reviewed and all employees using garage space for private cars on a permanent basis be charged a reasonable monthly fee. However, for those employees who are permitted free garaging space, proper authorization should be obtained."

As the situation in regard to this comment remained the same on the date of the current examination attention is again directed to it.

Canteen: It was noted that information which effects the inventories is kept on scraps of paper. It was recommended that a bound memorandum record be kept to record items such as spoilage and breakage, goods sold below markup, and other transactions which effect the inventories for which no recordings appear in the Canteen records.

In addition, it was noted that on the date of audit a number of employees were listed as accounts receivable to the Canteen. This practice should be stopped. It was suggested that, if desirable, a stores card system similar to the one in use for the inmates be instituted; the stores card being paid for in advance.

The above suggestions will help to eliminate or reduce the differences between the physical and established book inventories.

Industry Losses: It was noted that the Knitting and Poultry Industries showed operating losses of $7,231.87 and $9,809.55 respectively for the 1955 fiscal year, while during this same period the Flag and Sewing Industries indicated operating profits of $10,124.02 and $27,059.74 respectively.

The total net profit for all four industries was $20,142.34, a decrease of .0288% under 1954.

The records further indicate that the average number of inmates at this institution during the 1955 year was 208, of which, only 37 or 18% were employed by the industries. It appears that had additional inmates been employed, production would have accordingly increased so that the book costs would have been correspondingly reduced, since overhead expenses remain fairly constant.

The following schedule indicates the shortage of workers in the prison industries on May 14, 1956:

Type	Employed	Needed
Knitting	10	28
Flags	11	23
Sewing	11	25

With prison industries operating at less than 50% of capacity other inmates are employed outside the prison in private industries and at substantial salaries as is evidenced by the following schedule of wages paid to a few, picked at random from prison records.

Inmates	Gross Weekly Wage
A	$65.09
B	$63.19
C	$55.13
D	$76.72

Generally these workers are transported to and from the prison by the employer at his expense and they carry lunches supplied by the institution.

Goods Sold at Less Than Cost: In comparing the cost of articles manufactured during the audit period, with their respective selling prices, it was noted that many articles are sold at prices below the book cost of manufacture.

	Unit Cost Price	Unit Selling Price
Flags		
U.S. Wool Flags 5 x 8	$14.491 Ea.	$11.93 Ea.
U.S. Wool Flags 6 x 9	18.664 Ea.	16.50 Ea.
U.S. Wool Flags 3 x 5	6.241 Ea.	5.34 Ea.
U.S. Wool Flags 6 x 10	20.92 Ea.	18.25 Ea.
Knitting		
Men's Hose #140	$ 6.865 Dz.	$3.65 Dz.
Men's Hose #339	4.402 Dz.	3.65 Dz.
Women's Hose #200	11.100 Dz.	4.75 Dz.
Sewing		
Bleached Sheets 63 x 99	$28.059 Dz.	$22.20 Dz.
Bleached Sheets 81 x 99	28.95 Dz.	27.91 Dz.
Poultry		
Eggs - Regular	.8994 Dz.	$.42 Dz.
Eggs - Regular	.8994 Dz.	.45 Dz.

General: Funds for unemployment compensation payments and for administration of the State Division of Employment Security are provided for by maximum taxes of 3% assessed against pay rolls. Funds expended in Massachusetts for these purposes are provided for or offset entirely by collections from employers within this Commonwealth.

Irreducibly included in these taxes is an assessment of .3% collected by the Federal Government from employers, which, while it is not segregated for this purpose, offsets the sums provided by the Federal Government to administer unemployment compensation. Under this levy, on the basis of available statistical records, it is understood that Massachusetts employers paid approximately $10,215,000.00 into the Federal Treasury during the 1955 fiscal year. During this period, the Commonwealth received approximately $8,000,000.00 for the administration of this division. This amount represents 78.3% of the taxes collected from Massachusetts employers.

Audit reports issued by this department for the past nine years have commented on the need of federal ledgislation to correct this gross inequity. In this connection, it was noted that the 83rd Congress of the United States finally took cognizance of this long standing injustice and enacted Public Law 567, which was approved August 5, 1954. A general description of the important features of this law publicly known as, "The Employment Security Administrative Financing Act of 1954" follows:

> "Public Law 567, 83d Congress, approved August 5, 1954, affected the system of financing the administration of the employment security program. Since July 1, 1953, the 0.3 per cent Federal unemployment tax has been reserved for employment security purposes. The Congress will continue to make appropriations for proper and efficient administration of the Federal-State program. At the end of each fiscal year after 1953, an amount equal to the excess of taxes collected under the Federal Unemployment Tax Act over the cost of administering the Federal and State operations of the program will be placed in the Federal unemployment account until that account reaches a balance of $200 million. Thereafter, except as necessary to maintain this balance, excess tax collections will be allocated to the trust accounts (in the unemployment trust fund) of the various States in the proportion that their covered pay rolls bear to the aggregate of all States.
>
> The sums allocated to States' trust accounts are to be generally available for benefit purposes. Under specified conditions a State may, however, through a special appropriation act of its legislature, utilize the allocated sums to supplement Federal Administrative grants in financing its operations."

In this connection it was noted that Letter No. 401 of the Bureau of Employment Security, Washington, D. C., dated January 3, 1956, sent to all State Employment Security Agencies reads in part, as follows:

> "Fiscal year 1956 Federal tax collections will exceed 1956 employment security administrative expenditures by an amount sufficient to permit the balance of the Federal unemployment account (loan fund) to be increased to the required $200 million and to make available an additional amount for distribution to the States' trust fund accounts as of July 1, 1956, as proveded by Public law 567, 83d Congress."

Relation of Employer Contributions to Benefit Payments: A statement of benefit payments together with employer contributions and interest for the six fiscal years ending June 30, 1955 follows:

DATE	EMPLOYER CONTRIBUTIONS AND INTEREST AND PENALTIES LESS REFUNDS	INTEREST CREDITED BY U. S. TREASURY	TOTAL	NET BENEFIT PAYMENTS
JULY 1, 1949 TO JUNE 30, 1950	$ 49,061,832 72	$ 3,104,843 77	$ 52,166,676 49	$111,683,504 18
JULY 1, 1950 TO JUNE 30, 1951	76,353,425 29	1,418,168 01	77,771,593 30	48,599,744 22
JULY 1, 1951 TO JUNE 30, 1952	98,145,038 95	2,751,093 52	100,896,132 47	60,494,055 75
JULY 1, 1952 TO JUNE 30, 1953	100,116,354 92	3,811,868 95	103,928,223 87	44,757,969 37
JULY 1, 1953 TO JUNE 30, 1954	92,532,697 06	5,493,797 46	98,026,494 52	61,135,272 14
JULY 1, 1954 TO JUNE 30, 1955	71,957,629 93	5,889,651 14	77,847,281 07	67,408,398 12
	$488,166,978 87	$22,469,422 85	$510,636,401 72	$394,078,943 78

Maintenance Expenses: A comparison of certain Maintenance expenses for the five fiscal years ended June 30, 1955 follows:

	FISCAL YEAR 1951	FISCAL YEAR 1952	FISCAL YEAR 1953	FISCAL YEAR 1954	FISCAL YEAR 1955
PERSONAL SERVICES	$6,199,605 04	$6,672,648 88	$7,170,077 28	$7,032,323 52	$7,582,004 61
RENT OF BUILDINGS	464,622 02	527,926 86	565,640 82	566,163 80	575,952 64
RENTAL OF OFFICE MACHINERY	194,191 80	181,212 84	189,908 08	191,967 30	196,693 25
REPAIRS - OFFICE FURNITURE AND FIXTURES	13,223 85	5,953 81	8,553 36	10,492 22	8,692 77
PURCHASE OF EQUIPMENT	81,260 80	105,796 95	79,895 71	65,142 97	71,424 44
	$6,952,903 51	$7,493,539 34	$8,014,075 25	$7,866,089 81	$8,434,767 71

Restaurant Operation: Previous audit reports have commented on the fact that no income is received by this division from the owner of a restaurant which is operated in the basement of the "D.E.S." building at 881 Commonwealth Avenue, Boston. Under the terms of an agreement dated December 29, 1952 and signed only by an official of the Division of Employment Security and the restaurant operator, the division agreed to furnish 1260 sq. ft. of floor space in the basement of the building with heat and electricity, all at no cost to the operator for the purpose of conducting a restaurant for the convenience of the Division of Employment Security employees in the building. The agreement was for the five year period, January 1, 1952 to December 31, 1956.

It was noted that the approvals of the State Superintendent of Buildings, the Commission of Administration and Finance, and the Governor's Council were absent from this agreement. Since most agreements involving leases of property operated by the Commonwealth require the written approval of the above authorities, it would appear that this agreement might be invalid.

DEPARTMENT OF PUBLIC SAFETY REPORT NO. 56-174

Boxing Fund Income: The previous audit report commented that

after a televised boxing match, which was held on April 24, 1953, the Commonwealth had not received its usual 5% tax on receipts from television rights.

It was noted, during this examination, that there were four televised boxing matches; three for which the licensee paid the 5% fee and one for which no fee was paid.

Section 40 of Chapter 147 of the Tercentenary Edition of the General Laws states in part, as follows:

> "Every licensee holding or conducting any such boxing or sparring match or exhibition, shall within seventy-two hours after its conclusion, pay to the State Treasurer a sum equal to five per cent of the total gross receipts from the sale of tickets or from admission fees or from television or broadcasting rights;....."

The licensee, in the two instances of nonpayment of the fee, indicated that the proceeds from the television rights were not payable to him under pre-fight terms, but to an out-of-state organization.

It is understood that an attempt is being made to have the above law revised to require payment of the 5% fee from the person or persons receiving the funds paid for the televising of a boxing bout.

STATE TEACHERS COLLEGE AT FITCHBURG REPORT NO. 56-175

Commissions on Vending Machines Not Credited to College Income: It was noted that there were twelve vending machines for cigarettes, candy, soft drinks, ice cream, and milk located in various College buildings. It was understood that income from these sources is credited to the Students' Funds.

MYLES STANDISH STATE SCHOOL REPORT NO. 56-176

Industrial Accident Cases: It is suggested that the Treasurer of this Institution review the industrial accident records of F. S. G. as it appears that a refund is due from this employee.

Farm Operations: It was noted that the farm profit for the 1955 farm year was $49,303.33 as compared with $29,698.27 for the previous farm year.

According to the records the increase in the farm profit is substantially due to an increase in the production of poultry products and a decrease in the cost of grain due to buying in bulk.

STATE TEACHERS COLLEGE AT FRAMINGHAM REPORT NO. 56-177

Boarding Hall: The previous audit report noted that several students, who were residents of Massachusetts, were living at private homes because of inadequate dormitory facilities. It was also noted that a few upper class students who were non-residents, reside in College dormitories.

Despite the fact that it is the policy to give upper class students first preference in the assigning of dormitory rooms, it is again suggested that the residents of Massachusetts be given such preference.

METROPOLITAN STATE HOSPITAL REPORT NO. 56-178

Canteen Inventory: On the date of audit, a complete physical inventory was taken of the canteen stock. In this connection it was

noted that the physical inventory was less by $605.20 than the computed book value on that date. This variance was 2.68% of recorded sales of $22,553.49 during the period under audit. It was further noted that although spoilage and breakage occurred, no provision for these items was made on the books. However, it is understood that in the future a record of spoilage and breakage will be properly recorded and checked by the steward's office.

Coal Handling Equipment: During the audit period repairs to coal handling equipment amounted to approximately $8,000.00. It is understood that appropriations have been made for conversion to a fuel oil system.

BOSTON STATE HOSPITAL REPORT NO. 56-179

Canteen Fund: The balance in the Canteen Fund on December 8, 1954 was $6,120.61. Net profit for the period commencing December 8, 1954 and ending at the close of business June 5, 1956 amounted to $9,957.93 making $16,078.54 available for distribution. Distributions were as follows:

Patients' Benefits	$5,008 42
Employee Benefits	1,941 32
Total	$6,949 74

The amount retained for future distribution and for working capital was $9,128.80. The $5,008.42 listed above as distributed to patients does not include $240.40 that was expended and represented merchandise distributed to patients before the point of spoilage.

Included in the Canteen Fund are funds donated specifically for the purchase of tax free tobacco products for veterans. The transactions, for the period under audit, under this category are summarized as follows:

Unexpended Balance December 8, 1954	$ 315 10
Donations during Audit period	731 49
Total available for purchase of tax free tobacco for Veterans	$1,046 59
Purchases of tax free tobacco	982 50
Unexpended balance June 6, 1956	$64 09

APPELLATE TAX BOARD REPORT NO. 56-180

No Comments.

RESIDENTIAL TREATMENT UNIT AT OAKDALE REPORT NO. 56-181

The land and buildings of this Unit are leased from Worcester County for one dollar; the lease running for one year beginning on September 1, 1955. The first group of boys arrived here from the Lyman School for Boys on November 7, 1955. As of the date of audit there were fifty-one boys at this Unit ranging in ages from seven to twelve for the most part and a small group of older working boys.

To the date of audit certain equipment necessary for the running of the Unit had been purchased from state funds; in addition to some needed improvements such as fire escapes, repairs to gymnasium floor, etc.

It was understood from the Superintendent that there is a bill pending in the current session of the Legislature proposing the acquisition by the state of the land and buildings at Oakdale from Worcester County. This examination was made from December 9, 1955 the date of the first entry in the cash book, to June 19, 1956.

Books and Records: A survey was made of the books and records at this Unit and it is recommended that the following records be put into use in order to properly safeguard and control the funds and property of the Commonwealth and the boys who are under its care:

1. Materials and Supplies Accounts, stock ledger, requisitions, etc.

2. Boys' Accounts, cash book, ledger accounts, receipt books, etc.

3. Accounts Receivable Ledger.

DIVISION OF INVESTIGATION OF SECURITIES REPORT NO. 56-182

Transmittal of Income: It was noted that transfers of income cash to the Department cashier are made at irregular intervals of from three days to two weeks. It is suggested that the instructions in the Comptroller's Manual regarding daily deposits of income be complied with.

DIVISION OF COMMERCIAL MOTOR VEHICLES REPORT NO. 56-183

Bad Checks: A previous audit report suggested that a register for recording bad checks, returned and replaced, be installed. This suggestion was complied with during the audit period.

Inventory of Plates: It is suggested that plates returned by carriers for which no refund is to be made be segregated from the regular inventory of plates.

General - Delinquent Rents: The previous audit report commented that the balances of the Tenants' Accounts Receivable accounts of the three projects indicated what appeared to be unusually large amounts due from tenants. It was also stated that this condition had existed for an extended period, and it was urged that steps be taken to correct it. For comparative purposes, the balances due as of the past two audit dates follow:

Project	Balances due June 30, 1955	Tenants in Occupancy	Move-Outs
200-1	$ 1,759.64	$ 953.01	$ 806.63
200-3	676.27	394.57	281.70
200-4	9,774.37	5,042.49	4,731.88
	$12,210.28	$6,390.07	$5,820.21

Project	Balances due December 31, 1954	Tenants in Occupancy	Move-Outs
200-1	$ 1,916.67	$ 986.37	$ 930.30
200-3	877.32	597.07	280.25
200-4	9,504.16	4,787.18	4,716.98
	$12,298.15	$6,370.62	$5,927.53

In addition to the foregoing, amounts were charged off during the period of audit in the amount of $290.88 for Project 200-1 and $992.40 for Project 200-4.

It is again urged that this Authority give serious consideration to the problem of delinquent rents.

General - Vacancy Losses: The previous audit report commented upon the apparent unusually large vacancy losses on Project 200-4 and noted the fact that there were long waiting lists for all types of units with the exception of those with only one bedroom. In this connection, it was noted that the vacancy losses on Project 200-4 for the six months period January 1, 1955 to June 30, 1955 were, as follows:

Type of Unit	Days Vacant
One bedroom	1,843
Two bedroom	1,239
Three bedroom	811
Four bedroom	41
	3,934

It was also noted that a two-bedroom unit at Project 200-1 was vacant for 78 days from the time the previous tenant vacated until the apartment was turned over to the Tenant Selector by the Superintendent of Maintenance as being ready for occupancy. It was further noted that many of the two and three-bedroom units in Project 200-4 had been vacant for thirty days and longer. The delay in the renting of the units other than the one-bedroom has resulted in a substantial financial loss to the

Authority because there still continues to be a waiting list for these units.

It was learned that a certain amount of painting had been done in the occupied apartments. In this connection, it would appear that the painting of vacated units should have been given priority.

It is, therefore, recommended that the Executive Director and the Authority's members be given periodic reports listing each vacant unit together with the number of days of vacancy. Such reports should include reasons why a particular unit has been vacant for longer than a reasonable length of time.

Because of the current turnover of units and the fact that there are many vacated units awaiting painting, it is suggested that consideration be given to obtaining the services of a painting contractor until such time as all necessary work of this nature is brought to a current basis.

Project 200-4 - Landscaping: Previous audit reports have commented upon the poor condition of the grounds and directed attention to the fact that the lawn and planting work had never been accomplished. In this connection, it was noted that the Authority had contracted for this necessary site work which was 50% completed as of the date of this audit.

CHELSEA HOUSING AUTHORITY REPORT NO. 56-H-2

Temporary Construction - Title V - Sale of Land: A parcel of land, upon which 32 units of the Title V project had been located, was sold to the Commonwealth of Massachusetts for $46,000.00 as of February 9, 1955, as the result of an offer of Settlement of Land Damages dated December 31, 1954.

The sale resulted in a net profit to this Authority of $38,892.00 as charges incurred attributable to the sale amounted to $7,108.00 as follows:

Attorney's Fee	$4,600.00
Appraiser's Fee	2,500.00
Recording of Deed	7.00
City of Chelsea (Consideration of Deed)	1.00
	$7,108.00

The City of Chelsea was paid on May 13, 1955 the sum of $40,000.00. As the net income from the sale was only $38,892.00, the difference of $1,108.00 was taken from the operating surplus.

Despite the fact that the statute authorizing these sales specified the land only be sold, still there were 23 units situated in it that had been vacated but not demolished. The other 9 units had been included in a demolition contract previously awarded by the Authority.

Temporary Construction - Surplus: The balance sheet as of June 30, 1955 showed a surplus for the Title V Project with a net deficit developed as follows:

Balance Jan. 1, 1955 after payment of $1,108.00 excess a/c of Sale of Land	$ 324.07
Surplus 1955 to June 30 (Loss)	(1,276.09)
June 30, 1955 - Deficit	($952.02)

This deficit should be adjusted by closing into it the following open Reserve Account balance as of June 30, 1955:

Reserve per Balance Sheet June 30, 1955:	
Reserve for Tenants' Accounts Receivable	$1,040.95
Reserve for Vacancy and Collection Losses	383.22
Reserve for Repairs, Maintenance and Replacements	1,277.40
	$2,701.57

As the only item which presumably appears chargeable to these reserves is the uncollectible Tenants' Accounts Receivable which at June 30, 1955 was $1,126.05, there will still remain a net credit adjustment to Surplus of $1,575.52 and will result in a corrected balance sheet item on that date in this account from a deficit to a balance of approximately $625.00.

It must be understood that there are certain items which must be charged to this Surplus account subsequent to June 30, 1955. At present, it is recognized that the cost of demolishing 16 units at $119.00 per unit or $1,904.00 will be charged to it.

It is contemplated that all the accounts will be closed before September 30, 1955, and the entire project returned to the City. From the foregoing, it is obvious that the records will then reflect a deficit of approximately $1,300.00.

In order to liquidate all the expenses indicated and to turn the project over to the City of Chelsea without any outstanding obligations, it will undoubtedly be necessary to obtain this amount from the Appropriation Fund.

Chapter 200-1 and 200-2 - Project Inspection: Previous audit reports commented that certain oil pipes were protruding 5 to 6 inches above the ground in the project 200-1 area.

In connection with a visit to this project, it was noted that the situation still exists. On request, Authority personnel submitted the following in explanation of this matter.

> "The protruding oil fuel pipes present quite a problem and the Authority felt that their relocation as recommended could only be done at a prohibitive cost. The other two alternatives were to pave up to the top of the protrusion or to raise the protrusion two or three feet. Neither was deemed feasible since in the case of the former, water could get into the fuel oil lines, and the latter would create even a greater hazard. Inasmuch as these tanks are imbedded in former dumping grounds, it is not unreasonable to expect that replacements will have to be made in the not too distant future and these conditions will then be rectified at that time."

It was further learned that the Executive Director has brought

this matter to the attention of the State Housing Board for advice, but to date no reply has been received.

The previous audit report also commented that certain window sills and balcony guards were rusted and in need of paint.

In this connection, it was learned that the State Housing Board is presently in the process of preparing specifications to include this required painting.

Suits Pending - Chapter 200-3: It was noted that Petitions for Assessments of Damages were filed by four former owners against this Authority for land takings for Chapter 200-3 project. Since the date of the previous audit, one of these petitions has been settled.

The remaining petitions involve the following:

1) No negotiations as to settlement figure
2) Asking price $6,500.00
3) Asking price $2,500.00

FITCHBURG HOUSING AUTHORITY REPORT NO. 56-H-3

Annual Subsidy: The Commonwealth provides an annual subsidy not to exceed 2½% of the total development costs of the project and in this connection a subsidy payment of $35,105.58 for the fifth year under permanent financing was received on or about February 15, 1955. It was computed as follows:

2½% of Development Costs	$40,375.00
Less:	
Transfer of Prior Year's Surplus to Reduction Reserve	5,269.42
Fifth Year's Subsidy	$35,105.58

Housing for the Elderly: Chapter 667 of the Acts of 1954 provides for the housing of elderly persons with low income, and under its provisions this Authority has been allotted 45 units.

In this connection, this Authority has filed Part I of Application for Financial Assistance and has also incurred liabilities for test borings and topographical and engineering surveys in the amounts of $457.84 and $3,514.00 respectively.

In addition, a contract for architectural services has been entered into. The fee, which is based on a table included in the contract, is $275.00 per unit or a total of $12,375.00. Allowance is also made for the payment for meals and travel expenses incurred.

It is understood that this Authority will advertise for bids for the construction of this project in the fall of 1955.

FALL RIVER HOUSING AUTHORITY REPORT NO. 56-H-4

Commonwealth Contributions: During this audit period, this Authority received annual Commonwealth Contributions for the three Chapter 200 Projects, as follows:

Project	For the Fiscal Year Ending	Maximum Contribution	Amount of Contribution Received
200-1	September 30, 1954	$35,600.00	$ 8,900.00
200-2	September 30, 1954	48,400.00	25,230.35
200-3	December 31, 1954	29,000.00	29,000.00

The maximum contribution of $35,600.00 for project 200-1 has been approved by the State Housing Board and the balance amounting to $26,700.00 was received while this audit was in progress.

Projects 200-1 and 200-3 - Results of Operations: For the period under audit, the records of Project 200-1 indicated an operating deficit of $3,662.88 which is approximately $4.66 per unit month, while the records of Project 200-3 indicated an operating loss of $680.40 or approximately $1.13 per unit per month.

These deficits undoubtedly resulted from a decrease in rental income and an increase in operating costs. In this connection, it was noted that the decrease in rental income developed an average rent per unit month which was lower than that established by the State Housing Board as the minimum average to meet the expenses of the project.

As a result of a recent income reexamination, this average effective after July 1, 1955 should compare more favorably with the average rental figure established by the State Housing Board.

Project 200-1

Debt Service Payments: This Authority pays into its Debt Service Fund each fiscal year from rental income, an amount which together with amounts received from other sources, will equal that fiscal year's total debt requirements. For the 1955 fiscal year, it was computed as follows:

Bonds and Interest Payable January 1, 1956		$31,415.00
Less:		
Commonwealth Contribution	$13,325.00	
Contribution Reduction Reserve	7,000.00	
1/40 Premium	363.78	
Income on Investment	227.50	20,916.28
Debt Requirement, November 1, 1955		$10,498.72

Operating Reserve: Attention is directed to the fact that the maximum Operating Reserve specified in the Management Resolution for this project was established at $27,000.00, and was to be reserved over a five-year period. As of the date of audit, there was a balance in it of $33,905.38. Of this amount, $26,993.57 represents transfers from operating surpluses of prior years and were made at the direction of the Chairman of the State Housing Board for the purpose of making necessary replacements to hot water heaters which are defective and other capital improvements.

BEVERLY HOUSING AUTHORITY REPORT NO. 56-H-6

Project 200-1 - Surplus from Operations: The project surplus from operations, after taking into consideration the Commonwealth's Contribution of $12,033.45 and the Contribution Reduction of $6,066.55 reserved from the surplus of the prior year, was $4,518.98 for the fourth year under Permanent Financing which ended on March 31, 1955. The latter amount will be used to reduce the Commonwealth's contribution for the succeeding fiscal year.

Project 200-2 - Surplus from Operations: The profit from Operations, after taking into consideration the Commonwealth's contribution of $10,027.64 and the Contribution Reduction of $1,622.36 reserved from the surplus of the prior year, totaled $96.60 for the third fiscal year under Permanent Financing which ended on June 30, 1955.

Old Age Housing: The following briefly indicates the activity to date with respect to Old Age Housing:

December 14, 1953	Application for Financial Assistance
September 1, 1954	Letter from State Housing Board allotting 20 tentative dwelling units
September 21, 1954	State Housing Board letter approving Part I - Application for Financial Assistance Cedar Street site.
October 29, 1954	Contract for Architectural Services
November 22, 1954	State Housing Board letter approving Part I - Application for Financial Assistance - Herrick Street site
November 29, 1954	Contract for Survey
December 7, 1954	Contract for Appraisal
December 15, 1954	Contract for Title Abstract.
February 8, 1955	Contract for Wash Borings
March 14, 1955	State Housing Board letter approving Part II - Application for Financial Assistance.
March 30, 1955	Contract for Financial Assistance
May 9, 1955	State Housing Board letter approving preliminary plans as of April 20, 1955
July 22, 1955	State Housing Board approves Final Plans and specifications
July 26, 1955	Sub-bidders bid date
July 28, 1955	General bidders bid date and bid openings
August 9, 1955	Bids awarded and approved by State Housing Board

EVERETT HOUSING AUTHORITY REPORT NO. 56-H-7

Chapter 200-1 - 1955 Fiscal Year Operations: For the fiscal year ended on June 30, 1955, this project was operated at a loss of $63,565.38 before application of the Commonwealth's Contribution of $77,050.00. To the date of the completion of the current audit, no instructions had been received from the State Housing Board with respect to the disposition of the resulting surplus of $13,484.62.

Chapter 200-2 - 1954 Calendar Year Operations: For the fiscal year ended December 31, 1954, this project was operated at a loss of $11,297.82 before application of the Commonwealth's Contribution of

$19,150.00. The surplus of $7,852.18, which resulted from the application of this subsidy, was disposed of as follows:

Transfer to Operating Reserve	$2,852.18
Transfer to Contribution Reduction Reserve	5,000.00
	$7,852.18

SOMERVILLE HOUSING AUTHORITY REPORT NO. 56-H-8

Project 200-1

Development Fund Cash and Accounts Payable Development: Attention is directed to the fact that Development Fund accounts still open on the books as of June 30, 1955 were as follows:

Development Fund Cash	$24,241.53
Accounts Payable Development	23,368.36

As this project has been in the Permanent Financing status since July 1, 1952 a period of three years, and because there were no known Accounts Payable-Development, it is obvious that excessive accounts payable had been originally set up when the project went into Permanent Financing and that the cash balance retained to meet these liabilities was too large.

It is, therefore, suggested that these two accounts be closed as the Operating Reserve will undoubtedly reach its prescribed maximum within the current fiscal year. Funds resulting from the closing of the Development Fund in the amount of $24,241.53 should be used to reduce the Commonwealth's Contribution for 1956.

Utility Charges to Tenants: The charges to tenants for utilities such as gas, electricity, heat and hot water was $3,129.60 per month or $37,555.20 on the annual basis.

It was noted, however, that the actual cost of these utilities, exclusive of water, was greatly in excess of the amount charged to the respective tenants, as follows:

Utility	Cost	Included in Dwelling Rent	Assumed by Authority
Gas	$ 3,424.45	$37,555.20	$5,625.39
Electricity	20,438.56		
Fuel	16,657.58		
Heating - Labor	2,660.00		
Total	$43,180.59	$37,555.20	$5,625.39

It was understood that the State Housing Board has questioned the relative utility cost and the basis of charges to the tenants with regard to a possible revision of the charges to be included in dwelling rent as well as a possible change of the percentage of income to be used as a basis for rent increases.

Project 200-2

Development Costs: It was noted that the Development Costs as

shown by the books of the Authority have been substantially understated. In this connection, the following was noted:

a) Items cleared through Accounts Payable - Development had not been set up as an Accounts Payable Development, therefore not in Development Costs	$57,869.48
b) Contract Retention account not adjusted correctly - result Development Cost not charged and Contract Retention account not credited	1,618.30
c) Unearned interest not charged and Development Cost credited	(381.33)
Development Cost Increase	$59,106.45

The foregoing items were discussed with the accountant employed by the Authority, and he agreed they should have been included with Development Cost, and as a result they were brought on the books of the Authority while this audit was in progress.

It was further noted that there was also an account carried as Indeterminate Expense with a balance as of June 30, 1955 of $102,173.02. The balance included the payment to one of the contractors from the Administration Fund for the Development Account of $50,000.00, as well as the payment to the National Shawmut Bank for interest on one of the Series Notes in the amount of $52,173.02. This payment was made from the Administration Fund for the Development Account.

Both of these items are Development Cost charges and should, therefore, be so reflected.

The several items enumerated would increase the balance presently appearing on the records in the amount of $161,279.47 and would show an actual Development Cost to June 30, 1955 of $3,030,604.87.

To date, the $102,173.02 shown on the Indeterminate Expense item has not been applied to the Development Cost account. It is suggested that such an adjustment be effected forthwith.

Operating Reserve: It was noted that the balance in the Operating Reserve account as of June 30, 1955 was $11,640.63 and has accrued over a period of eighteen months.

This project is still in its Initial Operating Period status and an Operating Reserve account is ordinarily not established until a project goes into the Permanent Financing status. The establishment of such a reserve before Permanent Financing reduces the surplus balance and might possibly increase the amount of financing necessary when Permanent Financing actually becomes effective.

Change Orders: It was noted that the Chairman of the State Housing Board under date of August 15, 1955 instructed this Authority to issue Change Orders totaling $95,391.46 in this project.

These changes are all increases of Approved Change Orders for which the initial allowances claimed by the Change Orders had been paid.

The directive of August 15, 1955 refers to a meeting held April 16, 1953, more than two years before, for the purpose of determining the justification for these claims for additions to the contract in excess of Approved Change Orders.

Old Age Housing: The activity to date on Old Age Housing was

as follows:

a) Seven sites have been tentatively selected for this undertaking, as of December 28, 1954.
b) Architects had been selected, and a contract for their services executed by the Architects and the Somerville Housing Authority, was sent to the State Housing Board on May 26, 1955.
c) On July 14, 1955 the State Housing Board returned the Architect's contract to the Somerville Housing Authority with the following notation:--

"It is our understanding that this contract will be modified by mutual agreement of the parties before being presented to the State Housing Board for review and approval."

NORTHBRIDGE HOUSING AUTHORITY REPORT NO. 56-H-9

Insurance: Although it is understood that this Authority is protected under the blanket insurance policies of the State Housing Board, no evidence of renewals nor coverage was available in the files of this Authority for auditing purposes.

This matter was discussed with the Chairman of the Authority, and it was suggested that the State Housing Board be contacted so that this information may be readily available within the Authority.

WESTBOROUGH HOUSING AUTHORITY REPORT NO. 56-H-10

Commonwealth Contribution: The Commonwealth may make an annual contribution of not more than 2½% of the total net development costs, and in this connection it was noted that this item for the fifth year under Permanent Financing was $2,043.00, computed as follows:

2½% of Costs	$3,800.00
Less:	
Surplus transferred to Reduction Reserve	1,757.00
Fifth Year Contribution	$2,043.00

This amount was paid to the fiscal agent, the National Shawmut Bank of Boston, in February 1955.

CAMBRIDGE HOUSING AUTHORITY REPORT NO. 56-H-11

Working Capital Accounts: The previous audit report included the following comment:

"It was noted that the accounts of the several Chapter 200 projects included the following Working Capital Account balances:

Project 200-1	$ 697.14
Project 200-3	422.69
Project 200-4	337.23
Project 200-5	804.66
	$2,261.72

"These balances are the residue of the amount received from the bonds issued when the projects went into Permanent Financing and were merely used to "round out" the bond figure.

"There appears to be no purpose for retaining these accounts as they will undoubtedly be inactive for the life of the projects.

"It is therefore suggested the accounts be closed and the Surplus accounts of the respective projects credited with the amounts indicated."

It was noted that there had been no action in this regard, and it is again suggested that these accounts be closed in conformance with the foregoing.

Housing for the Elderly: Chapter 667 of the Acts of 1954 authorized the expenditure of $15,000,000.00 to provide housing for the elderly. In this connection, it was learned that this Authority considered remodelling certain units at the Chapter 200-4 project under this program, because it could not find an adequate site on which to construct such housing and filed an application for an allotment of units based on the proposed conversion. However, the State Housing Board in a letter dated August 6, 1954 stated that it felt that this was not a practical procedure and did not think it feasible to approve this plan.

On September 1, 1954 the State Housing Board granted the tentative approval for the construction of seventy-five such units, but at the present time this program is at a standstill because suitable land has not yet been obtained.

Chapter 372 - Permanent Construction - 1954 Surplus: The surplus from operations for the year ended December 31, 1954 was $4,406.04 and was remitted to the City of Cambridge in January 1955.

Chapter 372 - Permanent Construction - Sale of Homes: Under the terms of Chapter 372 of the Acts of 1946, as amended, these units must be offered for sale before July 1956. In this connection, it was noted that sales approvals based on prices shown on Veterans Administration appraisals have been requested from the State Housing Board. It is anticipated that these units will be sold in the near future.

Chapter 200 Projects - Operations under Permanent Financing: The following shows the result of the operations for the fiscal year ending within this audit period for the five State-aided projects which were in Permanent Financing:

PROJECTS	200-1	200-2	200-3	200-4	200-5
FISCAL YEAR ENDING	JUNE 30, 1955	MAR. 31, 1955	JUNE 30, 1955	MAR. 31, 1955	JUNE 30, 1955
DEFICIT BEFORE COMMONWEALTH CONTRIBUTIONS AND REDUCTIONS THEREOF	$19,993 84	$27,136 52	$18,759 31	$79,715 91	$16,567 78
COMMONWEALTH CONTRIBUTION	$19,820 89	$25,828 31	$13,927 60	$64,103 92	$15,100 34
CONTRIBUTION REDUCTION	2,954 11	6,471 69	7,472 40	9,521 08	2,699 66
	$22,775 00	$32,300 00	$21,400 00	$73,625 00	$17,800 00

SURPLUS (DEFICIT) AFTER COMMONWEALTH CONTRIBUTION AND CONTRIBUTION REDUCTIONS	$2,781 16	$5,163 48	$2,640 69	($6,090 91)	$1,232 22

These surpluses will be credited to the respective Reserves for Reduction of Commonwealth Contribution for the fiscal year 1956. The deficit in Project 200-4 was absorbed by a transfer from the Operating Reserve.

Chapter 200-2 - Accounts Payable: The previous audit report included the following comments:

> "It was noted that the records show there is due to a contractor $27,532.81. This balance has remained in an inactive category since February 1952, as the contractor contends a larger amount is due him. It is suggested that immediate steps should be taken to settle this matter so that the accounts may be cleared. There is a cash balance in the Development Fund in this amount."

In this connection, it was noted that Part II of the Certificate of Completion, which was signed by the Authority on August 24, 1955 and sent to the State Housing Board for approval, includes the certification that a voucher for final payment of $30,205.54 is due and payable.

Chapter 200-4 - Deficit Operation: For the fiscal year ended March 31, 1955, this project was operated at a loss of $6,090.91. In this connection, it was noted that the rental income for the period was $8,870.80 less than that budgeted because of the abnormal turnover which resulted in a substantial vacancy loss.

PEABODY HOUSING AUTHORITY REPORT NO. 56-H-12

General - Annual Verification of Tenants' Incomes: Under the provisions of Chapter 200 of the Acts of 1948, as amended, tenants' rentals are supposed to be based on respective incomes and/or family status. This income is originally verified prior to occupancy. Annual verifications of income should be arranged in accordance with the administrative orders of the Chairman of the State Housing Board, in order that there be compliance with the provisions of this statute with respect to the continued eligibility of tenants and to ascertain that they are paying proper rentals.

In this connection, it was noted, however, that there have been no rental adjustments based on the annual verification of tenants' income since the projects were originally occupied, which in the case of Project 200-1 was in October 1950, and in the case of Project 200-2 in February 1953.

It was understood from the Executive Director that such an annual verification has recently been made, and rental adjustments in accordance therewith will take place on September 1, 1955.

Chapter 200 - Project 200-1 - Operations: For the fiscal year ending December 31, 1954, this project was operated at a loss of $12,864.59 before applying the Commonwealth's Contribution of $11,543.18 and $6,506.82 which had been reserved from the prior year's

operations for the purpose of reducing the annual subsidy contribution from the Commonwealth. The State Housing Board instructed this Authority that the surplus of $5,185.41 resulting after the applications of these funds will be used to reduce the subsidy for the fiscal year ending December 31, 1955.

Chapter 200 - Project 200-1 - Utility Sale: It was noted that the Housing Authority received $5,294.25 from the Utility Company on September 30, 1954 as the result of the sale of the electrical distribution system.

The State Housing Board in a letter dated October 14, 1954 instructed that a check for this amount be drawn payable to the Commonwealth of Massachusetts and forwarded to the State Treasurer to be credited to the Sinking Fund provided by Chapter 116 of the Acts of 1954.

However, this transfer of funds to the State Treasurer had not been made to the date of audit. This matter was brought to the attention of the Authority, and it was indicated that the check would be drawn on September 1, 1955.

Old Age Housing: The following represents a chronological summary of the transactions of this program to date of audit:

December 16, 1953 -	Preliminary application for Old Age Housing submitted to the State Housing Board.
June 30, 1954 -	Letter from State Housing Board giving tentative allotment of 30 units.
September 1, 1954 -	Letter from State Housing Board giving tentative allotment of 20 units.
July 8, 1955 -	Letter from State Housing Board giving tentative allotment of 40 units.

The Peabody Housing Authority has endeavored to locate a suitable site for this project, but to date has been unsuccessful.

WESTFIELD HOUSING AUTHORITY REPORT NO. 56-H-13

Debt Service Payments: This Authority pays into its Debt Service Fund through its fiscal agent each year from rental income an amount which together with amounts received from other sources will equal that year's total debt requirements. On February 1, 1956 this Authority will pay to the fiscal agent the sum of $9,405.01, computed as follows:

Principal and Interest Due April 1, 1955		$27,747.50
Commonwealth Contribution	$12,007.05	
Reduction of Contribution Prior Year Surplus	6,242.95	
Amortization of Premium	57.49	
Income on Investment	35.00	18,342.49
Project Requirement		$9,405.01

NEWBURYPORT HOUSING AUTHORITY REPORT NO. 56-H-14

Interest on Premium Account Investment: It was noted that the

income on the Premium Account investment in the amount of $218.75 had been credited to the Miscellaneous Income account rather than to the Debt Service Expense Account. The State Housing Board has prescribed that such income be credited to the latter account, and it is suggested that the necessary adjustment be effected.

Exterior Painting: It was noted that the paint on the exterior of the dwellings which were painted approximately two years ago is peeling quite noticeably. It is understood that there is a moisture content problem in these dwellings. It is suggested that any future painting be deferred until such time as this problem has been resolved.

LEOMINSTER HOUSING AUTHORITY REPORT NO. 56-H-15

Commonwealth Contribution: The contribution for the fourth year under Permanent Financing was $17,575.00, the maximum permitted, after the transfer of the 1954 surplus of $759.59 to the Operating Reserve account. However, no consideration was given to the Reduction Reserve account.

This contribution was paid to the National Shawmut Bank of Boston on or about June 15, 1955.

Housing for the Elderly: On August 10, 1954, this Authority voted to apply for dwellings for the elderly and formal request was sent to the State Housing Board on August 27, 1954. On October 18, 1954 the State Housing Board made a tentative allocation of 20 units for this Authority. Since that date, however, the location of the sites for these units has been the subject of discussion among all concerned. It was noted, however, that the location originally selected by the Authority has finally been chosen. In this connection, the State Housing Board advised that it would agree to this site if the Authority was of the firm opinion that it was the most desirable. However, before approval could be given, a letter from the Mayor of Leominster agreeing to off-site improvements, i.e. proposed street, sewerage, etc., was necessary, as well as a letter from the City Engineer regarding the topography, etc. It was noted that the City Engineer has submitted maps, which will be forwarded to the State Housing Board, in lieu of a letter. To date, however, the required letter has not been forthcoming from the Mayor.

In this connection, it was also noted that the City Council unanimously approved a resolution in favor of Housing for the Elderly on December 13, 1954, and the Mayor was also recorded in favor of it.

Delay of Audit: This examination was initiated on July 1, 1955, but because of lack of co-operation of the Authority's Executive Director as well as its Vice-Chairman, access to the files was not made available. As a result, the audit was postponed and was resumed on September 6, 1955.

WOBURN HOUSING AUTHORITY REPORT NO. 56-H-16

Chapter 200 - Project 200-1

The accounts still show a balance of $698.46 in the Working Capital account. As this account is no longer necessary, it is suggested that it be closed and credited to Surplus which would ultimately reduce the Commonwealth Contribution.

Chapter 200 - Project 200-3

Operating Reserve: It was understood that an Operating Reserve will be established for this project as of September 30, 1955 for the quarter ended on that date. The project was initially occupied by tenants as of June 1, 1955.

As this project is in the Initial Operating Period - Temporary Financing, therefore an Operating Reserve should not be established for it until it goes into the Permanent Financing Status.

The establishment of this reserve merely increases the expenses during the Initial Operating Period and lessens the surplus for that period. In this instance, the charge to expenses and the credit to the Reserve would total $2,304.00 a year. The elimination of such a charge could naturally have an effect on the final amount of Bonds or Notes necessary when the project is financed on a Permanent Basis status.

Housing for the Aged: The State Housing Board has allotted 20 units to this Authority for Old Age Housing, but it appears doubtful at this time that they will be constructed. To the date of audit, only a survey is being made.

MALDEN HOUSING AUTHORITY REPORT NO. 56-H-17

Project 200-2 - Permanent Financing: It was noted that the outside accountants have taken the so-called "Fixed Expenses" under the account number 4700 and have set the gross totals up under control numbers on one ledger sheet. This same sheet is also used for a subdivision of the related subsidiary accounts. The State Housing Board's Accounting Manual states that separate accounts shall be kept.

Revolving Fund: It is recommended that all pay rolls be distributed directly from the Revolving Fund in their entirety. This matter was discussed with the Executive Director who agreed to this suggestion. Due to the type of distribution of pay rolls in the various projects, it may possibly be necessary to set up a special type pay roll book for this purpose.

Project 667-1 - Housing for the Elderly: Actual construction of the thirty-seven approved units was started on August 1, 1955. The successful bidder for the notes on this project was Dwinnell, Harkness and Hill, Inc., who offered $289,000.00 plus a premium of $20,240.00 at a gross rate of 6%, and the Authority approved the Second Bank, State Street Trust Company of Boston as its Fiscal Agents.

The purchase price of the land was made by the City of Malden for $7,000.00 and it was approved by the State Housing Board in its letters of October 17th and 19th, 1954.

The terms of the construction contract stipulate that the project should be completed by January 27, 1956.

The books of account are maintained by the Executive Director, as he does for the other projects.

MIDDLEBOROUGH HOUSING AUTHORITY REPORT NO. 56-H-18

Commonwealth Contribution: It was noted that the Commonwealth's Contribution during the fifth fiscal year under Permanent Financing totaled $4,173.50. The operating surplus of $2,826.50 for the year ending December 31, 1954, after applying the Commonwealth's Contribution

of $2,829.30, was used to reduce the Commonwealth's Contribution for the 1955 fiscal year.

QUINCY HOUSING AUTHORITY REPORT NO. 56-H-19

Chapter 372 - Sale of Units: This project was completed in November 1948. Under Chapter 372 of the Acts of 1946, as amended, the Authority is obliged to offer such units for sale sometime between the fifth and sixth year after completion. In this connection, it was noted that the necessary appraisals of these dwellings have been made by the City of Quincy and the State Housing Board. An appraisal has also been made by the Veterans Administration.

These homes were first offered for sale to the tenants on November 9, 1954 and again March 5, 1955, with May 1, 1955 as the deadline for them to make known their desires in this connection. No offers were received from the respective tenants.

It is understood that the City authorities and the Housing Authority are not in favor of the sale because it appears that the outstanding loan balance will not be realized. It was also learned that the route of the Southeast Expressway, if it follows the abandoned railroad tracks, will pass through the project.

Chapter 372 - Surplus from Operations: It was noted that surplus from operations for the fiscal year ending December 31, 1954 in the amount of $14,114.81 was remitted to the City of Quincy during the month of January 1955.

Chapter 200-1 - Prior Years Operation: For the fiscal year ending September 30, 1954, this project was operated at a loss of $71,986.38 before applying the Commonwealth Contribution of $69,716.07 and the $36,533.93 which had been reserved from the prior year's operations for the purpose of reducing the annual subsidy contribution from the Commonwealth. The State Housing Board instructed this Authority that the surplus of $34,263.62 will be used to reduce the subsidy for the fiscal year ending September 30, 1955.

Chapter 667 - Old Age Housing: It was noted that an application was filed on December 15, 1953 for Old Age Housing units, and a tentative allotment of 45 units was received on August 5, 1954. Considerable time has been spent on locating a site for this housing. However, the City authorities and State Housing Board originally protested the Authority's selection of a site at Palmer and Shed Street.

On January 18, 1955 this site was finally approved, and an architect was selected by the Authority on April 8, 1955.

Since approval of the site the Authority has been attempting to have the present zoning changed from Residential A to Residential B. It was understood that action in this direction was started by the local government in October 1955.

STATE HOUSING BOARD REPORT NO. 56-H-20

1. Responsibility of State Housing Board: As noted on Page 1 of the Appendix to this report, the Chairman of the State Housing Board has sole responsibility for the administration of the veterans' housing program authorized under Chapter 200 of the Acts of 1948, as amended, and the housing for the elderly program authorized under Chapter 668 of the Acts of 1953, as amended.

Under the provisions of Chapter 121 of the General Laws, it will be noted that local authorities, which operate one or more projects, are composed of five members with equal rights and responsibilities. It would seem that if the operation of one project required the co-ordinated judgment of five individuals, the same should be true of the State Housing Board which administers 136 projects under Chapter 200 and is now constructing additional projects under Chapter 667.

This concentration of power in one member of a board is unique in this Commonwealth, since in the creation of most boards the Legislature places equal rights and responsibilities on the members thereof. It may also be said that such concentration of power would also be unique in private enterprise as evidenced by the fact that directors of corporations also have equal rights and responsibilities. We see no necessity for the existence of the State Housing Board other than to provide the title of Chairman which to the average person would give the impression that his acts result from group decisions.

It might be argued that decisions can be rendered more quickly when responsibility and power to make decisions rests with one individual alone. However, as evidenced by comments appearing in this report, such concentration of authority appears to have been used unwisely.

It would appear that it would be in the best interests of the Commonwealth that equal power and responsibility be granted to each of the five members of the Board.

2. Administration: At the present time, the Commonwealth has guaranteed borrowings by local housing authorities in a total in excess of $190,000,000.00, all of which borrowings were originally expended in the erection of local housing for veterans. These borrowings by statute, are to be repaid from project rentals over a period of forty years, with the further assistance of an annual subsidy from the State of not more than 2½% of the construction costs of the particular project involved. The financial risks of the Commonwealth, which involves the guarantee of bonds totaling nearly $200,000,000.00 are therefore substantial. It should be obvious that each local housing authority cannot afford to individually retain the technical and financial advisors to maintain these projects in a livable and solvent condition over the next forty years, but, if the Commonwealth is to avoid substantial payments to bond holders in the future, the continued solvency of these projects must be insured.

Local housing authorities are continuously in need of expert financial and technical advice, and the obvious source of such assistance can only be the State Housing Board. At the present time, substantial costs are being incurred in the repainting of many Chapter 200 projects while, in addition, supervision from the State Housing Board will most certainly be required in the construction of Old Age Housing, which will probably involve an additional $15,000,000.00. Attention is directed to the fact that the Chairman of the State Housing Board has recently ordered the discharge of four employees of the Technical Section, two of the Management Section and two of the Accounting Section. This curtailment will leave two construction advisors and two management supervisors on the staff of the State Housing Board, and under such circumstances, it is obvious that adequate and necessary technical advice and supervision cannot be supplied to the local housing authorities by the State Housing Board.

During the course of this audit, it became apparent that no supervision, technical or other, has been supplied by the State Housing

Board over painting contracts once they were awarded, unless such services were demanded by the local authority, and in such circumstances the value of such assistance was greatly reduced by the fact that it usually became available only after the original damage had been done.

Apparently as the result of the difficulties encountered in painting, a field report signed by the Painting Inspector and the head of the Technical Section of the State Housing Board, dated September 13, 1955 protested as follows:

> "We cannot expect to receive value for the money spent, or compliance to the specifications on painting contracts, unless proper supervision is allowed on these projects."

During the course of this audit, it was noted that three local authorities were encountering difficulties or stoppage of work on the painting of the exterior of their projects on contracts involving $72,360.00.

As was stated before, the principal activities of the State Housing Board in repainting projects apparently consist of an examination before such contract is let, and in at least one instance, the benefits of such an examination was lost by inefficient staff work at the Board level. In connection with the Revere Housing projects, a field report, dated August 4, 1955, noted that there was a high moisture content reading, a rotting of mesh and clapboard and boarding, paint badly peeled and project appearance shabby. The last sentence in that report reads as follows:

> "It is my opinion that the buildings at these projects must be properly vented before painting and to prevent damage to the structure."

On September 2, 1955, the Chairman of the State Housing Board, either in ignorance of this recommendation or despite it, approved an exterior painting contract for this project in the amount of $35,890.00, and the venting work recommended in the field report was neither included in the contract nor had it been done prior to the initiation of this contract. In this connection, attention is directed to the fact that rarely if ever does the local authority see the State field reports.

The Director of the State Housing Board apparently became aware of the difficulties that were arising in connection with the painting of this project, because on September 16, 1955, in a letter to the Director of the Revere Housing Authority, he stated:

> "... I promise you that an inspector from this office will also keep a close watch over this job."

As of the date of the close of this audit, no member of the staff of the State Housing Board had visited this project, despite this promise of the Director.

In connection with the painting of the Everett Project 200-1, on July 21, 1955 a field report recommended that because of a high moisture content in the buildings that caulking compound be forced into the openings between clapboards and metal frame windows and that moisture readings be taken after this was done in order to check moisture content before painting. On August 2, 1955, the State Housing Board ordered the local authority to proceed with the caulking work, but they

did not advise the Authority to take readings for moisture content before initiating painting and on August 25, 1955, the work was started. On September 30, 1955, severe blistering of the new paint was noted, and it became necessary to suspend the work until corrective measures could be determined and applied. In this instance, therefore, there is another obvious waste of funds and a demonstrated lack of coordination by the State Housing Board.

In connection with the painting of the Newburyport Housing Authority, attention is directed to the fact that a Field Supervisor from the State Housing Board on May 4, 1953 recommended that the Authority reject all bids and his report was followed on May 11th by a letter from the State Housing Board to the Authority recommending that all bids be rejected and that the painting be readvertised. Two days later, for no evident reason, on May 13, 1953 the State Housing Board canceled their recommendation of May 11th and awarded the contract to the low bidder. On July 22, 1953 the finished job was inspected by the State Housing Board, and that inspection reported the paint was blistering, nails were protruding, nail holes had not been puttied, and that old paint had not been scraped before repainting.

Speaking generally of the job, the State Housing Board stated that the painting of the project shows poor workmanship, lack of proper supervision and evidently no inspection.

There have been many similar instances of difficulty with the painting of these local projects, and there also has been a demonstrated lack of supervision on the part of the State Housing Board, and in addition, the State Housing Board has acted sometimes in direct contradiction of the advice of their own field men. One pertinent recommendation in connection with painting; signed by two members and the head of the Technical Section of the State Housing Board, recommended:

> "As soon as possible, it is suggested that this problem be given to a member of the technical section as a full-time assignment. It might take a week, or a month, to come up with the right answers, but a hit-or-miss part-time treatment of the problem will never solve it, in our opinion."

We find no evidence that the State Housing Board accepted this recommendation, with the results that have been demonstrated in the comments of this report.

Another problem which has been a matter of great concern to numerous housing authorities is the installation of storm windows and storm doors, and several authorities had contacted the State Housing Board with respect to the installation of such facilities. In February of 1955, the Chairman of the State Housing Board, on the subject of storm windows and doors stated that a survey was under way and he further stated:

> "... this office intends to review the information in order that a comprehensive policy may be adopted concerning future requests for storm window and storm door installation."

As a result of continuing inquiries from local authorities, on July 18th the Director stated:

> "We are rewriting our specifications for metal doors and windows to comply with the decision rendered by the Department of Labor and Industries and as soon as they are completed,

"which should be in a few days, a copy of the same will be sent to you for your use and only those specifications will be considered by us in any future transactions pertaining to the items under discussion."

The information guaranteed herein in a few days to the authorities was never forthcoming from the Director. As of October 5, 1955 the specifications had not been sent out to the authorities requesting storm windows and storm doors, and the Chairman of the State Housing Board stated again that he had been working on the specifications. As the result of this delay, authorities which had requested storm windows and doors a year ago are still waiting for specifications and are still without these necessary appurtenances.

3. Budget: For the current fiscal year, the Chairman requested and received approximately $5,000.00 less for Personal Services than was expended by the State Housing Board during the previous year. Recently the Chairman announced dismissals from the staff of the Board, which would reduce the annual pay roll costs of the agency by approximately $55,000.00. Included in this reduction were four employees of the Construction Section, two of the Management Section, and two of the Accounting Section. These employees worked primarily at the project level and supplied needed technical and administrative supervision over local housing authorities. This curtailment of the staff therefore leaves but two Construction Advisors and two Management Supervisors on the pay roll of the State Housing Board. In view of the finally initiated construction of housing for the elderly and the extensive and costly maintenance work needed on Chapter 200 projects, it should be obvious that adequate and necessary supervision of these activities cannot be maintained by the reduced personnel of the State Housing Board. Although the dismissals ordered by the Chairman will reduce personnel costs by $55,000.00 a year, the Chairman has indicated publicly that these funds would be needed for other purposes, such as new equipment and the hiring of special appraisers and architects for maintenance problems in housing projects.

Attention is directed to the fact that the Chairman in requesting appropriations from the Legislature did not request additional funds for equipment nor did he ask for any substantial increase in the amount of money made available to his agency for the hiring of consultants, and from his public statements it is apparent that he proposes to seek transfers of funds from Personal Services to these other items. The attention of the Chairman is also called to the fact that the costs of appraisers and architects are generally charged against the bonds issued for construction purposes, and therefore the cost of such services would not be a proper charge against the consultant service appropriation of the Board.

In this connection, attention is directed to the fact that on April 25, 1955 and continuously since that date, the State Housing Board has retained, as a consultant, the services of a Construction Advisor at a rate of $550.00 per month. Attention is directed to the fact that the starting salary grade provided by Legislature for a Construction Advisor is $385.00 per month. Despite the difference in salaries the Chairman has retained the services of this consultant and has released full-time employees engaged in the same work.

This department has on numerous occasions commented on the fact that the use of consultants is a practice that is increasing in certain agencies of the Commonwealth, and while in some instances such services

are necessary, in no instance is it proper to replace a full-time employee by hiring consultants to perform the normal duties of a regular employee. In such instances, it is a clear indication that the department head seeks to evade Civil Service regulations or veterans' preference statutes or salary grades set by the Division of Personnel with the approval of the General Court.

4. Housing for the Elderly - Inspection: In a letter dated August 18, 1955 to one of the Authorities constructing this type of project, the Chairman outlined the position of the State Housing Board as regards the inspection of construction, as follows:

> "The inspection of construction of this development will be the responsibility of your Authority and the Architect and may be supplemented by a periodic review by a member of the staff of the State Housing Board."

Under the terms of the statute authorizing the construction of this housing, the Commonwealth guarantees bonds and notes not exceeding $15,000,000.00, and further provides for a maximum subsidy not to exceed 2½% of the development cost. In this connection, it was noted that the site, plans, architect, construction contract, etc., must all be approved by the State Housing Board.

In view of the financial responsibility of the Commonwealth, it would seem that the strict supervision should not end with the signing of the construction contract. Attention is directed to the fact that in many of the Chapter 200 projects the final acceptance of the projects was delayed for a considerable period of time because of controversies as regards their construction. Based on previous experience, it would seem that many such problems would be resolved at the time of construction if adequate supervision is provided by the State Housing Board.

6. Somerville Project 200-2: On August 15, 1955 the Chairman of the State Housing Board forwarded the following order to the Somerville Housing Authority:

(COPY) August 15, 1955

Patrick C. Chessman, Executive Director
Somerville Housing Authority
30 Memorial Road
Somerville, Massachusetts

Re: Somerville 200-2

Dear Mr. Chessman:

Reference is made to a hearing held in this office on April 16, 1953 at the request of your Authority to determine the justification of claims asserted by the C..... Construction Company in the contractor's Certificate and Release and in Part I of the Certificate of Completion. In accordance with the terms of the contract, Section 19, Disputes, the contractor's claims have been reviewed and a decision on each item has been rendered by me as follows:

2 (A)
(b) Extension of foundations on Buildings 4, 5, 6, 7, 8

The contractor is entitled to payment in the amount of $3,948.48

(c) Balance due on C/O #2 - Claim denied ---

(d) Balance due on C/O #7 - Contractor waives this claim. ---

(e) Balance due on C/O #11 -
The contractor is entitled to payment in the sum of 1,041.00

(f) Balance due on C/O #14 -
The contractor is entitled to payment in the sum of 19.00

(g) Balance due on C/O #16 -
The contractor is entitled to payment in the sum of 249.00

(h) Balance due on C/O #19 -
The contractor is entitled to payment in the sum of 100.00

(i) Balance due on C/O #20 - Contractor waives this claim.

(j) Balance due on C/O #21 -
The contractor is entitled to payment in the sum of 105.90

(k) Balance due on C/O #22 -
The contractor is entitled to payment in the sum of 598.50

(l) Balance due on C/O #22 -
The contractor is entitled to payment in the sum of 31.50

(m) Balance due on C/O #24 -
The contractor is entitled to payment in the sum of 3.06

(n) Balance due on C/O #30 -
The contractor is entitled to payment in the sum of 1.06

(o) Balance due on C/O #34 -
The contractor is entitled to payment in the sum of 1,058.56

(p) Balance due on C/O #39 -
The contractor is entitled to payment in the sum of 319.65

(q) Balance due on C/O #40 -
The contractor is entitled to payment in the sum of 142.80

(r) Install concrete step at Buildng #5 -
The contractor is entitled to payment in the sum of 33.70

(s) Fasten door bucks to ceilings -
The contractor is entitled to payment in the sum of 2,233.80

(t) Relocate basement partition -
The contractor is entitled to payment in the sum of 102.50

(u) Build up boiler room sump pit -
The contractor is entitled to payment in the sum of 59.21

(v) Change basement door hardware -
The contractor is entitled to payment in the sum of 20.13

(w) Labor on garage retaining wall -
The contractor is entitled to payment in the sum of 138.43

(x) Engineering, drafting, blueprinting, etc. -
The contractor is entitled to additional payment on
C/O 4 75.00
C/O 5 543.00
Extra drains and plumbing 643.00
All changes for engineering, blueprinting, etc., are denied.

(y) Removal of blasted rock from the site -
The contractor is to be paid in the amount of his claim 28,810.47

(z) Loss to delay and indecision in providing electrical outlet -
The contractor is entitled to payment in the sum of 768.50

(aa) Concrete tests ordered by ....., Co., Architect -
The contractor is to be paid in amount of C/O #44 34.50

(bb) Thru wall flashing ordered by ....., Co. -
The contractor is entitled to payment in the sum of 8,846.86

(cc) Proportional cost of fuel and firemen -
The contractor is entitled to payment in the sum of 2,520.39

(dd) Installation of cement base instead of cement plaster base -
This amount is denied. -

(ee) Labor and materials on chimney base -
The contractor is entitled to payment in the sum of $ 469.32

(ff) Relocate closet doors and frames -
The contractor is entitled to payment in the sum of 58.88

(gg) Refit doors and frames of penthouses -
The contractor is entitled to payment in the sum of 539.07

(hh) Ledge removed by drilling but only allowed as blasting -
C/O listed below are to be increased in sums stated and contractor is to be paid the increased amounts:

C/O # 7	2,000.00
8	2,703.50
9	600.00
10	803.00
11	10,041.00
13	564.00
15	779.50
16	251.00
19	100.00
20	6,292.50
22	11,709.00
27	1,018.00
31	1,738.50
32	3,058.00
37	237.00
Grand Total	$95,391.46

The Somerville Housing Authority shall issue change orders indicating the above additions to the contract and submit them to this office for processing. In order to simplify the work a number of items may be included in one change order. After the change orders have been approved by this office, a Part II Certificate of Completion shall be prepared which will indicate the disposition of each item listed under "Exceptions" and submitted to this office, together with a final requisition from the contractor for payment.
This payment to the C..... Construction Company in the amount of $95,391.46 will be in full settlement of all claims against the Somerville Housing Authority.

Very truly yours,

DANIEL TYLER, JR.
Chairman

This letter represents an order by the Chairman of the State Housing Board to the Somerville Housing Authority to pay $95,391.46 to the contractor concerned.

As an evidence of the inefficiency existing in the office of the Chairman of the State Housing Board, attention is called to the following errors located in this order.

(1) The totals on the order are improperly added.
The actual total should be $95,410.27.

(2) Item (y) is incorrectly computed and should read $28,410.07.

(3) Item (hh). Particular attention is directed to this, since Change Order #11 included in this item is listed under the Chairman's order in the amount of $10,041.00, while the contractor in submitting his claim only requested a payment of $1,041.00. This glaring example of inefficiency and inaccuracy, on the part of the Chairman of the State Housing Board, actually orders an overpayment of $9,000.00 to the contractor. In reality, the original amount of $1,041.00 itself was a duplication of item (e), which was also approved by the Chairman of the State Housing Board in this same letter. As a result, the Chairman has ordered a payment of $11,082.00 to the contractor for which the contractor has only requested $1,041.00 and even this amount of $1,041.00 was denied by the Architect as is evidenced later in this comment.

(4) Item (hh). Attention is also directed to Increase in Change Order #19 for $100.00 which is a duplication of Item (h), which was also approved by the Chairman of the State Housing Board in this same letter.

The following is an analysis of the payments ordered by the Chairman of the State Housing Board:

Item No.	Description	Contractor Claim	Payment Ordered by Chairman S. H. B.
b	Extension of foundations on Buildings #4, 5, 6, 7, 8	$3,948.48	$3,948.48

With reference to this item, the Architect on November 25, 1952 wrote the Chairman of the Somerville Housing Authority:

"This item in the amount of $3,948.48 was denied by this office and the State Housing Board in their communication to the C..... Construction Company on February 20, 1952, on grounds that there was no evidence that this work was ever authorized or performed."

Item No.	Description	Contractor Claim	Payment Ordered by Chairman S. H. B.
e	Balance still due on C. O. #11 - Rock Excavation. 104.1 c.y. paid at rate of $15.00 per c.y. Blasting-Trench. 104.1 c.y. claim of additional $10.00 per c.y. by Contractor	$1,041.00	$1,041.00

f	Balance still due on C. O. #14 - Rock Excavation. Change Order #13 made out for $2,071.56. Contractor received only $2,052.56	49.00	19.00
g	Balance still due on C. O. #16 - Rock Excavation. 24.9 c.y. paid at rate of $15.00 per c.y. Blasting-Trench. 24.9 c.y. claim of additional $10.00 per c.y. by Contractor	249.00	249.00
h	Balance still due on C. O. #19 - Rock Excavation. 10. c.y. paid at rate of $15.00 per c.y. Blasting-Trench. 10 c.y. claim of additional $10.00 per c.y. by Contractor	100.00	100.00
j	Balance still due on C. O. #21 - Extra Work (Boiler Room) Architect decided that Grossman Steel Stair Co., and Patrick Ross - Waterproofer were sub-contractors and disallowed 15% profit to Contractor - Allowed only 7½% profit. Contractor claims additional 7½% profit on this extra work	115.18	105.90
k	Balance still due on C. O. #22 - Rock Excavation. 119.7 c.y. paid at rate of $10.00 per c.y. Blasting-Open. 119.7 c.y. claim of additional $15.00 per c.y. by Contractor	598.50	598.50
l	Balance still due on C. O. #22 - Rock Excavation. 167.1 c.y. displacement credit @ .60 cents per c.y. by Architect. 52.5 c.y. claim of additional @ .60 cents per c.y. by Contractor	31.50	31.50
m	Balance still due on C. O. #24 - Extra work (plumbing). Mathematical error in computation of 7½% profit	11.49	3.06
n	Balance still due on C. O. #30 - Extra Work (Plumbing). Mathematical error in computation of 7½% profit	1.06	1.06
o	Balance still due on C. O. #34 - Extra work (Incinerators). Architect decided to allow 7½% profit on extra work of $12,250.00, which amounted to $918.75. Contractor claims additional 7½% profit	918.75	1,058.56

p	Balance still due on C. O. #39 - Extra Work (Property Line Fence). Architect decided to allow 7½% profit on extra work of $4,262.00 which amounted to $319.65. Contractor claims additional 7½% profit		319.65	319.65
q	Balance still due on C. O. #40 - Extra Work (Fence). Architect decided to allow 7½% profit on extra work of $1,904.00, which amounted to $142.80 Contractor claims additional 7½% profit		142.80	142.80

With reference to these items, the Architect on November 25, 1952 in a letter to the Chairman of the Somerville Housing Authority stated:

"In our opinion these items are not justifiable as they have been paid by your Authority and as recorded on all Change Order forms, Paragraph C which states, 'All claims against the Somerville Housing Authority which are incidental to or as a consequence of the aforementioned change are satisfied.'"

Item No.	Description		Contractor Claim	Payment Ordered by Chairman S. H. B.
s	Fasten door bucks to ceilings 2448 anchors @.75 cents each	$1,836.00		
	15% profit	275.40		
	Insurance	122.40		
		$2,233.80	$2,233.80	$2,233.80

With reference to this item, the Architect on November 25, 1952 in a letter to the Chairman of the Somerville Housing Authority stated:

"This item in the amount of $2,233.80 we claim is not chargeable to the Somerville Housing Authority because of the fact that the bucks were being installed by the C... Construction Company in a manner which we considered improper, and we requested that they be secured by means of jamb straps from the jamb to the ceiling, which is the usual manner in securing them and is accepted as good practice in the trade. The specifications call for all work to be performed in proper workmanlike manner. This we consider the proper way to install the bucks."

Item No.	Description	Contractor Claim	Payment Ordered by Chairman S. H. B.
t	Relocate Basement Partitions	$102.50	$102.50

With reference to this item, the Architect on November 25, 1952 in a letter to the Chairman of the Somerville Housing Authority stated:

"This item in the amount of $102.50 covers the relocation of basement partitions enclosing the incinerator rooms. C... Construction Company claim that they should be paid for this change of location in the partitions, but we claim that the locations of pipes, as indicated on the mechanical drawings, are only approximate, and we gave the C... Construction Company the option of either moving the partition or relocating the pipes in order that the doors to the incinerator rooms would clear the pipes. We, therefore, claim that the C... Construction Company should not be reimbursed for this item."

Item No.	Description	Contractor Claim	Payment Ordered by Chairman S. H. B.
x	Engineering, Drafting and Blueprinting, Insurance, etc., necessitated by rock removal	$7,714.65	$1,261.00

With reference to this item, the Architect on November 25, 1952 in a letter to the Chairman of the Somerville Housing Authority stated:

"This item in the amount of $7,714.65 is denied, and this office wrote the C... Construction Company on December 6, 1950, wherein we advised them that the item is covered in the Specifications, Page 46, Paragraph G of the General Conditions, and Page 47, Paragraph J."

Item No.	Description	Contractor Claim	Payment Ordered by Chairman S. H. B.
y	Removal of Blasted Rock from Site. Total 12.626.7 c.y. @ $2.25 per c.y.	$28,810.47	$28,810.47

With reference to this item, the Architect on November 25, 1952 in a letter to the Chairman of the Somerville Housing Authority stated:

"This item in the amount of $28,810.47 is denied, as issuance, approval, and acceptance of change orders in connection with rock removal by the C... Construction Company

"satisfied all claims in regard to this work and is stated on the face of the change orders."

Item No.	Description	Contractor Claim	Payment Ordered by Chairman S. H. B.
z	Loss due to delay and indecision in providing electrical layout	$768.50	$768.50

With reference to this item, the Architect on November 25, 1952 in a letter to the Chairman of the Somerville Housing Authority stated:

"This claim in the amount of $768.50 is denied, as we find that no delay was occasioned by the C... Construction Company in connection with the electrical layout."

Item No.	Description	Contractor Claim	Payment Ordered by Chairman S. H. B.
bb	Thru-Wall Flashing ordered by the Architect. 15,202 sq. ft. @ .65¢ per sq. ft. $9,881.30) 15% profit 1,482.20)	$11,363.50	$8,846.86

With reference to this item, the Architect on November 25, 1952 in a letter to the Chairman of the Somerville Housing Authority stated:

"A change order has been prepared in connection with this item, indicating a payment to the C... Construction Company of $6,330.22. This item was disapproved by this Company; and after two hearings with the State Housing Board, we were directed by them to prepare a change order for this work. The amount, you will note, is different from the amount of $11,363.50 as carried in the C... Construction Company certificate of completion."

Item No.	Description	Contractor Claim	Payment Ordered by Chairman S. H. B.
cc	Proportional Cost of Fuel and Firemen	$3,507.16	$2,520.39

With reference to this item, the Architect on November 25, 1952 in a letter to the Chairman of the Somerville Housing Authority stated:

"This item in the amount of $3,507.16 is to be determined by the Somerville Housing Authority, as all records in connection with this consumption of fuel and fireman's expense are on file at the Authority's Office."

Item No.	Description	Contractor Claim	Payment Ordered by Chairman S. H. B.
ee	Labor and Materials on Chimney Base	$469.32	$469.32

With reference to this item, the Architect on November 25, 1952 in a letter to the Chairman of the Somerville Housing Authority stated:

"This item in the amount of $469.32 is denied, as the forms gave way during the process of pouring the concrete, and the concrete was ordered removed from the excavation before it was allowed to set up. Our field inspector required the removal of other existing concrete before the forms of a new base was started."

Item No.	Description	Contractor Claim	Payment Ordered by Chairman S. H. B.
ff	Relocate Closet Doors and Frames	$58.88	$58.88

With reference to this item, the Architect on November 25, 1952 in a letter to the Chairman of the Somerville Housing Authority stated:

"This item in the amount of $58.88 is denied, as it was due to a field condition in that the contractor was requested to follow the plans."

Item No.	Description	Contractor Claim	Payment Ordered by Chairman S. H. B.
gg	Refit Doors and Frames of Penthouses	$539.07	$539.07

With reference to this item, the Architect on November 25, 1952 in a letter to the Chairman of the Somerville Housing Authority stated:

"This item in the amount of $539.07 is denied, as the approval and issuance of shop drawings does not relieve the contractor of any responsibility in connection with the proper coordination of the work. In connection with this item, shop drawings were submitted to this office and returned to C... Construction Company with corrections as noted. The C... Construction Company, however, apparently did not inform their supplier of the corrections on our shop drawings and as a result, the doors were received at the job not the proper size, and no new shop draw-

"ings were submitted to this office with the corrections for final approval."

Item No.	Description	Contractor Claim	Payment Ordered by Chairman S. H. B.
hh	Ledge removed by drilling but only allowed as blasting	$72,682.50	$41,895.00

This item includes the following Change Orders which are to be increased in the following amounts:

Change Order #7 - 31.5 c.y. paid at rate of $15.00 c.y. - Drilling-Open 31.5 c.y. claim of additional $10.00 c.y. by Contractor	$ 315.00	-
400. c.y. paid at rate of $10.00 c.y. - Blasting-Open. 400 c.y. claim of additional $15.00 c.y. by Contractor	6,000.00	$ 2,000 00
Change Order #8 - 540.7 c.y. paid at rate of $10.00 c.y. - Blasting-Open 540.7 c.y. claim of additional $15.00 c.y. by Contractor	8,110.50	2,703.50
Change Order #9 - 60. c.y. paid at rate of $15.00 c.y. - Blasting-Trench. 60. c.y. claim of additional $10.00 c.y. by Contractor	600.00	600.00
Change Order #10 - 80.3 c.y. paid at rate of $15.00 c.y. - Blasting-Trench 80.3 c.y. claim of additional $10.00 c.y. by Contractor	803.00	803.00
Change Order #11 - 104.1 c.y. -paid at rate of $15.00 c.y. - Blasting-Trench 104.1 c.y. claim of additional $10.00 c.y. by Contractor	1,041.00	10,041.00
Change Order #13 - 56.4 c.y. paid at rate of $15.00 c.y. - Blasting-Trench 56.4 c.y. claim of additional $10.00 c.y. by Contractor	564.00	564.00
Change Order #15 - 155.9 c.y. paid at rate of $10.00 c.y. - Blasting-Open 155.9 c.y. claim of additional $15.00 c.y. by Contractor	2,338.50	779.50

hh (Cont.)

Change Order #16 - 25.1 c.y. paid at rate of $15.00 c.y. - Blasting-Trench 25.1 c.y. claim of additional $10.00 c.y. by Contractor	$ 251.00	$ 251.00
Change Order #19 - 10. c.y. paid at rate of $15.00 c.y. - Blasting-Trench 10. c.y. claim of additional $10.00 c.y. by Contractor	100.00	100.00
Change Order #20 - 1258.5 c.y. paid at rate of $10.00 c.y. Blasting-Open 1258.5 c.y. claim of additional $15.00 c.y. by Contractor	18,877.50	6,292.50
Change Order #22 - 1170.9 c.y. paid at rate of $10.00 c.y. - Blasting-Open 1170.9 c.y. claim of additional $15.00 c.y. by Contractor	17,563.50	11,709.00
Change Order #27 - 101.8 c.y. paid at rate of $15.00 c.y. - Blasting-Trench 101.8 c.y. claim of additional $10.00 c.y. by Contractor	1,018.00	1,018.00
Change Order #31 - 347.7 c.y. paid at rate of $10.00 c.y. - Blasting-Open 347.7 c.y. claim of additional $15.00 c.y. by Contractor	5,215.50	1,738.50
Change Order #32 - 611.6 c.y. paid at rate of $10.00 c.y. - Blasting-Open 611.6 c.y. claim of additional $15.00 c.y. by Contractor	9,174.00	3,058.00
Change Order #37 - 47.4 c.y. paid at rate of $10.00 c.y. - Blasting-Open 47.4 c.y. claim of additional $15.00 c.y. by Contractor	711.00	237.00

With reference to this item, the Architect on November 25, 1952 in a letter to the Chairman of the Somerville Housing Authority stated:

> "This item in the amount of $72,682.50 is denied, as it is work in connection with rock excavation and has been covered by change orders which state on the face of the order as noted above that all claims against the Somerville Housing Authority have been satisfied."

It is worthy of comment that only the following items in the following amounts, which were ordered paid by the Chairman of the State Housing Board, had the approval of the Architect:

Item No.	Description	Contractor Claim	Payment Ordered by Chairman S. H. B.
r	Install Concrete Steps at Bldg. #5. Change Order #45 approved January 26, 1953	$ 33.70	$ 33.70
u	Building up Boiler Room Sump Pit. Change Order #44 approved January 19, 1953	59.21	59.21
v	Change Basement Door Hardware Change Order #44 approved January 19, 1953	20.13	20.13
w	Labor on Garage Retaining Wall Change Order #45 approved January 26, 1953	138.43	138.43
aa	Concrete tests ordered by the Architect. Change Order #44 approved January 19, 1953	34.50	34.50

In the opening paragraph of the Chairman's order, reference is made to a meeting held in the Chairman's office on April 16, 1953 in connection with the claims of the Contractor making it appear that the decision was based solely on the results of that hearing. Attention is directed to the fact that his order is dated August 15, 1955, which is 28 months after the date of that hearing. The Board records indicate that a later conference was held at the Board offices in December 1954 attended only by the Contractor, his attorney, the Director and the Chief Engineer of the State Housing Board. It is noted that neither the Somerville Housing Authority nor the Architect were present or had been requested to attend this later meeting.

7. Change Order - Boston 200-11: It was noted that in a letter dated August 9, 1955, the Director of the State Housing Board informed the Chairman of the Boston Housing Authority that Change Order #44 in the amount of $5,187.25 had been approved for payment.

Attention is directed to the fact that this change order had been previously disapproved by the State Housing Board. This change order which was submitted by the contractor under date of January 25, 1954 pertained to rock excavation and included in the buildings specified were Buildings No. 7, 10 and 11.

Attention is directed to the fact that Change Order #7, dated April 30, 1953, approved and paid in the amount of $7,505.83, pertained to the furnishing of all labor, materials and equipment for the removal of all rock in Buildings No. 2, 7, 10 and 11 and the placing of backfill in same. It was also noted that under Section C of this change order it is stated that all claims against the Boston Housing Authority which are incidental to or as a consequence of this change order, were satisfied. On the basis of this section, it is apparent that there could be no further claim for rock excavation on the buildings specified in this change order.

In a letter dated June 4, 1954 to the Director of the State

Housing Board, a Construction Advisor of the State Housing Board advised the Director that he could not approve Change Order #44 because of the apparent duplication.

A later memorandum, dated June 16, 1954, from the Chief of Construction of the State Housing Board in referring to Change Order #44, stated as follows:

> "It is noted that the quantities of rock submitted in the breakdown are duplications, that have been covered by previous change orders.
>
> "You will also observe that the Chief of Construction of the Boston Housing Authority has not signed this Change Order."

On August 9, 1955 the Director of the State Housing Board issued the following notice to the Boston Housing Authority:

> "Enclosed please find an original and two approved copies of Change Order #44, Item #66 in the amount of $5,187.25 for removing rock and replacing backfill in 10 buildings described in the Change Order."

It would appear that the Director should explain this reversal.

8. Insurance - Comprehensive Liability: In a letter to the Governor on September 24, 1953, the Department of the State Auditor called his attention to the increased costs of Comprehensive Public Liability Insurance brought about by an arbitrary award by the Chairman of the State Housing Board.

This letter advised the Governor that this insurance had previously cost the local housing authorities $.756 per unit per year and that as a result of losses suffered the original insurers were seeking an increase to $1.756 per unit per year. Attention was directed to the fact that the Chairman of the State Housing Board had ignored the offer of the previous insurer and had placed the insurance without bids at an average unit basic cost of $2.03 per unit per year under a retrospective rating plan. In this connection, the letter stated in part:

> "Your attention is directed to the fact that under this retrospective rating plan, if no accidents whatsoever are reported during the next year, this policy will cost the local Authorities a minimum average of $2.03 per unit per year, which is approximately 28¢ per year higher than the flat rate cost of $1.75 per year per unit offered by the previous insurer. It is also worthy of comment that under this retrospective rating plan, costs can rise to as high an average as $5.99 per year per unit, and to cite just one example, the Chelsea Housing Authority has already been billed at a rate of $11.59 per year per unit under this contract, while the offer of the previous insurer was at a flat rate of $1.75 per unit. The State Housing Board was supplied statistical information by the previous insurer, which clearly demonstrated that the company had taken substantial losses under their 75¢ per unit policies, and their flat offer for continuing their insurance for the next three years was at a rate of $1.75 per unit per year,

"which is substantially under the no accident minimum average rate of $2.03 per unit under the new policy which has been given another company without bid.

"It must be emphasized that the minimum average rate of $2.03 under this retrospective rating plan is based on the premise that there will be no accidents whatsoever during the next year, which is a ridiculous assumption, and therefore we can properly assume that the average annual cost per unit will be even substantially higher than the $2.03 mentioned, and under that policy it can rise to as high as an average of $5.99 per unit per year. ....."

Our assumption has been proved to be correct, for during the course of this audit it was noted that invoices totaling $6,547.00 billing the various projects for additional premiums due on the new policy were received at the office of the State Housing Board on October 7, 1955. These invoices were for the initial adjustment on the policy referred to above; two other adjustments will be made, one as of January 27, 1956 and the other as of January 27, 1957.

The following projects, picked at random, illustrate the greater unit cost of insurance which now must be assumed because of the contract negotiated by the Chairman:

		Previous Insurer		New Insurer	
Project		Original Rate	Proposed Rate	Original Cost	Cost To Date
Boston	200-2	$.756	$1.756	$ 7.67	$ 8.576
Brookline	200-1	.756	1.756	6.32	7.060
Brookline	200-1A	.756	1.756	6.66	7.450
Cambridge	200-4	.756	1.756	7.95	8.892
Chelsea	200-1	.756	1.756	5.98	7.360
Chelsea	200-2	.756	1.756	11.59	12.300
Lynn	200-3	.756	1.756	5.65	6.310
New Bedford	200-3	.756	1.756	5.23	5.850
Watertown	200-2	.756	1.756	7.07	7.910
Worcester	200-1	.756	1.756	6.79	7.595

As evidenced by the above, the Chairman of the State Housing Board by not accepting the proposed flat rate in 1953 has cost the local housing authorities many thousands of dollars additional premiums and attention is directed to the fact that the final cost may be even greater because of the further adjustments yet to come in January 1956 and January 1957.

9. Insurance - Fire, Rents and Extended Coverage: Most of the insurance required by the local housing authorities is provided for by so-called "Blanket" policies which are arranged through the State Housing Board. There are three such type policies in effect, and the face value and the maturities follow:

Type of Insurance	Amount	Maturity Date
Fire, Rents and Extended Coverage	100% of Insurable Value	August 24, 1956

Comprehensive Public Liability	$100,000.00 300,000.00	July 27, 1956
Three "D" Policy-Dishonesty, Destruction and Disappearance	10,000.00 25,000.00 25,000.00 500.00	December 1, 1955

As regards Fire, Rents and Extended Coverage insurance, it was noted that this coverage expired on March 1, 1955 on practically all of the Chapter 200 projects.

In connection with this insurance, on September 30, 1953 this Department wrote to the Governor and called his attention to the fact that the Chairman of the State Housing Board had received a letter from a prominent insurance agency, which related to the placing of further insurance, and advised the Chairman how he could "circumvent the present setup" and indicated to him that if he followed their recommendation he would "..know what office is receiving the commission" and further indicated that he then would "have some direction of the broker's share."

We are not aware of any action taken as a result of this letter.

New coverage for this insurance has now been obtained by the Chairman of the State Housing Board, without advertising for bids. The Chairman took this unprecedented action apparently on the strength of an informal opinion given him by an Assistant Attorney General who is on the pay roll of the State Housing Board and who on January 31, 1955 indicated to the Chairman that he could issue this insurance without bid. We do not question the legality of this action, but certainly the propriety is open to doubt. This insurance cost the local housing authorities $382.087.53, and it would appear that in a transaction of this magnitude, the insurance should have been placed through competitive bidding.

Attention is directed to the following letter dated January 3, 1955, which the Chairman of the State Housing Board wrote to the Governor:

(COPY) January 3, 1955

The Honorable Christian A. Herter
Governor of the Commonwealth of Massachusetts
State House
Boston, Massachusetts

Dear Governor Herter:

Enclosed is a copy of a memorandum to me dated December 7, 1954 from Joseph F. O'Rourke, Insurance Advisor in this office, relative to the expiration of Blanket Fire Rents, and E. C. No. 4 Coverage, March 1, 1955.

As soon as convenient, I would like an opportunity to speak with you for a few minutes on this subject.

Sincerely,

DANIEL TYLER, JR.
Chairman

This letter was written before this insurance was issued without bid and then on March 30, 1955, the Chairman of the State Housing

Board forwarded the following letter to the Governor:

(COPY) March 30, 1955

The Honorable Christian A. Herter
Governor of the Commonwealth
State House, Boston, Massachusetts

Re: Blanket Fire, Rents and Extended Coverage #4
Insurance - All Chapter 200 Housing Authority
Projects

Dear Governor Herter:

I am pleased to report that the above-captioned form of insurance coverage was arranged for as of March 1, 1955, the date on which the previous coverage expired. This blanket policy has been written on the following basis:

Underwriter	Agency	Proportion
Phoenix Insurance Company	Boit, Dalton & Church	20%
Springfield Fire and Marine Insurance Company	Obrion, Russell & Company	20%
The Employers' Fire Insurance Company	Obrion, Russell & Company	17½%
Boston Insurance Company	John C. Paige Company	17½%
Quincy Mutual Company	Fairfield & Ellis	12½%
Worcester Mutual Fire Insurance Company	Gilmour, Rothery & Company	12½%

The coverage is currently on a sixty-day binder basis, with an inception date of March 1, 1955, and the John C. Paige Company, 40 Broad Street, Boston is general agent. Selection of the John C. Paige Company as general agent was made by all the above-listed agencies, acting independently of this office.

In the near future, the underwriters will issue a certificate of insurance to each housing authority and for each project. These certificates will include all pertinent information relative to the coverage. At that time, the underwriters will also forward to this office copies of such certificates, and upon their receipt, approvals to pay the premium cost will be mailed to each authority.

Coverage is effected through the medium of an endorsement to an existing policy written on August 24, 1953 for a three-year term, and expiring on August 24, 1956. Boit, Dalton & Church of 40 Broad Street, Boston, was the general agent for this policy, and those underwriters who are listed above are the same companies that carried this coverage on the policy which expired March 1, 1955.

I thought the foregoing information would be of interest to you.

Very truly yours,

DANIEL TYLER, JR.
Chairman

10. Housing for the Elderly - General: The Legislature originally authorized housing for elderly persons of low income by Chapter

668 of the Acts of 1953 which was approved on July 3, 1953, and provided for the guarantee by the Commonwealth of the bonds and notes of authorities issued to finance such projects to the extent of $5,000,000.00. Chapter 667 of the Acts of 1954, which was approved on June 10, 1954, increased this guarantee to $15,000,000.00.

Many cities and town enthusiastically adopted this program, and as a result of experience gained in prior housing construction, were able to move with speed and efficiency in initiating the program. Their efforts in this direction were however completely nullified through arbitrary delays on the part of the State Housing Board and as a result nearly two years elapsed before any local authority was permitted to initiate construction. In this connection, attention is directed to the fact that the ground-breaking of the first project was not initiated until June 13, 1955. It would appear that this program could have been more fully developed from the time of the original passage of housing for the elderly legislation to the present time, if the program had enjoyed the basic support of the Chairman of the State Housing Board.

As of August 31, 1955 the status of this program was as follows:

Communities Applying	38
Units Tentatively Allotted	1,445
Contracts for Financial Assistance Executed	7
Total Development Costs Approved	$2,322,000.00
Units Approved	292
Note Issues	5
Notes Issued	$1,626,000.00
Net Interest Rate	.2568%

As of August 31, 1955 the following construction contracts had finally been awarded:

Authority	No. of Units	Unit Cost
Waltham	24	$6,574.00
Malden	38	6,984.42
Beverly	20	7,035.85
New Bedford	75	7,238.49
Worcester	75	8,099.80

In connection with the delays in this program, the following summary indicates the experiences of the Quincy Housing Authority with the Chairman of the State Housing Board:

1. Act originally approved July 3, 1953
2. Authority originally applied for Housing for the Elderly October 1953
3. Site approved by State Housing Board Chairman September 3, 1954
4. Chairman ofthe State Housing Board revoked site approval October 4, 1954. The Chairman further stated that no further action will be taken toward the development of Chapter 667 Program until such time as a more complete and personal inspection is made of all sites which should be considered.
5. In a letter of November 8, 1954 the Authority requested approval to proceed with the program because there were

no suitable sites other than the one which was originally approved. It was further stated that this was the fourth survey of land since August and that two of these surveys had been made with State Housing Board personnel at which time the only possible five alternative sites were rejected as unsuitable.

6. A letter dated January 13, 1955 to the Chairman reads as follows:

"Dear Mr. Tyler:

Inasmuch as nothing has been done in the development of Homes for the Elderly since October 1954 so far as this Authority is concerned, and since we have had no reply to our letter dated November 8, 1954 and many telephone calls to your office, the members of the Quincy Housing Authority are desirous of having an immediate conference with you.

Your prompt attention to this matter will be appreciated.

Very truly yours,

QUINCY HOUSING AUTHORITY"

7. Apparently as a result of this letter, the original site was again approved by the Chairman on January 18, 1955.

The circumstances preceding the State Housing Board's eventual approval of Housing for the Elderly in Malden are also worthy of comment.

The Malden Housing Authority on July 13, by letter first applied to the State Housing Board for approval of construction of housing for the elderly. Again on August 10, 1954 the local Authority repeated their request and notified the State Housing Board of the number of units which they desired to construct. On October 18, 1954, the local Authority again requested the cooperation of the State Housing Board and notified them that they had purchased the land and had hired the architect and were ready to go ahead with the project.

The Malden Housing Authority failed to receive any cooperation from the State Housing Board in this matter, and as a result the Chairman of the local Authority called the Chairman of the State Housing Board by telephone on April 1, 1955. He was unable to reach the Chairman but did talk with the Director of the State Housing Board. As a result of this telephone discussion, the Director forwarded a memorandum to the Chairman of the State Housing Board, which stated in part:

"When Mr. Edwards called yesterday he was very much burned up about this situation, and, while I cannot repeat word for word his conversation, it was blunt to say the least. He condemned you, me, the State Housing Board, and everybody else, and said a lot of very uncomplimentary things about all of us.

"I tried to explain to him as best I could that we were trying to make a study of this window situation with a view toward getting something that would be proper for these aging people and would not give us a lot of maintenance trouble afterward. That did not seem to register much with him and he stated that unless a decision favorable to them is forthcoming by Monday, April 4th, he will make it his business to

"see that this situation is reported to the Governor and demand that the Governor do something to make the State Housing Board 'get on the ball or get off the job'. He stated he would not go to the Governor himself but had contacts that could very easily reach the Governor. .....

"I had practically nothing to say to Mr. Edwards. I listened very patiently and then told him I would speak to you about the matter. He tried to get me to say that I could make a decision on this matter and I told him that was not so and that all I could do is refer the matter to you. All through his conversation he was very insulting, making a lot of uncalled-for statements regarding all this, and more particularly about you. His final words were that he was giving me notice that this matter is going to be carried to the Governor on Monday morning unless he receives favorable action along the lines submitted by their architect.

"My reason for giving you this memo is so that if you do get a call from the Governor you will know the reason for it."

In connection with the above memorandum, it is interesting to note that the State Housing Board, a few days later, on April 5, 1955 submitted two fully executed copies of the Contract for Financial Assistance to the Malden Authority.

This however was not the end of the delays caused the Malden Housing Authority, as is evidenced by the following letter:

(COPY) September 14, 1955

Mr. Daniel Tyler, Chairman
State Housing Board
90 Tremont Street
Boston, Massachusetts

Dear Mr. Tyler:

During the meeting of the Malden Housing Authority held on August 8, 1955 I was ordered by the members of the Malden Housing Authority to call you and ask you about the approved application for "Housing for Elderly" on Program 667-1.

You stated that you had one of your men looking after this and we would receive it soon.

On September 12, 1955 we held a meeting again and I was asked for the approved application for Elderly Housing. I told the members I had not received any word from the State Housing Board so the Chairman, Mr. George M. Edwards asked me to write you and ask you when you will get the forms into the hands of the Authority?

Very truly yours,

/s/ Roland Graham
Executive Director

The foregoing examples are cited as evidence of apparently deliberate procrastination by the State Housing Board in connection with construction of housing for the elderly.

11. Chapter 200 - Progress: The status of the Chapter 200 projects as of August 31, 1955 follow:

Contracts of Financial Assistance Executed	139
Total Development Costs Approved	$197,891,000.00
Number of Units Completed for Occupancy	15,462
Number of Units under Construction	0

12. Chapter 200 - Projects Abandoned: The following legislation enacted in 1955 provided for the abandonment of these projects which were in the pre-construction stage:

Chapter 567 - Wellesley 200-2
Chapter 573 - Medford 200-2
Chapter 595 - Boston 200-13

Under the terms of the legislation, the housing authorities, subject to the approval of the Chairman of the State Housing Board, are authorized to dispose of all the assets acquired in the development of the above projects. The authorities shall certify to the amount of the deficiency remaining upon completion of the liquidations of the projects and upon verification by the State Auditor the State Housing Board shall authorize payment of the balance due to meet the Commonwealth's guarantee of the notes issued in connection with the above projects.

As of August 31, 1955, the gross development costs of these projects were as follows:

Wellesley	200-2	$ 9,535.41
Medford	200-2	55,209.92
Boston	200-13	384,428.37

It is understood that the net development costs of the Medford and Boston projects will be reduced to some extent on the sale of the land included in the development costs. It was also noted that there has been $50,700.00 appropriated for the liquidation of the Wellesley and Medford projects.

13. Chapter 200 - Subsidy Payments: The first subsidy payments to local housing authorities were made during the 1951 fiscal year. To the date of this audit, subsidy payments have been made as follows:

Fiscal Year	Amount
1951	$ 591,625.00
1952	1,562,445.57
1953	1,904,306.99
1954	2,806,486.50
1955	2,870,902.60
	$9,735,766 66

It is understood that the estimated subsidy payments for the fiscal year 1956 will be $3,280,000.00.

14. Chapter 200 - Issue of Bonds and Notes under Permanent Financing: As of August 31, 1955, 121 projects were in permanent financing as follows:

102 Projects - Bonds Outstanding	$107,713,000.00
19 Projects - Notes Outstanding	30,665,000.00
	$138,378,000.00

The bonds indicated were issued on a serial basis in nine separate groups and are to mature over a period of forty years. These bonds were issued on various dates between the period October 1, 1950 to October 1, 1952. Coupon rates vary from 1 3/4% on the first group to 2½% on the ninth group.

The note issues have been segregated into eight groups and are issued for one year periods. The first group of notes was issued on January 20, 1953 and the last on July 21, 1955.

The decision to keep certain completed projects in temporary financing was made in view of the favorable short-term interest cost as compared to the cost of long-term financing. It is understood that this policy will continue as long as this favorable situation obtains. In this connection, it was noted that the majority of the note issues were sold at a net interest cost of less than .5%.

REVERE HOUSING AUTHORITY REPORT NO. 56-H-21

Housing for the Elderly: Chapter 667 of the Acts of 1954 authorized an amount of $15,000,000.00 to provide Housing for the Elderly. In this connection it was learned that representatives of the Authority and the Architect conferred with the State Housing Board on December 2, 1954.

The Authority considered the matter of twenty locations within the City but for various reasons, practically all of these sites were found unacceptable. However, the Authority has finally selected two sites, one on Proctor Avenue which is the location of the present temporary units, to accommodate twenty units and another area at the corner of Adams Street and Cushman Avenue, on land owned by the Authority, which will accommodate sixteen units.

The Authority on November 25, 1953 applied for eighty units to the State Housing Board, and a representative of the State Housing Board subsequently checked the need for such housing.

Part II of the Application for Financial Assistance was forwarded to the State Housing Board on August 25, 1955, and several conferences since that time have taken place between the Architect and the State Housing Board.

To date Part II, which in effect will be authorization to arrange for borrowing, has not yet been approved.

Painting: On August 4, 1955, an inspector from the State Housing Board reported in writing to that Board, that the Revere project contained a high moisture content and as a result there had been a rotting of mesh, clapboard, and boarding, with the further result that paint was badly peeling and the general appearance of the project was shabby.

In the same report the inspector stated:

> "It is my opinion that the building at these projects must be properly vented before painting and to prevent damage to the structure."

This report was made directly to the State Housing Board, there-

fore, when the Revere Housing Authority issued a request for bids for painting the specifications included spot priming and a two-coat paint job with no mention of venting. On September 2, 1955, the Chairman of the State Housing Board - either in ignorance of the venting recommendation of his field representative or despite it - approved this painting contract in the amount of $35,890.00, and the painting was initiated on September 6, 1955 with none of the recommended venting work having been previously completed.

It is understood that work was stopped on this contract until spring, and it is recommended that the project be properly vented in accordance with the Field Representative's recommendation before actual painting work is recommended in the spring.

NATICK HOUSING AUTHORITY REPORT NO. 56-H-22

Annual Contribution: The Commonwealth may make an annual contribution of not more than 2 1/2% of the cost of the project, and for the fourth year under permanent financing this contribution was $6,700.00, computed as follows:

2 1/2% of the Project Cost	$12,500.00
Less:	
Amount Reserved from Prior Year's Surplus for Subsidy Reduction	5,800.00
Fourth Year's Contribution	$6,700.00

This amount was paid to the First National Bank of Boston, the fiscal agent of the Authority, on or about December 15, 1954.

Housing for the Elderly: This Authority has discussed the possibility of constructing homes for the elderly.

The procedure and arrangements of applying for this housing were explained to the Authority by a representative of the State Housing Board.

However, according to the Executive Director, before any further action is taken, it will have to be acted upon at the annual town meeting held in March.

SALEM HOUSING AUTHORITY REPORT NO. 56-H-23

Chapter 372 - Permanent Construction: The Permanent Construction units that have been managed by the Authority for the City of Salem consisted of the following:

17 - 2 Family	34 Units
5 - Duplex	10 Units
22 - Houses	44 Units

These houses are for sale and the sale prices, which were established and accepted by the Veterans' Administration, were set at $12,800.00 and $12,900.00. The difference of $100.00 is due to the fact that some of the houses have slightly more land area.

Deposits of $100.00 are required from each prospective purchaser to be applied to the sale price when the sale is consummated.

As of the date of audit, nine deposits had been made; while this audit was in progress three additional deposits had been received.

Three sales had actually been completed prior to the close of this audit.

Chapter 200 - Project 200-1 - Operating and Surpluses: It was noted that the project surplus for the year ending December 31, 1954 was only $185.30. This surplus was substantially less than that resulting from the previous three years, as follows:

	Year Ending Dec. 31, 1951	Year Ending Dec. 31, 1952	Year Ending Dec. 31, 1953	Year Ending Dec. 31, 1954
Project Surplus	$3,673.93	$4,271.38	$4,985.83	$185.30

The reason for this reduction in 1954 was mainly due to increases of certain operatng expenses over 1953, as follows:

Management	$ 134.14	A
Utilities	1,858.05	B
Repairs, Maintenance and Replacement	493.87	A
Payment in Lieu of Taxes	472.13	A
Contributions to Pension Funds	68.70	A
Insurance	139.63	A
Collection Losses	832.46	C
Provision for Operating Reserve	696.92	D
	$4,695.90	

The increases were explained as follows:

Items designated by "A" - Usual increase of regular charges.
Items designated by "B" - Due to an unusual condition in the purchase of oil for the heating of the units of the project.
Items designated by "C" - This item covers the write-off of Delinquent Tenants' Accounts for tenants that had vacated the project which were considered uncollectible by the Authority's Attorney.
Items designated by "D" - The account for the Operating Reserve had reached its maximum in 1952 and there had been no charges thereto in 1953. This charge was to bring the account to its maximum after authorized charges had been made.

Old Age Housing: It has been established that 90 Units will be required for the Old Age Housing, but to the date of audit none had been applied for. However, prior to the close of this audit, an application was made for 40 units and this Authority had submitted "Site Plans" on October 20, 1955 to the State Housing Board. Construction Advisors from the State Housing Board have inspected the Site Plans.

The Authority is awaiting approval of the plans submitted subsequent to which bids will be invited for an Architect to draw plans for

the anticipated units. This procedure is, of course, contingent upon the approval of the City of Salem.

Visit and Inspection of the Projects: All projects under the supervision of the Salem Housing Authority were visited as was one of the interiors.

The projects appear to be in very good condition and the surrounding land area was well maintained. Numerous units are apparently in need of painting, and it was understood that the painting of all projects will be included in the budget for 1956 and the work will be started in the spring of 1956.

TAUNTON HOUSING AUTHORITY REPORT NO. 56-H-24

Commonwealth Contribution: During this audit period, the Authority was notified of annual Commonwealth Contributions as follows:

Project	For the Fiscal Year Ending	Maximum Contribution	Amount of Contribution Authorized
200-1	Sept. 30, 1955	$32,050.00	$32,050.00
200-2	Sept. 30, 1955	13,850.00	13,850.00

Disposition of Surplus: During this audit period, disposition of the operating surpluses of the two projects was made with the authorization of the State Housing Board, as follows:

Project	For the Fiscal Year Ending	Amount of Surplus	Transfer to Operating Reserve	Transfer to Contribution Reduction
200-1	Sept. 30, 1954	($1,242.93)*	($1,242.93)	-
200-2	Sept. 30, 1954	1,389.86	-	$1,389.86

* Deficit

Project 200-1 - Results of Operations: For the audit period the records of this project indicated an operating deficit of $1,417.16, approximately $1.16 per unit per month.

In this connection, it was noted that this deficit is substantially occasioned by the high heating costs as well as vacancy losses.

Considerable improvement was noted in these accounts during the latter several months of the current audit period, but the complete benefits of these savings, however, will not be realized until the fiscal year 1956.

Inspection of Projects - General Condition: A cursory inspection of the projects made in connection with this audit indicated the following:

Project 200-1: It appears that the walls of the upper half of the dwelling buildings will require a complete refinishing job within a relatively short time because the mica-mastic which was applied to the outside of the cement blocks to prevent moisture is now peeling. The mica-mastic was put on the buildings approximately seven years ago at the time of construction, and was guaranteed for five years.

Project 200-2: It was noted that the exterior paint at this project is peeling. It is understood, however, that this condition is not considered abnormal because the buildings have not been painted since 1951 when they were constructed.

ARLINGTON HOUSING AUTHORITY REPORT NO. 56-H-25

General - Rental Records: Comment was made in the prior audit report that charges for appropriate periods had not been transferred at the proper time. It was noted that comparable conditions existed during the present audit period. In one instance a tenant had transferred between projects in July while another transferred in September. The necessary adjustments of the rent rolls had not been made until the situation was called to the attention of the Executive Director while the audit was in progress. In addition, the monthly rent from one tenant was entirely credited to one project, while all the other rent was credited to the other project, inasmuch as the latter tenant had paid his rent during the last part of the month. No use of adjustment slips, either debit or credit, was noted.

In connection with the foregoing, it was noted that contrary to specific State Housing Authority rules and regulations pertaining to accounting procedure, rental charges were not being posted on the first day of the month from the current Rent Roll and were prepared from the adjusted prior month's Rent Roll. Charges were being posted for each tenant at the time his rent receipt was being credited to his account. It was also noted that tenants' ledger cards in the case of transfers between projects were moved from one project to another without any notation being made on the ledger cards, nor were new ledger cards prepared for transferees to show the proper rents for periods of occupancy.

It is therefore again recommended that the books of account and their supporting subsidiary records be kept in strict accordance with the detailed instructions for such as outlined in the State Housing Board's Manual of Instructions - Accounting Procedure.

General - Operating Reserve: It was noted that the maximum Operating Reserve for Project 200-1 is $37,800.00 based on the State Housing Board formula. As of September 30, 1955, however, this balance was in excess of that amount by $129.72.

GRAFTON HOUSING AUTHORITY REPORT NO. 56-H-26

Annual Contribution: The Commonwealth may make an annual contribution of not more than 2½% of the total development cost of the project, and for the fifth year under permanent financing the contribution was $3,329.11 computed as follows:

2½% of the Total Cost	$3,900.00
Less - Amount Reserved from Prior Year's Surplus for Subsidy Reduction	570.89
	$3,329.11

This amount was paid to the Worcester County Trust Company, Worcester, Massachusetts, the fiscal agent for this Authority, on or about September 15, 1955.

Operating Reserve: The previous report stated that the operating reserve account exceeded the maximum amount allowed in the Management Program and the budgets.

Although the balance in this account is in excess of the maximum of $4,800.00 accruals were, nevertheless, made for the past two quarters. As a result the balance in this account is $6,191.35; $1,391.35 more than the maximum.

It is recommended that this account be maintained in accordance with the instructions cited in the "Reserve" section of the Management Program.

Operating Improvements: The Authority had its sewerage system cleaned and repaired at a cost of $250.00 during this audit period. However, although this work has been finished, payment has been withheld awaiting instructions from the State Housing Board as to the proper account to be charged. It is expected that the Operating Reserve account will be charged.

In connection with this work, it was noted that no bids were solicited. The Executive Director stated that because of health conditions and the emergency nature of the work required, soliciting of bids had been waived.

It was further noted that a contract was awarded for the painting of the project dwellings to the second lowest bidder on record. The lowest bidder had submitted a bid without looking at the dwellings and his price obviously was very low. Subsequently he requested that he be allowed to withdraw his bid. This was accepted by the Authority who according to the Executive Director, felt that this arrangement would be better for all. This was also approved by the State Housing Board.

These dwellings are being painted at the present time.

LAWRENCE HOUSING AUTHORITY REPORT NO. 56-H-27

Chapter 372 - Sale of Homes: The Authority obtained an appraisal of all these homes from a disinterested appraiser and submitted it to the State Housing Board for approval as is required by statute. After the appraisal was approved by the State Housing Board, all of the 100 homes were sold as of December 31, 1954. It was noted that 67 occupants purchased the homes they were living in, while the balance was sold to others with local veterans being given the preference. Four of the houses were found to have certain structural defects and were sold at reduced prices. Of these, three were sold through the medium of sealed bids, and one after negotiation at the appraisal price less an allowance given for necessary repairs. The total proceeds from the sales totalled $797,030.00. The deeds were all approved by the Lawrence City Council and were signed by the Mayor. Payments for the purchases will be made directly to the City Treasurer.

Chapter 200-1 - Surplus from Operations: The surplus from operations, after taking into consideration the Commonwealth's Contribution of $53,180.09 and the Contribution Reduction of $6,819.91 reserved from the prior year's surplus, was $5,045.11 for the fourth fiscal year under Permanent Financing, which ended on June 30, 1955. This amount will be used to reduce the Commonwealth's Contribution for the fifth fiscal year which will end on June 30, 1956.

Chapter 200-2 - Temporary Financing: This project was transferred to Management on July 1, 1955. The surplus per the Authority's

books as of June 30, 1955 was $16,928.21 and was distributed as follows:

Operating Reserve	$ 8,625.39
Reduction of Development Costs	8,302.82
	$16,928.21

General - Payments to City of Lawrence: During the period un under audit, the Authority remitted a total of $26,506.78 to the City of Lawrence, comprised of the following items:

Chapter 372:	
Surplus - Year 1954	$10,270.78
Chapter 200-1:	
Payment in Lieu of Taxes	9,216.00
Chapter 200-2:	
Payment in Lieu of Taxes	7,020.00
	$26,506.78

Housing for the Elderly: It was noted that the State Housing Board has granted this Authority a tentative allotment of 35 dwelling units to be constructed under Chapter 667 of the Acts of 1954, which provides for the construction of Housing for the Elderly. The program has not progressed in the City of Lawrence because of difficulties originally encountered in obtaining an adequate site. A site had been selected with the preliminary approval of the State Housing Board. The site which was apparently ideally located was in a location where it would have been necessary to rezone the land before such construction could have been accomplished. When the Authority announced its interest in this location, there was so much opposition to it by the abutters and neighbors that the Authority decided to withdraw the selection rather than arouse the animosity of so many taxpayers. The Authority is now attempting to find an alternative site, but because of the very limited amount of vacant land in the City it is a difficult problem. It also appears probable that the project will have to be developed on several different sites, with a few units on each.

PITTSFIELD HOUSING AUTHORITY REPORT NO. 56-H-28

Accounts Payable - Development: It was noted that the following charges were made to the Accounts Payable - Development account during the fiscal year ending September 30, 1955:

Gas Heater Installation	$ 249.95
Site Work Contract Payment	2,648.78
Purchase of Lawn Mowers	455.00
Erection of Canopies	6,165.13
Exterior Painting	2,559.32
	$12,078.18*

* Amounts shown are approximate because certain pay roll costs are estimated as they were not prorated between these two items.

In connection with the item paid for, Erection of Canopies, the amount authorized by the State Housing Board for this purpose totaled only $5,460.00. It is further understood that additional costs of approximately $300.00 are anticipated for the erection of gutters on the canopies.

State Housing Board Supervision: In a letter dated September 7, 1955, the Executive Director wrote to the Chairman of the State Housing Board requesting that a representative of the State Housing Board be sent to the Authority to assist him with certain difficulties and problems with relation to the operating budget.

In this connection, it was noted that in a letter dated September 13, 1955 the Assistant Director of the State Housing Board acknowledged the receipt of the letter of September 7, 1955, but stated as follows:

> "The noted budget for the fiscal year beginning October 1, 1955 is overdue, consequently your Authority is directed to submit same immediately, as written.
> "Upon receipt and review of same all necessary assistance will then be made available."

It would appear that if there are difficulties at the project level there should be some attempt by the State Housing Board to resolve them at that level. It is not readily apparent how the State Housing Board can review the operating budget submitted in view of the difficulties and problems indicated, and it would appear that a representative of the State Housing Board should have been sent to render the assistance requested.

In this connection, the attention of the Chairman of the State Housing Board is directed to the fact that this project operated at a deficit for the fiscal year ending September 30, 1955. Because of this fact and because there is still $1,771,000.00 of the Commonwealth's credit guaranteed on this project, it is essential that all possible assistance be granted.

Housing for the Elderly: In connection with the Housing for the Elderly Program, the following items were noted:

(a) On September 3, 1954, the Director of the State Housing Board informed the Authority that a restudy of the need in the City of Pittsfield makes it possible to increase your allotment from 25 dwelling units to 40 dwelling units.

(b) In a letter dated October 18, 1954 to the Chairman of the State Housing Board, the Executive Director of the Authority reported that the Mayor and the Authority had concurred in the final selection of the site and requested that the State Housing Board set an asking price on the property because it was felt that the chances of acquiring the site would be greatly enhanced if a definite price could be offered.

(c) On March 22, 1955, the Executive Director of the Authority again wrote to the Chairman of the State Housing Board with reference to the letter of October 18, 1954 and requested an opinion on the matter of the site acquisition.

(d) There was no correspondence on this matter from the State Housing Board, but there were memoranda in the office of the State Housing Board to indicate that the Executive Director had been informed that the policy of the State Housing Board was not to set an asking price on prospective sites.

(e) In a letter dated June 29, 1955, the Executive Director of the Authority was advised that the Chief of Development of the State Housing Board had been instructed to visit the Authority on July 7 for the purpose of viewing the site and clearing up any other questions relative to same. However, on July 1, 1955 the Executive Director informed the State Housing Board that the date set was not convenient and stated that the week of July 10, 1955 would be more acceptable and hoped that a meeting could be arranged for that time. As of November 2, 1955 there was no correspondence on file to indicate that the State Housing Board had replied to this letter of July 1, 1955.

On the basis of the above-mentioned items, it is quite apparent that there has been a great deal of procrastination in the matter of the development of housing for the elderly in Pittsfield. It is suggested that this matter be the subject of an immediate conference between the Authority and the Chairman of the State Housing Board.

Project Operation: For the fiscal year ending September 30, 1955, this project operated at a loss of $1,391.32 as compared with a profit of $503.35 for the preceding fiscal year. This variance of approximately $1,900.00 was essentially due to the following:

(a) Dwelling Rent Income - Decrease due to a lower average rental for the current fiscal year as against the previous year.
(b) Management Expenses - Increase due to payment of arrears in board members' compensation plus salaries of part-time help employed in summer months.
(c) Insurance Expense - Increase due to the increased cost of fire and extended coverage insurance.
(d) Collection Losses - Increase due to write-offs in current period as against no write-offs in previous period.

It is estimated that the operating results will be more satisfactory in the fiscal year ending September 30, 1956 because the minimum rents and the admission and continued occupancy limits will be increased as of December 1, 1955.

Commonwealth Contributions: This Authority has received to date subsidies totaling $136,446.65 as provided in its Contract for Financial Assistance with the Commonwealth. These payments represent the Commonwealth's participation in maintaining low rents as follows:

Year	Amount of Subsidy	Commonwealth's Share per tenant per month
1953	$45,650.00	$30.19
1954	45,650.00	30.19
1955	45,146.65	29.86

MILFORD HOUSING AUTHORITY REPORT NO. 56-H-29

Annual Contribution: The Commonwealth may make an annual contribution of not more than 2½% of the total development costs. This contribution for the fifth year under permanent financing was $17,187.66 and was computed as follows:

2½% of total costs	$18,600.00
Less - Amount Reserved from Prior Year Surplus for Contribution Reduction	1,412.34
	$17,187.66

The foregoing amount was paid to the National Shawmut Bank of Boston, the fiscal agent of this Authority, on or about March 15, 1955.

Operating Improvements: The painting of the project dwellings was completed during this audit period at a total cost of $8,850.00, the amount of the lowest bid submitted during the previous audit period.

Contracts were also awarded for the clearing and resurfacing of land, blacktopping a play area and construction of a sidewalk, approximately 50 feet long. All these improvements were seen when the project area was visited in connection with this audit.

The foregoing contracts were awarded to the lowest bidders on record. They have all been completed and final payments have been made.

Flood Damage: During the recent floods in this area, all the transformers of this project were submerged, necessitating their replacement.

Because of the emergency situation, soliciting of bids was waived.

It was also learned that the cost is not recoverable from insurance, as flood damage is not included in the policy in effect.

Housing for the Elderly: This Authority originally applied for Housing for the Elderly on December 11, 1954. The original request was for 10 units and then subsequently was increased to 30 units. The last annual town meeting accepted the statutory provisions enabling the Authority to go forward with such a program.

On June 6, 1955 letters from the Board of Sewer Commissioners, the Highway Department and the Milford Water Company approving certain sites were forwarded to the State Housing Board and on August 10, 1955 two representatives of the State Housing Board visited Milford and inspected the available sites.

On November 7, 1955 a letter from the State Housing Board stated that:

> "...the State Housing Board hereby makes an initial allocation of 30 dwelling units to your Authority based on a Survey of Need."

This same letter further stated:

> "It is my understanding that the Development Division of the State Housing Board is scheduling a field visit to your Authority in the near future and at that time will assist you in the evaluation of a suitable site and other procedures."

Further progress of this Housing for the Elderly is now awaiting the next step by the State Housing Board.

Certificate of Destruction Incorrect: The Certificate of Destruction attested by a representative of the Authority and a representative of the State Housing Board was found to be incorrect as the

number of bonds and interest coupons showing on that Certificate did not agree with those actually destroyed. One bond so attested as having been destroyed was found in the Authority's office where it is being used as a souvenir. In addition, more interest coupons were listed as having been destroyed than were actually destroyed.

MEDFORD HOUSING AUTHORITY REPORT NO. 56-H-30

Temporary Construction Project: This project has been completely abandoned as to tenancy for more than a year. There has been some activity due mainly to the collection of Tenants' Accounts Receivable of $63.96. The total accounts receivable of tenants as of the date of audit was $904.85 and were in the hands of an attorney for collection.

The records further reflected accounts payable in the amount of $3,529.12 which was almost entirely payable to the contractor engaged in demolition who was owed $3,465.00. This payment was being delayed because of the question of an amount due from this contractor for expenses in connection with a break in the water-main which it is contended this contractor is liable for.

The balance sheet of this project also showed reserves of $8,568.17 against which the only chargeable item appears to be the Tenants' Accounts Receivable of $904.85 and the current Operating Deficit which at the date of audit was $320.61.

It was noted that an advance of $2,050.00 to the Revolving Fund shown on this same balance sheet was liquidated during the course of the audit.

It is understood that the problem with the contractor will be resolved before the end of the year. At that time the reserves will be adjusted and the entire account turned over to the City of Medford.

Chapter 200 - Project 200-1 - Permanent Financing

Charges to Operating Reserve: During the period of this audit, the charges to the Operating Reserve account totalled $6,277.17. These charges included the cost of interior painting of the tenants' apartments and the erection of a chain-link fence around the project. In this connection, the cost of the fence had been included in the approved budget as an Operating Improvement in the amount of $877.00.

The Executive Director indicated that he had been advised to clear the foregoing charges through the Operating Reserve account by the State Housing Accountant. However, authority to make these charges to the Reserve Account had not been obtained in writing.

Excessive Cash Balance: As of the date of audit, the cash balance in the Administration Fund totalled $66,165.81 and was greatly in excess of the funds necessary to meet the obligations of the project as there were only minor accounts payable outstanding. It is, therefore, suggested that the greater part of this balance be invested in securities or in savings accounts. This matter was brought to the attention of the Executive Director who indicated that he would suggest at the next meeting that the excess be placed in Co-operative Savings Bank accounts.

Surplus - Not Applied: The surplus for the fiscal year ending March 31, 1955 was $6,938.79 but only $6,514.14 had been applied to the reduction of the Commonwealth Contribution, leaving a balance of

$424.65. This difference is shown on the records as prior year's surplus.

This balance was the result of a supplementary entry made in connection with the closing of old accounts in accordance with a suggestion in the previous audit report. The Commonwealth Contribution Reduction should have included this item but because the contribution has been received for the current year, it cannot now be applied. It is, therefore, suggested that the difference be used in addition to the current year's surplus to reduce the Contribution for subsequent year.

LOWELL HOUSING AUTHORITY REPORT NO. 56-H-31

Housing for the Elderly - Architect's Fee: The matter of the amount of the architect's fee on the construction of the 75 units of housing for the elderly has been under discussion since September 16, 1955. In this connection, it was noted that the Authority had voted to approve a fee of $32,975.00 as submitted by the architect, but that the State Housing Board would only approve a fee of $21,093.75. The question of fee computation resulted from the fact that the project will be erected on five different sites.

In a letter dated December 12, 1955, the State Housing Board requested the Authority to make the amount of the approved fee clear to the architect, and that if it was not satisfactory to the architect to notify the State Housing Board in order that they might advise the Authority as to the necessary steps to be taken.

On December 27, 1955, the Authority received the following letter from the State Housing Board:

(COPY)

The Commonwealth of Massachusetts
State Housing Board
90 Tremont Street, Boston 8

December 27, 1955

John J. McPadden, Executive Director
Lowell Housing Authority
18 Market Street
Lowell, Massachusetts

Dear Mr. McPadden:

Reference is made to your letter of December 20 in which you state that Krokyn and Browne, architects for the proposed Lowell Housing for the Elderly Project, are not satisfied with the fee as set up by the State Housing Board nor the adjustment offered in our letter of December 12.

The State Housing Board previously set a date for a conference to resolve this matter and this date was not kept by the Authority or the Architect. Subsequently, the Architect sent in a long explanatory fee breakdown which he proposed in justification of his rate which exceeded the State Housing Board fee. The State Housing Board did not agree with this and so stated but offered a 25 per cent overall increase in the fee as a compromise. In view of your letter that the Architect will not accept this fee as proposed, the State Housing Board has no other alternative but to advise your Authority to secure other professional services.

In view of the fact that the Lowell Housing for the Elderly Program has

now been stymied for several months due to this matter between the Architect, the Authority and the State Housing Board as to an approved fee, it is requested that the Authority take immediate action and advise the State Housing Board of its vote in this respect. It is further suggested that the Authority advise the Architect in writing of the maximum fee which the State Housing Board will approve and secure his refusal to accept a contract, in writing if possible.

Very truly yours,

s/ Henry H. Storm
for HARLAND A. McPHETRES
Director

c. c. City Manager

It must be noted that the actual construction of this project has not been delayed since it is still in the planning stage. As a matter of fact, the results of test borings and final survey drawings were not made available to the architect until the latter part of November and December, respectively.

It would appear that the question of the amount of the architect's fee should have been brought up by the State Housing Board before the date of September 16, 1955, since the amount of the fee requested by the architect was indicated on Part II of the Application for Financial Assistance which was submitted to the State Housing Board by the Authority on July 1, 1955. If the State Housing Board had taken immediate action, since the amount of the fee can only be approved by that agency, the question of the fee would have undoubtedly been resolved by this time and a Contract for Financial Assistance with the Commonwealth signed. This contract is of great importance because no borrowings can be made until the contract has been signed.

In view of the fee problem encountered on this project involving more than one site, it is suggested that the State Housing Board give some consideration to revising the section of the standard architect's contract which deals with compensation by incorporating therein specific reference to projects with more than one site.

Permanent Financing: Notice was received from the State Housing Authority that the final miscellaneous development accounts be closed out to the permanent basis set up as of October 1, 1955. However, because of the excessive cost of bond interest at this time, the purchase of a new series of notes was approved for the coming year.

Project Appearance: The project was visited and the condition of the buildings and grounds noted.

It was learned in this connection that specifications for painting the exterior of the project had been approved by the State Housing Board but the actual painting will not be done until the spring of 1956. This project appears to be sorely in need of painting, together with work on the surrounding grounds.

STONEHAM HOUSING AUTHORITY REPORT NO. 56-H-32

Project 200-1 - Surplus from Operations: The profit from operations, after taking into consideration the Commonwealth's Contribution of $4,992.73 and the Contribution Reduction of $7,807.27 reserved from the surplus of the prior year, was $7,518.97 for the fourth year under

Permanent Financing which ended on December 31, 1954. The latter amount will be used to reduce the Commonwealth's Contribution for the succeeding fiscal year.

Project 200-2 - Surplus from Operations: The profit from Operations, after taking into consideration the Commonwealth Contribution of $8,500.00 totaled $865.23 for the third fiscal year under Permanent Financing which ended on September 30, 1955.

NORTH ADAMS HOUSING AUTHORITY REPORT NO. 56-H-33

Third Fiscal Year Operations: For the third fiscal year ended June 30, 1955, the records of this project reflected an operating surplus of $4,720.05, after the receipt of the maximum Commonwealth Contribution of $22,725.00. This surplus has been reserved for the purpose of reducing the subsidy for the fourth fiscal year.

Commonwealth Contributions: This Authority has received to date subsidies totaling $68,175.00 as provided in its Contract for Financial Assistance with the Commonwealth. These payments represent the Commonwealth's participation in maintaining lower rentals as follows:

Year	Amount of Subsidy	Commonwealth's Share Per Tenant Per Month
1953	$22,725.00	$29.13
1954	22,725.00	29.13
1955	22,725.00	29.13

Operating Reserve: The balance of the Operating Reserve account as of the date of audit was $21,226.34 compared with the established maximum of $19,500.00. The prior audit report indicated that this reserve had been increased to the larger amount because of the necessity of replacing faulty hot water heaters as well as other corrective work. However, to the date of the current audit, none of this work has been performed.

Accounts Payable - Development: As of the date of audit, the balance of this account amounted to $17,331.77, and represented the remainder of an amount of $35,626.82 which had been set up when this project went into Permanent Financing to provide for the estimated cost of certain anticipated items.

All of these items have now apparently been liquidated with the exception of exterior painting for which the amount of $12,000.00 was reserved. It is, therefore, suggested that the State Housing Board make some disposition of the balance remaining in this account after this painting has been completed.

DALTON HOUSING AUTHORITY REPORT NO. 56-H-34

General

Budget Overruns: For the fiscal year ending September 30, 1955 the actual expenses of the projects exceeded the amounts budgeted therefor in the following categories:

1. Management Expense: This overrun was primarily due to the fact that the budgets apparently did not include sufficient funds for

travel and central office expense. The cost of the advertising for hot water heater replacements had also been charged to central office expense. It would appear that all charges necessary for the heater replacements should have been charged to the Operating Reserve.

2. Utilities: The overrun in this account is due to the fact that water bills covering an eighteen-month period were paid during the fiscal year ending September 30, 1955. The water bill which should have been paid in October 1955 was paid with a check dated September 30, 1955.

3. Repairs, Maintenance and Replacements: This overrun was primarily due to the cost of replacing five hot-water heaters in Project 200-1. In addition, three heaters in Project 200-2 had been erroneously charged to this account rather than to the Operating Reserve which should have been charged for this cost. It was also noted that the costs of heater and furnace upkeep were quite high. It is anticipated that these costs will decrease as new hot-water heaters have been installed in all units.

4. Insurance: This overrun was due to the increased cost of Fire, Rents and Extended Coverage Insurance.

Project 200-1

Operating Reserve: The maximum Operating Reserve was established for this project at $4,800.00. However, at October 31, 1955 the amount actually reserved was $6,636.70.

The previous audit report stated that this reserve was being increased to replace defective hot-water heaters. However, although several of the water heaters have been replaced, their cost was charged to current operating expenses rather than to the Operating Reserve as previously stated.

It was learned that the cost of the exterior painting of the dwellings which is to commence early in 1956 will be charged to the Operating Reserve.

Result of Operations: For the fifth fiscal year under Permanent Financing, which ended on September 30, 1955, the records of this project reflected an operating profit of $749.66 after the receipt of the maximum Commonwealth Contribution of $4,850.00.

However, as was mantioned earlier in this report, the cost of replacing the hot-water heaters and other expenses totaling $946.68 were charged to operations instead of the Operating Reserve.

It was also noted that an October 1955 water bill of $134.90 was paid on September 30, 1955. Had the foregoing two entires been correctly made, a true profit of $1,831.24 would have resulted.

It is, therefore, suggested that adjustments be made for the foregoing items so that the records will reflect an accurate financial status.

Surplus: It was noted that disposition of the book surplus of $749.66 for the fifth fiscal year of operations ended September 30, 1955 had not been made as of the date of audit, October 31, 1955.

Project 200-2

Commonwealth Contributions: This Authority has received to date $11,381.79 as provided in its Contract for Financial Assistance with the Commonwealth. These subsidy payments represent the Common-

wealth's participation in maintaining lower rentals as follows:

Year	Amount of Subsidy	Commonwealth's Share Per Tenant Per Month
1953	$3,975.00	$33.13
1954	3,975.00	33.13
1955	3,431.79	28.60

Operating Reserve: The maximum reserve established for this project is $3,000.00. However, it was noted that as of October 31, 1955 the amount reserved was $3,524.59. It is understood that the reserve was increased to defray the cost of the exterior painting of dwellings and replacement of defective water heaters. As was noted elsewhere in this report, the cost of certain of these water heaters which were replaced had been charged to current operating expense instead of to the Operating Reserve.

Result of Operations: For the third fiscal year under Permanent Financing, which ended on September 30, 1955, the records of this project reflected a deficit of $241.33 after the receipt of the Commonwealth Contribution of $3,431.79 and the application of the surplus of the prior fiscal year in the amount of $543.21.

However, as was mentioned earlier in this report the cost of replacing the hot-water heaters and other necessary expenses totaling $642.82 had been erroneously charged to operations instead of to the Operating Reserve.

It was also noted that an October 1955 water bill of $87.40 was paid on September 30, 1955. Had the foregoing two entries been correctly made a surplus of $488.89 would have resulted.

It is suggested that the necessary adjustments for the foregoing items be effected forthwith.

ATTLEBORO HOUSING AUTHORITY REPORT NO. 56-H-35

Chapter 372 - Surplus: The operating surplus for this project, on a cash basis, for the calendar year 1954 was $12,816.58.

It was noted, however, that the amount paid to the City of Attleboro for this period was $12,714.08, the difference being due to the fact that the Authority makes its computation on the accrual basis.

The results of operations for the first nine months of the 1955 calendar year indicated an operating surplus of $9,531.10, calculated on the cash basis.

This project is in the process of being liquidated. The buildings have all been appraised and the necessary approval for the disposal of the buildings has been received from the State Housing Board. No buildings were sold during the current audit period.

Project 200-1 - Commonwealth Contribution: The Commonwealth's Contribution for the first year under management, which ended June 30, 1955, was $28,700.00.

Results of Operations: For the fiscal year ending June 30, 1955 this project reported a surplus of $1.856.47. This surplus will be applied to reduce the Commonwealth Contribution for the fiscal year 1956.

HAVERHILL HOUSING AUTHORITY REPORT NO. 56-H-36

Chapter 200 - Project 200-1 - Operations: For the fiscal year ending September 30, 1955, this project was operated at a loss of $13,123.02 before applying the Commonwealth Contribution of $12,475.00. After the application of this subsidy a deficit of over $648.02 existed.

General - Sale of Utilities: It was noted that the Authority is in the process of selling its utilities systems to the utility companies and has been awaiting advice from the State Housing Board since August 29, 1955 as to what action may be taken. The State Housing Board has the figures as submitted by the utility company. If no action is taken this year, the prices as submitted will be naturally reduced because of another year's depreciation.

It was noted in this connection that the charges for utilities in Project 200-1, exclusive of water, were substantially in excess of amounts charged to the respective tenants and as a result additional expenses were assumed which, of course, will accordingly reduce profits. For the fiscal year ending September 30, 1955, these costs and income follow:

Total Utilities (Exclusive of Water)	Charged To Tenants	Per Unit Charges Per Month To Tenants	Per Unit Charges Per Month Assumed by Authority
$6,813 49	$5,743 51	$13 30	$2 47

If the Authority had not paid for these expenses, a surplus for the 1955 fiscal year would have resulted rather than a deficit.

Chapter 200 - Project 200-2 - Operating Reserve: It was noted that the only expenditure made from this account during the audit period was for painting of houses in the amount of $6,885.00.

In this connection it is recommended that the Working Capital balance of $970.54 be transferred to the Operating Reserve.

Chapter 200 - Project 200-2 - Operations: For the fiscal year ending June 30, 1955, this project was operated at a loss of $19,149.96 before applying the Commonwealth Contribution of $20,225.00. After the application of this subsidy, the State Housing Board instructed the Authority to transfer this surplus of $1,075.04 to the Reduction of Annual Contribution Reserve for the fiscal year 1956.

BROOKLINE HOUSING AUTHORITY REPORT NO. 56-H-37

Commonwealth Contribution: The surplus from operations of this project for the fiscal year ended September 30, 1954 amounting to $23,091.92, after deducting the Commonwealth Contribution, was applied to the reduction of that Contribution for the subsequent fiscal year.

The operating surplus for the fiscal year ending September 30, 1955 was $34,951.86 and will be used as a reduction of the Commonwealth's Contribution for the succeeding year which will end September 30, 1956. The application of this surplus has been verified by the State Housing Board during the course of this audit.

The increase in the operating surplus for the year ending September 30, 1955 was due mainly to the fact that the Operating Reserve reached its maximum in the first quarter of the year and thereby reduced the operating expenses by $11,349.00. This Reserve has been sub-

sequently reduced by approximately $10,700.00 and will be replaced from the current year's operations.

Surpluses: It will be noted that the surpluses have increased considerably since this project went into the Permanent Financing status. These items which follow have all been applied toward the reduction of the Commonwealth Contribution.

1952	$ 9,554.13
1953	28,603.95
1954	23,091.92
1955	34,951.86

The matter of rental adjustment was discussed with the Executive Director and Accountant, and it was understood that there was no anticipation of rent reduction or any change contemplated in the basis of establishing rents charged. It was also learned that many of the tenants were welfare cases.

Old Age Housing: It was noted that there were several discussions at the Board Meetings in regard to the Old Age Housing. It is, however, doubtful that there will be an Old Age project in Brookline because to date the allowable per unit cost has been estimated at $8,000.00 per unit, and the land cost in the Town of Brookline being so high it was estimated that any construction would be at an average cost of $14,000.00 per unit.

Visit to the Project: A visit was made to one occupied and one unoccupied apartment. They were found to be in very good condition. The buildings and the grounds around them including the play areas, one for each building, were also found to be in good condition.

ATHOL HOUSING AUTHORITY REPORT NO. 56-H-38

Commonwealth Contribution: The Commonwealth may make an annual contribution of not more than 2 1/2% of the total Development costs. For the third year under Permanent Financing the maximum amount payable of $10,150.00 was paid to the National Shawmut Bank of Boston, the fiscal agent for this Authority.

The surplus of $224.94 from the third year of operation had already been transferred to Operating Reserve, and as a result, the maximum amount of $10,150.00 will be paid to this Authority for the fourth year under Permanent Financing.

This Authority has apparently never given consideration to the transfer of the past three years' surpluses or portions thereof to the reduction of the Commonwealth's annual contribution.

Operating Improvements: During this audit period, a contract for outside painting of the thirty-two units was awarded to the lowest bidder of record. This contract has already been completed and final payment made, in the amount of $4,448.00.

A contract was also awarded for the purchase of eight electric water heaters to the lowest bidder on record for a price of $1,364.80 or $170.60 per unit. Contracts were also awarded for their plumbing and wiring at costs of $512.00 and $300.00 respectively to the only bidders on record. The total cost of these eight heaters, together with installation, will be $2,176.80, an average of $272.10.

WATERTOWN HOUSING AUTHORITY REPORT NO. 56-H-39

Fee for Opinion as to Validity of Notes: It was noted that the cost to the Authority on the note issues in January 1955 for legal opinions rendered by a law firm as to the validity of the notes of the Authority and of the guarantee of the prompt payment of and interest on the notes by the Commonwealth of Massachusetts totaled $350.00 for both projects. Inasmuch as several housing authorities issue temporary notes, it is apparent that the aggregated cost of obtaining such opinions will eventually cost the taxpayers of this Commonwealth several thousand dollars. As the Attorney General is undoubtedly qualified to render such opinions, it is recommended that the State Housing Board possibly give consideration to obtaining the services of the department of the Attorney General for this purpose.

Housing for Elderly Persons of Low Income: Chapter 667 of the Acts of 1954 provides for the guarantee by the Commonwealth of the notes and bonds of local housing authorities issued to finance the cost of projects for elderly persons of low income. The amount of such guarantee should not exceed $15,000,000.00.

As of the date of audit, a Housing for the Elderly Program has not been initiated in the Town of Watertown. In this connection, it was noted that on February 7, 1955 the Authority voted, as follows:

> "That it is the conclusion of this Authority that housing for the Aged in the Town of Watertown is not needed."

GLOUCESTER HOUSING AUTHORITY REPORT NO. 56-H-40

Rent Due: It was noted that rentals outstanding have increased over totals noted at the time of the previous audit. There was due from tenants the following amounts as of this audit date as well as of the date of the prior audit:

	Present Tenants	Move-Outs	Totals
Current Audit:			
Temporary Construction Projects	$700.33	$793.52	$1,493.85
Project 200-1	322.36	221.74	544.10
Previous Audit:			
Temporary Construction Projects	$555.01	$454.01	$1,009.02
Project 200-1	342.28	54.44	396.72

Project 200-1 - Operating Reserve: It was noted that a payment of $4,131.00 which covered 50% less 10% retention on a contract for installing copper gutters and removing existing galvanized gutters had been charged to the Operating Reserve. It was further noted that seven hot water heaters purchased at a total cost of $917.00 was also charged to the Operating Reserve.

Temporary Construction Projects: As of December 1, 1955 the Authority moved most of the tenants from the Temporary Construction Projects to the new Federal Project which opened on that date. At the present time, there are five tenants remaining in the Temporary Construction Projects, and an effort is being made to find apartments for them. When this is accomplished these buildings will be demolished.

Housing for the Elderly: Chapter 667 of the Acts of 1954 authorized $15,000,000.00 to provide housing for the elderly. In this connection, it was noted that the State Housing Board on December 2, 1955 approved for this Authority approximately 25 dwelling units to be constructed on land located at Emerson and Lincoln Avenues. The State Housing Board further approved this site subject to the following conditions:

1. That any off-site improvements necessary for the proper functioning of the project will be provided by the City of Gloucester at no cost to the project.
2. That the City will agree to transfer the subject land to the Authority at no cost to the project.
3. That if any zoning change is required for the permanent construction contemplated, the same will be provided in writing by the agency having jurisdiction over the zoning in the City of Gloucester.
4. That the approval of the site will be subject to test borings which will be made under the direction of the Technical Division of the State Housing Board in order to ascertain the sub-soil conditions prior to construction.

The Authority is presently planning to engage the services of an architect on a contingent basis to assist the Authority in further development of plans for this project.

ROCKPORT HOUSING AUTHORITY REPORT NO. 56-H-41

Delayed Deposits: It was noted that collections were not being promptly deposited in the bank and in this connection, it was noted that a deposit made on December 1, 1955 for $537.00 included rental receipts dated from November 1, 1955 to November 13, 1955 totaling $453.00 and also rent receipts received from a delinquent tenant, dated from October 3, 1955 to November 7, 1955, in the amount of $84.00. It was further noted that the treasurer still had in his possession, on the date of audit, $42.00 representing three receipts of $14.00 each.

The importance of making all deposits promptly was brought to the attention of the proper authorities and it is understood such a practice will be put into effect.

Operations - Fourth Fiscal Year: The records of the Authority reflected a deficit in the amount of $133.37 after receipt of the maximum Subsidy Contribution from the Commonwealth of $4,075.00 for the fourth fiscal year under Permanent Financing which ended June 30, 1955. A transfer from the Operating Reserve in that amount was made.

WELLESLEY HOUSING AUTHORITY REPORT NO. 56-H-42

Operating Reserve - Project 200-1: As of November 30, 1955 the General Ledger balance of this account was $33,137.19 or a net increase of $4,938.44 over its balance as of February 28, 1955. This was due to crediting this account with the quarterly Provision for Operating Reserve of $1,080.00, together with the Surplus for the fiscal year ending June 30, 1955, amounting to $6,946.92. Charges to this account were for boiler repairs, totaling $3,995.31. A new truck, with plow attachment at $988.41, together with a saw, hoist and snow plow costing $169.16, was also charged against this account.

It is understood that the account is being developed, with the approval of the State Housing Board, for the purpose of making a complete revision of the boiler system which appears inadequate at the present time. It is estimated that the cost of these improvements will be $50,000.00.

Chapter 200-Project 200-2 - Development: Due to the excessively high bids for construction, as well as the decline in the number of applicants for apartments, it was unanimously voted by this Authority, at its meeting on February 5, 1955, to abandon this project. There were certain financial commitments which were outstanding and were to be approved by the State Housing Board. These latter items totaled approximately $4,200.00, making the total Development Cost for this project $9,543.27.

These Development Costs have been audited and verified and upon certifications of this deficiency by the local Authority, steps will be taken to completely liquidate this project in conformance with statute.

Project 667-1 - Housing for the Elderly: The necessity for this type of project was discussed with the Executive Director who indicated that the local Authority had, after deliberation, decided that until such time as an authorized town committee, such as the Board of Selectmen, made a request for, and outlined the need for this particular type of housing, nothing could be done in this connection. It was also indicated that Project 200-1 could probably be used at a future date for such housing as all units were of one story construction.

WALTHAM HOUSING AUTHORITY REPORT NO. 56-H-43

Project 200-2 - Accounts Payable - Development: Although this project has been in Permanent Financing since January 1, 1952, the accounts still include Accounts Payable - Development of $249.65. As there appears to be no known present accounts payable, it is suggested that the account be closed and surplus credited to further reduce the Commonwealth Contribution.

Project 200-3 - Debt Service Fund: It was noted that the Commonwealth's Contribution of $10,675.00 had been properly deposited to this fund on November 21, 1955 according to advice received from the fiscal agent but it had not been entered on the books of the Authority as of November 30, 1955.

Project 668-1 - Income on Investments - Premium Account: It was noted that the interest due September 15, 1955 had been received by the Fiscal Agent. The Authority was notified of the transaction. However, this item of $103.18 had not been entered on the books of the Authority as of November 30, 1955.

HOLYOKE HOUSING AUTHORITY REPORT NO. 56-H-44

Chapter 372

Sale of Houses: The sale of the 62 dwelling units, as provided by Chapter 372 of the Acts of 1946, as amended, was completed before the date of this audit, and in this connection $381,672.50 has been turned over to the City of Holyoke.

As of November 30, 1955, the indicated net cost to the city from these units totaled $63,918.63, which was determined from the records of this Authority as follows:

Cost of Construction (62 units)	$550,591.81	
Interest on Bonds, 15 years	71,925.00	
Excess Cost to City, Transfer from Temporary Financing to Permanent Financing	300.00	
Total Cost		$622,816.81
Less:		
Revenue from Operations	$113,245.76	
Subsidy from State	55,059.20	
Proceeds from Sale of 62 units	387,833.75	
Balance of Development Cost Paid to City	708.19	
Surplus November 30, 1955	2,051.28	558,898.18
Excess Cost over Revenue, November 30, 1955		$63,918.63

The actual loss cannot be determined until the proceeds from the sale of these houses by the City have been invested.

This net cost as indicated will undoubtedly be offset by future tax revenue accruing to the City from private owners of these units.

Debt Service Payments - 200-1: This Authority pays into its Debt Service Fund each year from rental income an amount which together with amounts received from other sources equals that fiscal year's total debt requirement. This debt requirement for the 1955 fiscal year was computed as follows:

Bonds Maturing and Interest Payable January 1, 1956		$73,152.50
Less:		
State Contribution	$27,529.10	
Contribution Reduction	20,520.90	
Interest on Investment	542.50	
Premium Amortization	754.31	49,346.81
Project Share of Debt Requirement Paid November 1, 1955		$23,805.69

Commonwealth Contributions - 200-1: This Authority has received to date, as provided in its Contract for Financial Assistance with the Commonwealth, subsidy payments in the amount of $112,856.04. These payments represent the Commonwealth's participation in maintaining low rents as follows:

Year	Amount of Subsidy	Commonwealth's Share per Tenant per Month
1952	$48,050.00	$18.29
1953	20,232.00	7.70
1954	17,044.94	6.49
1955	27,529.10	10.48

Commonwealth Contribution for 1955 - 200-1: It was noted that the Commonwealth Subsidy for 1955 for this project was understated by $140.70, because of a misinterpretation of items on the financial statements submitted by this Authority to the State Housing Board, as follows:

Profit and Loss Statement of Project 200-1:	
Maximum Subsidy	$48,050.00
Deficit for Period Ended December 31, 1954	20,520.90
Subsidy Paid to Authority	$27,529.10
Surplus Account - Balance Sheet:	
Maximum Subsidy	$48,050.00
Surplus December 31, 1954	20,380.20
Subsidy Due Project 200-1	$27,669.80

Housing for Elderly: This Authority was authorized a project of 42 units in conformance with Chapter 667 of the Acts of 1954.

As of the date of this audit, the Authority has completed the following with reference to this project:

1. Contract for Financial Assistance
2. Option for Purchase of Site
3. Contract with Architect
4. Contract with Attorney for Title Search, etc.
5. Contract for Engineering Survey
6. Certificate of Purposes and Statement of Cash Requirements
7. Issuance of 1st Series of Temporary Notes

It is understood that bids for the construction of this project will be canvassed in the near future and ground should be broken in March of 1956.

GARDNER HOUSING AUTHORITY REPORT NO. 56-H-45

Permanent Financing: It was noted that the Commonwealth subsidy contribution for the fourth year of Permanent Financing for Project 200-2 was $10,500.00 or $2,000.00 less than the maximum allowed as the result of transferring $2,000.00 from the third year's surplus to the Reduction of Annual Contribution account. This contribution was paid to the Second Bank-State Street Trust Company of Boston on or about June 15, 1955.

It was also noted that the Commonwealth subsidy contribution for Project 200-3 for its third year under Permanent Financing was $9,100.00, the maximum allowed. One-fourth of this subsidy in the amount of $2,275.00 was paid on March 1, 1955 and the remainder of $6,825.00 was paid on September 1, 1955 to the Second Bank-State Street Trust Company of Boston, the fiscal agent of this Authority.

CLINTON HOUSING AUTHORITY REPORT NO. 56-H-46

Annual Contribution: The Commonwealth makes an annual contribution of not more than 2½% of the total costs of the project. This contribution for the fifth year under Permanent Financing was $7,975.00, the maximum amount allowed, and was received by the fiscal

agent, the National Shawmut Bank of Boston, on or about June 15, 1955.

In this connection, it was noted that the entire surplus for the fourth year under Permanent Financing was transferred to the Operating Reserve account. No transfer was made to the Reduction of the Annual Contribution account.

Operating Reserve: The Management Program as approved states that the Authority shall create and maintain a maximum Operating Reserve of $10,200.00. It was noted that the balance in this account as of June 30, 1955 was $12,072.15, or $1,872.15 in excess of that amount.

It was noted in this connection that in June 1955 the surplus for the 1954 calendar year was transferred to this account and an accrual of an additional $408.00 was made in September 1955 which further substantially increased that excess.

In view of the foregoing, attention is directed to the following excerpt from the Management Program which stated:

> "...no further credit shall be made to it until it has been reduced by necessary charges against it."

On November 30, 1955, the balance in this reserve was $10,112.89, which was slightly less than the maximum allowed as a result of certain items being charged to it.

It was further noted that the surplus of $1,886.46 which was transferred to this account was overstated by $463.35 which represents Accounts Payable of December 31, 1954 and should have been charged to the operations of the 1954 calendar year. This matter was discussed with the proper personnel, and it is understood that necessary adjustments will be effected.

BROCKTON HOUSING AUTHORITY REPORT NO. 56-H-47

Chapter 200 - Commonwealth Contribution: During this audit period, this Authority had either received or had been officially advised of annual Commonwealth Contributions, as follows:

Project	For the Fiscal Year Ending	Maximum Contribution	Amount of Contribution Authorized
200-1	December 31, 1955	$28,750.00	$28,750.00
200-2	December 31, 1955	17,300.00	17,300.00

It was noted that the State Housing Board directed the Authority to transfer the operating surplus for the calendar year 1954, after subsidy receipts for both projects, to the Operating Reserve. The surplus for Project 200-1 was $5,274.16 and Project 200-2 amounted to $1,184.22.

Housing for the Elderly Persons: During the current audit period this Authority has continued with its plans to construct a project for the Housing of Elderly Persons under Authority of Chapter 668 of the Acts of 1953, as amended by Chapter 667 of the Acts of 1954. Funds totaling $360,000.00 to cover the cost of this project was borrowed by issuing temporary notes subsequent to the date of audit on January 20, 1956. Preliminary plans have been presented to the State

Housing Board for approval. According to the officials of this Authority, actual construction will not begin for several months.

BELMONT HOUSING AUTHORITY REPORT NO. 56-H-48

Development Costs - Administration and Maintenance Building: The total Development Costs as appearing in the previous audit report were $17,505.37. However, subsequent to that date, additional architectural fees of $84.22 and inspection salary and expense of $45.12 were paid in connection with the construction of the new Administration and Maintenance Building. The revised Development Costs follow:

Administration - Bids and Advertising		$ 338.55
Architectural and Engineering:		
Fees under Contract	$1,184.22	
Inspection Salary and Expense	315.29	1,499 51
Structure and Equipment		15,796.65
Total		$17,634.71

Housing for the Elderly: According to the records of the State Housing Board there has been no activity in this direction during this audit period.

CANTON HOUSING AUTHORITY REPORT NO. 56-H-49

Administration Fund Bank Balance: It was noted that the balance in the Administration Fund Bank Account in the general ledger shows an amount of $3,154.49 as of December 31, 1955, while the bank statement of the above date showed a balance of only $3,144.49. On December 31, 1955 a journal entry debiting cash and crediting Tenants' Security deposits in the amount of $10.00 was made. It is understood that a separate deposit of $10.00 to adjust this amount will also be made.

Housing for the Elderly: No action has been taken on obtaining Housing for the Elderly and it is understood that none is anticipated.

Collections Without Issuing Rent Receipts: It was noted that during the period June 1, 1955 to November 30, 1955, 10 collections of rent were made, totaling $493.00 without rent receipts. It is suggested that in all instances a rent receipt be given at the time of collection.

Balance Sheets: It was noted that book balances for cash did not agree with amounts shown on Balance Sheets submitted to the State Housing Board, and items appearing as Tenants' Accounts Receivable on reports submitted to the State Housing Board did not agree with the actual book balances.

SWAMPSCOTT HOUSING AUTHORITY REPORT NO. 56-H-50

Operating Reserve: It was noted that nothing had been credited in this account for the fiscal year ended December 31, 1955, as the Authority had reached its maximum allowable of $10,800.00. The balance as of

December 31, 1955 was $10,835.83.

Sale of Excess Land: During the fiscal year ended December 31, 1955, this Authority sold excess project land for $252.00. This property was previously leased to a gasoline service station at a rental of $15.00 per month.

The income from this sale was deposited with the State Treasurer in accordance with instructions from the State Housing Board, in a letter dated April 15, 1955.

Housing for the Elderly: According to the records of the State Housing Board, there has been no activity in this direction during this audit period.

WILMINGTON HOUSING AUTHORITY REPORT NO. 56-H-51

Commonwealth Contribution: It was noted that the Commonwealth Contribution for the fiscal year ended June 30, 1955 was $3,100.00 and the operating surplus of $1,803.97 for that year was applied to reduce the Commonwealth Contribution for the subsequent fiscal year.

Surplus Fiscal Year Ending June 30, 1955: It was noted that the project's operating surplus for the year ending June 30, 1955 was $3,166.01 after applying the Commonwealth's Contribution. This surplus was disposed of by transferring $1,166.01 to the Operating Reserve and $2,000.00 to the Contribution Reduction for the fiscal year ending June 30, 1956.

Housing for the Elderly: As of the date of audit, no action had been taken in the Housing for the Elderly Program.

METHUEN HOUSING AUTHORITY REPORT NO. 56-H-52

Fiscal Agent - Funds - Project 200-1: The certification of balances received from the fiscal agent was not in agreement with the Authority records on the Debt Service Fund, as follows:

Bonds Retired October 1, 1955	$11,000.00
Interest on Outstanding Bonds due October 1, 1955	4,786.25
	$15,786.25

These items had been cleared as of October 1, 1955, but had not yet been brought on the Authority records as of December 31, 1955. This matter was also brought to the attention of the Executive Director and the accounts were properly adjusted while this audit was in progress.

Commonwealth Contributions and Application of Surpluses: This project has been in the permanent financing, management status, since October 1, 1950. The operating surpluses, together with their disposition, as well as the Commonwealth's Contribution for the five years to September 30, 1955, were as follows:

Year Ending Sept. 30,	Project Surplus	To Operating Reserve	To Reduction of Commonwealth Contribution	Commonwealth Contribution	Total Subsidy
1951	$ 7,574.13	-	-	$14,750.00	$14,750.00
1952	4,817.72	$ 7,574.13	-	14,750.00	14,750.00
1953	4,957.52	-	$ 4,817.72	9,932.28	14,750.00
1954	6,338.70	1,513.37	3,444.15	11,305.85	14,750.00
1955	6,279.97	3,338.70	3,000.00	11,750.00	14,750.00
	$29,968.04	$12,426.20	$11,261.87	$62,488.13	$73,750.00

The project surpluses are, of course, credited to the succeeding year.

The surplus for the 1955 fiscal year will be distributed as follows:

To Operating Reserve	$2,279.97
To Reduction of Commonwealth Contribution	4,000.00
	$6,279.97

Operating Reserve: As at the date of this audit, the balance of the Operating Reserve account was $18,505.36, which was in excess of the prescribed $300.00 per unit in the amount of $505.36. This balance will, of course, increase as the quarterly credits to the reserve account continue.

It is understood that the purpose in building up this balance in excess of the prescribed maximum is because there are certain expenses pending to be charged to this account, which include painting of the project.

NAHANT HOUSING AUTHORITY REPORT NO. 56-H-53

Operating Reserve: The maximum allowable in this account, as set by the State Housing Board, is $4,200.00. However, to the date of audit, a balance of $4,409.92 was reflected on the records which included a credit for an insurance reimbursement for storm damages of $163.80. As this insurance reimbursement represents a refund of repair expenditures, it would appear that this item should have been properly credited to the Repairs, Maintenance and Replacements Expense account.

Debt Service Fund and Matured Interest and Principal: To the date of this audit, the October entry for bonds retired and interest paid on bonds had not yet been made on the Authority's books. The balance shown by the records of the Authority on December 31, 1955 was $4,190.00. The Matured Interest and Principal account reflected a balance of $5,521.50. The debit entry for bonds retired was $3,000.00, as the October interest paid in the amount of $1,190.00 had been omitted.

Housing for the Elderly: According to the records of the State Housing Board, there has been no activity in this direction during the current audit period.

WALPOLE HOUSING AUTHORITY REPORT NO. 56-H-54

Reduction of Commonwealth Subsidy: The annual maximum subsidy payable to this Authority under Project 200-1 is $12,350.00. The subsidy was reduced for the fiscal year ending December 31, 1955 to $10,350.00 by applying a portion of the $4,039.65 operating surplus of the previous fiscal year in the amount of $2,000.00.

Excess Cash: As of the date of audit, the balance of the Administration Fund cash totaled $17,551.55. As this balance appears to be somewhat in excess of the immediate cash requirements, it is, therefore, suggested that the advisability of investing a portion of it be considered.

Operating Reserve: It was noted that the charges to the Operating Reserve account for the period under audit were $4,023.38. Of this amount, $2,166.00 was expended for replacing forty-five defective multi-circuit breakers with switches and fused load centers, $1,041.50 for repairs to these forty-five units as preparatory work to the exterior painting of the units, $467.00 for alteration of sewer disposal system, $134.63 for sanding and sealing floors and repairing leak on vent pipe, $53.25 for percolation test, calculations, design and making plan of alteration of sewer disposal and $161.00 for pumping cellars, installing sump pump and repairing floor.

Housing for the Elderly: It was learned that the Authority presented the program for Housing for the Elderly at a Town meeting but it was voted that no need existed for such a program.

NORTHAMPTON HOUSING AUTHORITY REPORT NO. 56-H-55

Veterans' Temporary Project - Surplus: It was noted that all books and records of this project have been closed and that the cash balance of $3,394.65 was turned over to the City of Northampton on May 18, 1955.

Surplus: The records of this Authority show a surplus of $3,941.86 for the fiscal year ended December 31, 1955.

It was noted, however, that in June 1955, $61.34 which was part of Voucher No. 891, had been incorrectly distributed to current charges. Of this, $7.50 should have been charged to the Federal Project of this Authority and $53.84 should have been charged to the Operating Reserve for water drainage on cellars.

Had the foregoing expenditures been properly distributed, a surplus of $4,003.20 would have been reflected in the records.

It is suggested that the necessary adjustment be effected forthwith.

Housing for the Elderly: It was noted that this Authority has never made application for Housing for the Elderly. It was learned that this Authority feels that within a few years there will not be enough veterans to completely occupy the 80 units of the State-Aided Project and/or the 50 units of the Federal Project. Therefore, any demands for apartments by elderly people can be taken care of with these units under the direction of the Authority.

Temporary Construction Projects

Tornado Insurance Settlement: It was noted that the final settlement for tornado damages was received from the insurance companies in the amount of $136,621.21. The entire proceeds, less cost of conferences, was turned over to the City of Worcester as follows:

Total Settlement	$136,828.94
Share of Referee Costs	207.73
Net Amount Received	$136,621.21
Conference Costs	3,588.38
To City of Worcester	$133,032.83

In addition to the foregoing, rebates on canceled insurance policies totaling $1,925.39 were also turned over to the City of Worcester.

Final Accounting: The Temporary Construction Project fund was closed during this audit period, and the cash balance of $21,925.15 was transferred to the City of Worcester.

Commonwealth Contribution - 200-1: The contribution for the fourth year under Permanent Financing was $51,899.23 and was paid to the National Shawmut Bank of Boston, the fiscal agent for this project, on or about September 15, 1954.

The Commonwealth's contribution for the fifth year under Permanent Financing was $52,106.66 and was computed as follows:

2 1/2% of the Development Cost	$68,000.00
Less:	
Prior Year's Surplus Reserved for Contribution Reduction	15,893.34
	$52,106.66

This amount was also paid to the same fiscal agent on or about September 15, 1955.

Tenants' Accounts Receivable: The balance in the Tenants' Accounts Receivable account was $295.27 on December 31, 1955, including $220.27 from vacated tenants. These accounts have been placed with an attorney for collection.

Commonwealth Contribution - 200-2: The Commonwealth's contribution for the third year of operations under Permanent Financing was $103,238.53, computed as follows:

2 1/2% of Development Costs	$114,100.00
Less:	
Prior Year's Surplus Reserved for Contribution Reduction	10,861.47
	$103,238.53

Of this amount, $28,525.00 was received on March 31, 1955 and the remainder on August 31, 1955.

These amounts were paid to the Merchants National Bank of Boston, the fiscal agent for this project.

Tornado Insurance Settlement - 200-2: The final payment in settlement of the tornado damages was received from the insurance companies during this audit period in the amount of $500,000.00, making a total for all damage and rental losses reimbursed $2,025,000.00. This amount included receipts from June 1953 to February 1955.
The analysis of this amount follows:

For all Damages and Other Costs	$1,970,996.78
For Accrued Rental Loss	54,003.22
	$2,025,000.00

The foregoing amounts were recorded in the Disaster Fund - Project 200-2, from which fund the accrued rental loss was transferred to Project 200-2. The costs of reconstruction and restoration were paid from this fund through July 31, 1955 when the balance in it of $200,000.00 was closed out and transferred to the Disaster Fund on the records of Project 200-2.
In this connection, the previous audit report called attention to the fact that this Authority borrowed $225,000.00 from a local bank, paying interest at the rate of 3%, to pay the contractors for work completed. It was then suggested that the Authority amend their claim to include the cost of monies borrowed. However, the settlement was made in a round amount after going into conference, and no evidence was available in the Board's Minutes or files to indicate whether interest costs were included. The total interest costs were $3,487.50.

Housing for the Elderly

Project 668-1

Temporary Financing: This Authority went into financing of this project known as Project 668-1 with an issue of First Series Temporary Notes in the amount of $524,000.00, which were purchased by Dwinell, Harkness and Hill, Inc. of Boston with a low bid of 6% and a premium of $36,698.00, reducing the net interest rate to .2568%.

Contract for Financial Assistance: The Contract for Financial Assistance, which was dated March 30, 1955 and provided that the Development Costs shall not exceed an aggregate principal amount of $524,000.00 was amended as of July 21, 1955 to read not to exceed an aggregate principal amount of $664,000.00. Consequently, the budget or Certificate of Purposes was revised to a total of $664,000.00.

Contracts Awarded: When the original bids were issued, alternate changes were also submitted; one alternate accepted was for the substitution of brick veneer and 8" masonry walls in lieu of the concrete block and stucco specified in the original bids. This increased price was $27,710.00.
The construction contract was then awarded to the lowest bidder who was also the lowest bidder of the original bids, without the alternate, at a total contract of $607,485.00 and included an allowance of $6,000.00 for Metal Combination Storm and Screen Doors, for which no bids have been received as yet. The total contract is divided as

follows:

Item #1 General Contractor	$366,995.00
Item #2 Sub-contractors	240,490.00
	$607,485.00

This contract further includes the cost of construction of a combination Administration and Community Building, erected for administrative purposes, and which will also serve as a meeting place for social activities of tenants.

Change Orders: Change orders approved to date have decreased the contract price to an adjusted price of $585,235.66, as follows:

Contract Price	$607,485.00
Authorized Additions	1,794.24
Authorized Deductions	(24,043.58)
	$585,235.66

However, this contract price does not include many other Development Costs, such as, architect's fees, engineering costs, landscaping, etc. Based on present estimated costs and combining actual and, in some instances, budget costs, the over-all Development Costs should approximate $630,000.00, making the average cost per unit about $8,400.00. This average cost would also include the cost of the combination Administration and Community Building which is estimated by the architect's office at $32,275.00.

Rents - Project 668-1: Although the project will not go into occupancy for several months, efforts were made to learn what rents were to be charged. However, the Management Program for this project has not as yet been set up, but it was learned that it is being prepared and will soon be sent to the Authority by the State Housing Board.

Operating Reserve - 200-1: It was noted that the maximum amount of the Operating Reserve was reached in June 1954.

Working Capital - 200-1: The previous audit report suggested that the balance shown in this account of $759.99, which resulted from the initial bond issue, be transferred to Surplus because it had no obvious purpose. To date of audit, however, no action has been taken in this connection and the comment is accordingly repeated.

Visit to the Project: A visual inspection of the grounds and exteriors of the buildings of both projects was made. The grounds appeared to be exceptionally clean and free of debris. The building exteriors appeared to have been well maintained.

Housing for the Elderly: The Marblehead Housing Authority in their Annual Report for 1955 said in this connection:

"The Authority is anxious to find out the need in Marblehead for 'Housing for the Elderly'. A request for

"information was sent through the press, in an effort to find out how many people over the age of 65 years, and receiving a small income ($3,000.00) or under, were interested in this program. All answers were to be held in confidence. Only nine returns were received. The Authority must be shown the need for this type housing in Marblehead before it can consider any application to the State Board for consideration."

ANDOVER HOUSING AUTHORITY REPORT NO. 56-H-58

Visit to the Project: The project was visited and a visual inspection was made of the exterior of the buildings. These buildings which are row type, wood frame with brick veneer, appeared to be in very good condition. The painting of the doors, windows, etc., also appeared to be in good condition.

NEW BEDFORD HOUSING AUTHORITY REPORT NO. 56-H-59

Housing for the Elderly: During the current audit period, this Authority began the construction of 75 units for the housing of the elderly under provisions of Chapter 667 of the Acts of 1954. Authority officials are of the opinion that this project will be ready for occupancy about May 1, 1956.

Commonwealth Contribution: During the current audit period, this Authority had either received or had been advised of annual Commonwealth Contributions, as follows:

Project	For the fiscal Year Ending	Maximum Contribution	Amount of Contribution Authorized
200-1	December 31, 1955	$24,000.00	$18,101.83
200-2	September 30, 1956	36,400.00	27,693.92
200-3	March 31, 1956	19,925.00	14,024.83

Disposition of Surpluses: During the current audit period disposition of the operating surpluses was made with the authorization of the State Housing Board, as follows:

Project	For the Fiscal Year Ending	Amount of Surplus	Transfer to Reduction of Commonwealth Contribution
200-1	December 31, 1954	$5,898.17	$5,898.17
200-2	September 30, 1955	8,706.08	8,706.08
200-3	March 31, 1955	5,900.17	5,900.17

WEYMOUTH HOUSING AUTHORITY REPORT NO. 56-H-60

Close Out Initial Operating Period Accounts: The Distribution of the surplus which had accrued to the end of the Initial Operating Period was as follows: A credit to the Operating Reserve of $17,586.34 and a credit to the Development Costs of $200,531.86 or a total of $218,118.20.

It was noted, however, that invoices which were paid in January 1956 totaling $2,978.16 should have been included with the December figures. It was also noted that no provision had been made for water used between November 10, 1955 and December 31, 1955. This cost averages approximately $534.00 per month.

Adjustments for the foregoing two items were made by supplementary entries through the Operating Reserve account.

In connection with the foregoing, it is suggested that in the preparation of quarterly operating statements, all charges pertaining only to that period be considered.

Project Inspection: In connection with the visual inspection of this project, it was noted that the buildings appeared to be in need of painting. It was learned that the Authority contemplates this painting during this current year.

Housing for the Elderly: It was understood that the subject of Housing for the Elderly was taken up at two town meetings and was defeated both times.

NORTH ANDOVER HOUSING AUTHORITY REPORT NO. 56-H-61

Disposition of Surplus: The project has been in the Management status since October 1, 1950 and the operating surplus for each year since then, together with its disposition follows:

Fiscal Year Ending Sept. 30	Surplus	To Operating Reserve	To Reduction of Commonwealth Contribution
1951	$ 3,645.13	$ 3,645.13	-
1952	2,730.42	2,730.42	-
1953	2,330.70	1,312.38	$1,018.32
1954	1,871.39	1,871.39	-
1955	2,484.58	1,484.58	1,000.00
	$13,062.22	$11,043.90	$2,018.32

Visit to Project: During the course of the audit an inspection was made of the exterior of the dwellings and the project area. They appeared to be in very good condition and the grounds were well maintained.

Old Age Housing: It was noted that there had been no application made for the Old Age Housing Program to the date of audit. The accountant for the Authority, who is also a member of the Board, stated that there was no anticipation of making such an application.

AMESBURY HOUSING AUTHORITY REPORT NO. 56-H-62

Cash in Bank - Administration Fund: As of January 31, 1956 the balance of cash of this Fund was $10,278.95. As it seemed to be greatly in excess of the current requirements of the project, it is suggested that the matter of investing part of it be considered.

Disposition of Surpluses: The surplus of each year since the project went into Permanent Financing on July 1, 1951 and its disposition follows:

Fiscal Year Ending June 30th	Surplus	To Operating Reserve	To Reduction of Commonwealth Contribution
1952	$1,937.03	$1,271.03	$ 666.00
1953	685.08	685.08	-
1954	1,948.89	648.89	1,300.00
1955	430.61	-	430.61
	$5,001.61	$2,605.00	$2,396.61

Housing for the Elderly: This Authority applied for 20 Units for this purpose, which were approved by the State Housing Board. No actual activity, however, has been started.

The Board of Selectmen were notified on January 18, 1956 to arrange a meeting to select one of five sites and to notify the Authority of its selection. To the close of the audit, such a meeting had not yet been arranged.

WINTHROP HOUSING AUTHORITY REPORT NO. 56-H-63

Project 200-1 - Project Surplus - June 30, 1955: It was also noted that the project surplus for the fiscal year ending June 30, 1955 was $6,899.19. This surplus, however, should have been in the amount of $9,661.98. The difference of $2,762.79 stems from the error in making this charge to Insurance Expense rather than to Prepaid Insurance and Accrued Insurance. The necessary adjusting entries were effected while this audit was in progress.

Temporary Construction Projects - Title V: It was noted that this project, which consisted of three buildings of eight units each, was totally vacated as of December 31, 1955. Two of the buildings have been demolished as of date of audit and the remaining building of eight units is now in the process of demolition.

It was further noted that the Administration Fund cash balance of this project as of January 31, 1956 was $636.53. The total obligations as of that date follow: Income Tax Withholdings $8.20, Employees Contribution to Pension Fund $2.22, final payment due on demolition when accomplished $576.00, Advertising bill $7.80 and $39.16 due Board members, a total of $633.38. When all these items are paid there should remain a cash balance of $3.15.

Housing for the Elderly: It was learned from the Executive Director that Housing for the Elderly was voted against at a Town Meeting in March 1955.

NORWOOD HOUSING AUTHORITY REPORT NO. 56-H-64

General: The only project under the supervision of this Authority is the State-subsidized Project 200-1 known as Washington Heights, which entered Permanent Financing as of April 1, 1952.

There is no project office. Rent collections are made on the first Saturday of each month at the Town Hall, Veterans Service Center office where this authority has two metal file cabinets for Authority records.

There are no full-time employees and the details necessary for the operation of the project such as the rent collections, maintenance of

records, accounting procedure, reports to the State Housing Board, etc., were fulfilled by two part-time employees.

These part-time employees with their respective duties follow:

Executive Director and Secretary - This individual handles the collection of rents, makes deposits thereof, attends Board meetings and maintains the minutes of such meetings, releases bids for contracts, secures verification of tenants' income for rental adjustments and other related details.

Accountant - This individual maintains the books of the Authority, prepares vouchers and checks for disbursements. He also occasionally accepts rent collections which he turns over to the Executive Director for deposit, prepares reports and statements for the Authority and State Housing Board and keeps a current list of the balance due from tenants on unpaid rents.

An outside accountant has been recently engaged to handle the general ledger, prepare statements, etc., who is paid $50.00 monthly.

Cash Position: The 1956 cash balance in the Administration Fund as of January 31, 1956 was $43,737.55. It was reduced on February 1, 1956 as follows:

To Debt Service Fund:	
Application prior year Surplus to Reduction of Commonwealth Contribution	$ 8,271.32
Project Contribution	10,073.25
To Town of Norwood - Payment in lieu of Taxes	2,700.00
	$21,044.57

After the foregoing there was still a balance of $22,692.98 which appeared to be in excess of the funds necessary for the immediate operation of the project. It was, therefore, suggested that part of the balance be invested so that interest might be earned.

Permanent Financing: The project has been in the "Permanent Financing" status since April 1, 1952, and the respective operating surpluses together with their disposition to date follow:

	Surplus	To Operating Reserve	To Reduction of Commonwealth Contribution
Year Ending March 31, 1953	$ 9,134.46	$3,809.46	$ 5,325.00
Year Ending March 31, 1954	5,133.70	5,133.70	-
Year Ending March 31, 1955	8,271.32	-	8,271.32
Total - three years	$22,539.48	$8,943.16	$13,596.32

Old Age Project: There appeared to be no application, to date, for a Project for the Elderly. The Executive Director stated the matter had been discussed at a Meeting of the Board Members and he believed no action would be taken.

Visit to the Project: During the course of the audit, a visit was made to the project. The buildings appeared to be badly in need of painting, which should be corrected as soon as the weather permits

to protect against further deterioration.

EASTHAMPTON HOUSING AUTHORITY REPORT NO. 56-H-65

Debt Service Payments: This Authority pays into its Debt Service Fund through its fiscal agent each year from rental income an amount, which together with amounts received from other sources, will equal that fiscal year's total debt requirements. The debt requirements for the fiscal year ending June 30, 1956 were computed, as follows:

Bonds Maturing and Interest Payable July 1, 1956		$12,736.25
Less:		
Commonwealth Subsidy	$8,500.00	
Amortization of Premium	94.27	
Interest from Investment	63.75	8,658.02
Project Requirement		$4,078.23

Operating Reserve: It was noted that under the approved Management Program the maximum Operating Reserve was established at $9,300.00.

However, it was noted that the balance of the Operating Reserve as of February 29, 1956 amounted to $10,799.55. It is understood that the Authority has been allowed to exceed the maximum to provide for the exterior painting of 15 dwelling units and to replace defective water heaters.

Surplus: It was noted that the surplus of $1,548.57 for the fiscal year ending June 30, 1955 was transferred to the Operating Reserve.

Housing for the Elderly: It was noted that on November 7, 1955 this Authority was allocated 20 dwelling units under Chapter 667 of the Acts of 1954 which provides for housing for elderly persons of low income.

As of the date of audit, the Authority had submitted several proposed sites to the State Housing Board for approval and inspection, but the State Housing Board did not approve the proposed sites because it felt that they would be too costly. It was suggested by the State Housing Board that the Authority attempt to obtain some town-owned or donated land. In this connection, the Executive Director stated that no town-owned land is available.

Project Inspection: A visual inspection of the exterior of the dwelling units and surrounding grounds of the project disclosed that approximately one-half of the dwelling units are in need of painting.

The over-all condition of the project grounds is good.

AGAWAM HOUSING AUTHORITY REPORT NO. 56-H-66

Project 200-1

Disposition of Surpluses: This project has been in the Permanent Financing status since October 1, 1950. The surplus for each

year, after crediting the Commonwealth Contribution, together with its disposition, follows:

Year Ending September 30,	Surplus	To Operating Reserve	To Reduction Commonwealth Contribution
1951	$ 2,543.52	$2,543.52	-
1952	5,316.34	-	$ 5,316.34
1953	1,698.65	1,698.65	-
1954	2,971.54	-	2,971.54
1955	3,332.13	-	3,332.13
	$15,862.18	$4,242.17	$11,620.01

Project 200-2

Visit to Project: The project was visited and it appeared that the exterior of the buildings and the grounds were being properly maintained.

Disposition of Surpluses: This project has been in the Permanent Financing status since July 1, 1952. The surplus for each year after crediting the Commonwealth Contribution, together with its disposition, follows:

Year Ending June 30,	Surplus	To Operating Reserve	To Reduction Commonwealth Contribution
1953	$1,363.14	$1,363.14	-
1954	1,123.18	-	$1,123.18
1955	1,754.16	-	1,754.16
	$4,240.48	$1,363.14	$2,877.34

Housing for the Elderly - Chapter 667: Housing for the Elderly, as authorized under Chapter 667 of the Acts of 1954, as amended, was considered by the Authority. After discussion with the Town Welfare Department and the Board of Selectmen, it was found that there was apparently no need for such housing at the present time.

HULL HOUSING AUTHORITY REPORT NO. 56-H-67

Permanent Financing: This project has been in the Permanent Financing Management Account status since April 1, 1951. The operations of each year, together with the disposition of the operating surpluses follow:

Year Ending March 31,	Surplus	Credited to Operating Reserve	To Reduction of Commonwealth Contribution*
1952	$1,738.83	$1,035.83	$ 703.00
1953	2,098.58	-	2,098.58
1954	2,033.67	2,033.67	-
1955	3,121.78	3,121.78	-
	$8,992.86	$6,191.28	$2,801.58

* The Commonwealth Contribution Reduction is applied to the succeeding year's Contribution.

Housing for the Elderly: It was understood that no application had been made for the "Old Age Housing" program and none was anticipated.

Visit to the Project: A few of the buildings were in need of painting and it was understood that a plan was being developed to have this work done as soon as weather permits.

IPSWICH HOUSING AUTHOLITY REPORT NO. 56-H-68

Chapter 200-1 - Commonwealth Contribution: It was noted that Commonwealth's Contribution for the fiscal year ending September 30, 1956 of $5,800.00, which had been deposited with its fiscal agent on February 17, 1956, had not been brought on to the books of the Authority to February 29, 1956. It was entered in the Authority's books through supplementary entry as of February 29, 1956.

Chapter 200-1 - Disposition of Surpluses: This project has been in the Permanent Financing status since October 1, 1950. The surplus for each year, after crediting the Commonwealth Contribution, together with their disposition, follows:

Year Ending September 30,	Surplus	To Accrued Insurance	To Operating Reserve	To Reduction Commonwealth Contribution
1951	$1,752.86	$1,752.86	-	-
1952	1,424.01	-	$1,424.01	-
1953	799.40	-	799.40	-
1954	331.26	-	-	$ 331.26
1955	2,925.15	-	1,925.15	1,000.00
	$7,232.68	$1,752.86	$4,148.56	$1,331.26

The foregoing dispositions apply to the activities of the succeeding years.

Housing for the Elderly: It was noted that an application has been made and approved for the erection of 20 units for the Housing of the Elderly. The activity, in this connection, to date has been as follows:

The Town Meeting of March 1, 1954 voted that application be made for 20 units.

The application was forwarded to the State Housing Board in May 1954 and was approved on August 6, 1954.

An architect was selected on September 15, 1954. Plans were submitted to the State Housing Board in January 1956 after much correspondence over the period from the original approval of the application in August 1954.

The plans as submitted in January 1956 were returned for revisions on March 28, 1956. The revisions suggested are to be reviewed and new plans submitted as soon as possible with the hope approved plans will be secured after which bids will be released and contracts awarded in order to get the project started.

Visit to the Project: During the course of the audit, a visit was made to the project. It was noted that most of the units were badly in need of painting. It is understood that approval had been received from the State Housing Board to paint all units. As a matter of fact, work in this direction had been started, but, because of the inclement weather, was postponed. Weather permitting, the painting will be continued as soon as possible.

FRAMINGHAM HOUSING AUTHORITY REPORT NO. 56-H-69

Title V and Project 372 - Transfer of Surplus: During this audit period, the following surplus transfers were made to the Town of Framingham:

	Title V	Chapter 372
1954 Year:	-	$8,173.26
4th Quarter	$ 1,947.83	-
1955 Year:	-	1,119.12
1st Quarter	2,974.50	-
2nd Quarter	2,472.98	-
3rd Quarter	2,303.52	-
4th Quarter	2,132.63	-
	$11,831.46	$9,292.38

In addition, proceeds from the sale of Chapter 372 dwellings in the amount of $192,856.35 were transferred to the Town of Framingham.

Title V - Demolition of Building: The Authority demolished one building, consisting of two units, to provide the needed space for Housing for the Elderly. The demolition cost amounted to $185.00.

In this connection, it was noted that the Authority salvaged usable equipment and parts, such as heaters, gas stoves, hot water tanks, sinks and fixtures. It is understood that these parts will be used for replacements.

Commonwealth Contribution: The Commonwealth may make an annual subsidy contribution of not more than 2 1/2% of the final development costs. These contributions for the fifth year of operations under Permanent Financing were $19,833.07 for the Project 200-1 and $14,233.64 for Project 200-2, computed as follows:

	Project 200-1	Project 200-2
2 1/2% of Development Costs	$33,400.00	$21,000.00
Deduct:		
Transfer of Fourth Year's Surplus for Reduction Reserve	13,566.93	6,766.36
	$19,833.07	$14,233.64

The foregoing contributions were paid to the First National Bank of Boston, the fiscal agent of this Authority, on or about December 15, 1955.

Housing for the Elderly - Chapter 667-1: The initial financing of this project was accomplished by an issue of $200,000.00 of temporary notes. The low bidder bid 6% with a premium of $8,836.07 which reduced the interest rate to a net of approximately 1.63%.

This issue of temporary notes corresponds to the maximum development cost shown in the Contract for Financial Assistance.

Contracts - Project 667-1: As of the date of audit, the only contract entered into by the Authority was with the Architect for this project. The Architect's fee as determined by a schedule in the contract is to be $9,375.00 and was based on a fee of $375.00 per unit. This project will consist of three, two-story buildings with a total of twenty-five units.

Construction contracts are expected to be advertised soon and awarded sometime during this coming summer.

Projects Visited: During the inspection of the exterior of the project buildings and the project areas, it was noted that the projects appear to be maintained in a satisfactory condition.

STOUGHTON HOUSING AUTHORITY REPORT NO. 56-H-70

Disposition of Surplus: During this audit period, disposition of the operating surplus for the fiscal year ending March 31, 1955 was made with the authorization of the State Housing Board as follows:

Amount of Surplus	Transfer to Reduction of Commonwealth Contribution
$2,675.07	$2,675.07

Commonwealth Contribution: During this audit period, the Authority had either received or had been officially advised of annual Commonwealth Contributions as follows:

For the Fiscal Year Ending	Maximum Contribution	Amount of Contribution Authorized
March 31, 1956	$7,625.00	$4,949.93

Acceptance of Project 200-2: It was noted that Part II of the Certificate of Completion has been processed and that the final payment on the contract, which had been held up on account of litigation, has been effected.

Housing for the Elderly: There has been no activity in this direction during the current audit period.

MANSFIELD HOUSING AUTHORITY REPORT NO. 56-H-71

Commonwealth Contribution: It was noted that the operating surplus totaling $931.07 for the fiscal year ending September 30, 1955 was applied to reduce the Commonwealth Contribution.

The State Housing Board has notified the Authority that its Annual Subsidy Contribution for the fourth fiscal year under Permanent Financing ending September 30, 1956 will be $2,618.93.

Operating Reserve: It was noted that as of March 31, 1956 the balance in the Operating Reserve was $3,916.05, despite the fact that a maximum of only $3,000.00 is authorized under the Management Program.

Housing for the Elderly: As was noted in the previous audit report, the voters of this town passed the following vote at the annual meeting held on February 28, 1955:

> Article 11. Voted that the Mansfield Housing Authority be empowered to erect a housing project for elderly persons under the provisions of Section 26NN of Chapter 121 of the General Laws.

In this connection it was learned that twenty units have been allotted by the State Housing Board and that the local Authority has tentatively selected several sites. Final selection of the site will not be made, however, until all sites have been reviewed by the State Housing Board.

NEEDHAM HOUSING AUTHORITY REPORT NO. 56-H-72

General - Administration and Development Accounts: The General Ledger accounts are posted and balanced by an outside accountant who also prepares monthly statements reflecting the financial condition of the project as at the close of each month. In this connection, it was noted that the balance sheet as submitted did not segregate the assets and liabilities of the Development and Administration accounts.

An analysis of the accounts was necessary in order to bring the two accounts into reconciliation. Differences disclosed by this analysis were brought to the attention of the accountant and adjustments were made and reconciled balances set up as of March 31, 1956.

Housing for the Elderly: A check of the Town of Needham statistics indicated that there is apparently need for housing for the elderly, as evidenced by the following:

Aged - Couples	257
Aged - Individuals	1,867

To the date of the audit the activity with regard to Housing for the Elderly has been as follows:

An application was made to the State Housing Board for allocation of 20 Units under Chapter 667 of the Acts of 1954, on September 10, 1954.

However, there has been no activity with regard to this application due to the fact that the matter has not been passed upon at an annual town meeting as required by law.

Project Surplus: This project is still in the Initial Operating Period and from the period from May 1950 to March 31, 1956 accumulated a surplus of $155,111.61. As of the date of audit, advances totaling $40,000.00 have been made to the Development Account, and, in addition, the legal settlement of $47,454.88 was paid by the Administration Fund for the Development Account.

These advances totaling $87,454.88 will eventually be charged to the surplus of the Initial Operating Period. The balance of approximately $67,000.00 could be utilized for the painting of the units.

UXBRIDGE HOUSING AUTHORITY REPORT NO. 56-H-73

Surplus: It was noted that the operating surplus for the fifth year under Permanent Financing in the amount of $658.30 was transferred to the Operating Reserve account.

In this connection, it was noted that the balance in the Operating Reserve account when this surplus was transferred was $7,077.82 and was $477.82 in excess of the maximum stipulated in the "Management Program." In addition, regular quarterly accruals have been made so that the present balance is $7,624.38 or $1,024.38 more than the maximum. It is understood these funds are being accumulated because of the contemplated painting of the exterior of the dwellings sometime during the summer.

In this connection, however, the Management Program states as follows:

> "When the Operating Reserve account equals the maximum of $6,600.00, no further credit shall be made to it until it has been reduced by necessary charges against it - - - -."

Project Visit: A visit was made to the project and it was noted that the project appeared to be in good condition. It is understood that the exteriors of the buildings will be painted next summer.

Housing for the Elderly: There has been no activity in this direction by this Authority.

MATTAPOISETT HOUSING AUTHORITY REPORT NO. 56-H-74

Surplus: It was noted that the operating surplus for the fifth fiscal year ending September 30, 1955 was $1,058.22 and the State Housing Board directed the Authority to transfer it to the Operating Reserve.

During this audit period, a Commonwealth Contribution totaling $3,000.00 was received for the sixth fiscal year of operations which will end September 30, 1956.

Housing for the Elderly: There has been no activity in this direction during the current audit period.

PLYMOUTH HOUSING AUTHORITY REPORT NO. 56-H-75

Operations under Permanent Financing: The books of this Authority, after taking into consideration the Commonwealth's subsidy contribution of $9,233.79 and the application of the prior year's surplus of $1,941.21, indicated a surplus of $2,364.79 for the fifth fiscal year's operations which ended on March 31, 1956.

Housing for the Elderly: There has been no activity in this direction during the current audit period.

BEDFORD HOUSING AUTHORITY REPORT NO. 56-H-76

Chapter 200-1 - Operations Under Management Program: This project went into the Permanent Financing (Management) status as of January 1, 1951. The surplus for each year to date and the disposition thereof was as follows:

Year Ending December 31,	Surplus	To Reduction of Commonwealth Contribution	To Operating Reserve
1951	$1,605.79	$590.00	$1,015.79
1952	1,501.59	-	1,501.59
1953	1,751.57	-	1,751.57
1954	1,954.66	-	1,954.66
1955	1,436.57	-	1,436.57
	$8,250.18	$590.00	$7,660.18

The dispositions as shown apply to the succeeding year of operations.

Housing for the Elderly: It is doubtful that Old Age Housing will be developed in Bedford. It was the opinion of the Executive Director that the Authority would be eligible for only 1 or 2 units. In addition, there was the problem of a site, and it was also felt that the increased cost of building construction would be above the allowed average cost per unit.

It was also stated that many of the current tenants of the 200-1 Project are close to the income limits, and if they exceed the limit it would be necessary for them to vacate. In view of the fact that there are very few applicants for the 200-1 Project, elderly persons could be housed therein.

MILLBURY HOUSING AUTHORITY REPORT NO. 56-H-77

Financing: This Authority entered into the Management phase of the operation of the project on October 1, 1955. However, the financing of this project is still under temporary notes; the latest issue in the amount of $315,000.00 was purchased by Kuhn, Loeb & Co. of New York at an interest rate of 6% with a premium of $18,620.18, making a net rate of .1376%.

It was learned that the reason for remaining in Temporary Financing was due to the higher interest rates prevailing at the present time for bond issues.

The Commonwealth Contribution for the first fiscal year under this phase of the operation of the project will be 2½% of the total Development costs of $315,000.00, or a maximum of $7,875.00. This subsidy will be paid to the fiscal agent, the Second Bank - State Street Trust Co. of Boston, on or about September 1, 1956.

Administration Fund: It was noted that the balance of the Administration Fund is in excess of the immediate cash requirements of the Authority. It is therefore recommended that a portion of this balance be invested, thereby earning interest income.

Housing for the Elderly: This Authority has been tentatively allotted twenty units for Housing for the Elderly. However, no further progress has been made because a suitable site for this project has not yet been selected.

Project Visit: During the visit to the project it was observed that the dwellings were in need of painting. It is understood that the project will be painted sometime this summer. The project

appears to be in good condition in all other respects.

CHICOPEE HOUSING AUTHORITY REPORT NO. 56-H-78

Project 200-1

Debt Service Payments: This Authority pays into its Debt Service Fund through its fiscal agent each year from rental income an amount, which together with monies received from other sources, will equal that fiscal year's total debt requirement. The payment for the fiscal year 1956 was computed as follows:

Bonds Maturing and Interest Payable January 1, 1957		$82,945.00
Less:		
Commonwealth Subsidy	$44,600.00	
Prior Year Surplus	10,000.00	
Interest Earned	612.50	
Amortization of Premium	977.23	56,189.73
Project Payment from Rental Income Due November 1, 1956		$26,755.27

Disposition of Surpluses: This project has been in the Permanent Financing status since January 1, 1952. The surplus for each year, after crediting the Commonwealth Contribution, together with its disposition follows:

Year Ending December 31,	Surplus	To Operating Reserve	To Reduction of Commonwealth Subsidy
1952	$22,442.35	-	$22,442.35
1953	23,410.38	-	23,410.38
1954	19,371.38	-	19,371.38
1955	17,740.57	$7,740.57	10,000.00

The foregoing dispositions apply to the activities of the succeeding year.

Operating Reserve: The maximum Operating Reserve to be established for this project is $67,800.00. In this connection, it was noted that the balance of this account totaled $65,053.09 as of March 31, 1956, and that there is provided in the budget an additional $8,136.00 to be set up in this reserve during the remaining nine months of the 1956 fiscal year. Therefore, the estimated balance at the end of the 1956 fiscal year would be $73,189.09, an amount well in excess of the maximum noted above.

It is recommended that if this reserve should be excessive at the end of the fiscal year, the balance be adjusted to the prescribed maximum of $67,800.00 before closing the books.

General

Project Visit: The visit to the projects indicated that they were being properly maintained.

Housing for the Elderly

Project Construction: This Authority has now under construction 36 units to provide housing for elderly persons of low income. As of the date of audit, the development costs totaled $146,117.13. It is estimated that the project will be completed on or about June 15, 1956.

DEDHAM HOUSING AUTHORITY REPORT NO. 56-H-79

Operations under Permanent Financing - Chapter 200-1: This project went into Permanent Financing as of October 1, 1950. The surpluses and the disposition thereof has been as follows:

Year Ending Sept. 30,	Surplus	To Operating Reserve	To Reduction of Commonwealth Contribution
1951	$ 3,950.00	$3,950.00	-
1952	4,452.01	-	$ 4,452.01
1953	4,869.28	-	4,869.28
1954	150.90	150.90	-
1955	3,829.83	1,829.83	2,000.00
	$17,252.02	$5,930.73	$11,321.29

The reductions of the Commonwealth Contributions are applied to the succeeding fiscal year's operations.

Operations under Permanent Financing - Chapter 200-2: This project went into Permanent Financing as of October 1, 1951. The surpluses and the disposition thereof has been, as follows:

Year Ending Sept. 30,	Surplus	To Operating Reserve	To Reduction of Commonwealth Contribution
1952	$1,231.78	-	$1,231.78
1953	2,448.88	-	2,448.88
1954	1,927.57	$927.57	1,000.00
1955	1,935.28	-	1,935.28
	$7,543.51	$927.57	$6,615.94

The reductions of the Commonwealth Contributions are applied to the succeeding fiscal year's operations.

General - Both Projects: It was noted that as of the date of audit the Administration Fund balances amounted to $28,474.23 in project 200-1 and $14,093.98 in project 200-2. There is no apparent reason for the carrying of such large balances; it is therefore suggested that a large portion of each balance be invested.

Housing for the Elderly: At the Town Meeting of April 17, 1956, it was voted to accept this program. The Authority has been advised of the acceptance of the program and instructed to secure a site.

Visit to the Projects - Chapter 200-1: The visit to this project disclosed that the dwellings and the grounds were in very good condition.

The previous audit report indicated that additional black-topping was necessary in the driveway areas. In this connection, it was noted that the same situation existed as of the date of the current audit. The Executive Director advised that bids for this work will be released shortly.

Visit to the Projects - Chapter 200-2: The grounds of this project were found to be in very good condition. However, on several of the buildings the paint was peeling and the need for painting was quite obvious.

The Executive Director stated that a representative of the State Housing Board was expected to visit the Authority in the immediate future to discuss the painting of the dwellings. It was estimated by the Executive Director that this work would begin on or about June 1, 1956.

NORTH ATTLEBOROUGH HOUSING AUTHORITY REPORT NO. 56-H-80

Surplus: The records of this Authority, after taking into consideration a subsidy contribution of $6,125.00 received from the Commonwealth, indicated a surplus of $1,560.77 for the third fiscal year ending June 30, 1955.

In accordance with instructions received from the State Housing Board, this surplus was used by the Authority to reduce the Commonwealth's Contribution for the fiscal year ending June 30, 1956.

Housing for the Elderly: There has been no activity in this direction during the current audit period.

Cash Balance - Administration Fund: It is suggested that consideration be given to the advisability of investing a substantial portion of this cash balance which is at present in the checking account of this fund. It appears that the present balance of $11,109.44 can be reasonably regarded as exceeding current needs.

WEBSTER HOUSING AUTHORITY REPORT NO. 56-H-81

Commonwealth Contribution: The contribution to this Authority for the fifth year under Permanent Financing will be $7,850.00, the maximum permissible.

The contribution will be paid to the fiscal agent of the Authority, the Second Bank - State Street Trust Co. of Boston, on or about June 15, 1956.

Accounts Payable - Development: Previous audit reports have stated that the records indicated an accounts payable outstanding in the amount of $1,018.42, even though no such liability existed. It was also noted that there was another liability of $405.40 representing income tax withholdings during the Development period.

In connection with these items, it was noted that the $405.40 was remitted to the Director of Internal Revenue, and that the supposed accounts payable of $1,018.42 was closed out and the balance transferred to the Operating Reserve account.

Project Visit: The project was visited and it appears to be in good condition. In this connection, it was learned that the Authority plans to do some interior painting of the apartments where needed during the summer.

BARNSTABLE HOUSING AUTHORITY REPORT NO. 56-H-82

Chapter 200-1 - Disposition of Surpluses: This project has been in the Permanent Financing status since January 1, 1952. The surplus for each year, together with its disposition, follows:

Year Ending December 31,	Surplus	To Operating Reserve
1952	$2,079.02	$2,079.02
1953	2,375.71	2,375.71
1954	345.53	345.53
1955	3,574.03	3,574.03

Housing for the Elderly: There has been no activity in this direction during the current audit period.

Temporary Construction Project - Final Accounting: It was learned that the final accounting of the project is being held in abeyance pending disposition of the outstanding tenants' accounts receivable.

A comparison of these accounts as of March 31, for the past four years follows:

	Total Outstanding
March 31, 1956	$2,526.97
March 31, 1955	2,526.97
March 31, 1954	2,722.00
March 31, 1953	2,722.00

It would appear that practically all of these accounts are uncollectible; therefore, arrangements should be made to adjust these accounts accordingly and then proceed with the final accounting for this project.

Chapter 200-1 - Visit to Project: The visit to the project indicated that it was being properly maintained.

BOSTON HOUSING AUTHORITY REPORT NO. 56-H-83

Chapter 372 - Permanent Construction - Sale of Project: This project, which consisted of 1,310 units, is in the process of liquidation and as of the date of audit 1,294 units had been sold. During the course of the audit, fourteen of the remaining sixteen units were sold and sales deposits were received on the other two units.

The details of the sales by type of dwelling follows:

Type of Dwelling	Number of Units	Sold to Apr. 30, 1956	Unsold April 30, 1956 Dwellings	Units
1 Family Houses	17	17	-	-
2 Family Houses	974	958	8	16
Multiple Units	319	319	-	-
	1,310	1,294	8	16

Chapter 372 - Permanent Construction - Disposition of Surpluses: During the life of this project the surpluses transmitted to the City of Boston have been, as follows:

Year	Amount
1948	$ 146,731.38
1949	299,233.48
1950	508,641.58
1951	500,000.00
1952	508,752.14
1953	505,455.04
1954	451,229.78
	$2,920,043.40

Chapter 372 - Statutory - Property Disposition Account: The sale of the Chapter 372 property is being handled through this account.

The sales prices of the 1,294 units sold to date of audit totaled $8,643,578.00, of which $8,256,252.00 has been remitted to the City of Boston. It was also noted that fourteen of the remaining sixteen units were sold for $97,600.00 during the course of the audit, and it is estimated that the last two units will be sold for approximately $13,900.00.

In this connection it was noted that the Development Costs of these units, exclusive of interest expense, amounted to $15,418,197.58 as of the date of audit. The expected proceeds from the sale of the units as reflected above would amount to approximately $8,755,078.00, or an indicated net cost to the City of Boston for this project in the amount of $6,663,119.58.

However, the City of Boston has received $2,920,043.40 from the surpluses of the project and $1,536,282.66 in subsidies from the Commonwealth. The resulting net cost to the City of approximately $2,206,793.52 will be further increased by the interest expense on the City of Boston borrowings and the expenses incurred in the disposition of the property.

General - Delinquent Rents: The matter of writing off the long outstanding Tenants' Accounts Receivable has been mentioned in several previous audit reports, and is again mentioned as no action has been taken on this matter. The analysis of the Tenants' Accounts Receivable of all the projects as of April 30, 1956 disclosed the following:

Total Receivables	$33,108.09
Due from Vacated Tenants	$26,361.76
Due from Current Tenants	6,746.33
	$33,108.09

The above figures indicate that 79.62% of the receivables carried on the ledgers are for the accounts of vacated tenants, and that 74.85% of this amount represents balances due from tenants whose balances have been carried for over one year, and in many instances for several years. These long outstanding accounts, which are apparently uncollectible, should be written off since they only tend to inflate the assets of the projects.

Should any collections be made after the accounts are written off, it would only take a simple bookkeeping entry to apply these collections to the tenants' accounts.

Chapter 200 Projects - Payment in Lieu of Taxes: It was noted that the accrued Payments in Lieu of Taxes had not been paid to the City of Boston on the projects listed below, for the years indicated:

Project	1953	1954	1955
200-2	-	$ 2,592.00	$2,592.00
200-5	-	7,272.00	7,272.00
200-8	$12,744.00	9,774.00*	-
200-10	753.00#	9,036.00	-
200-11	-	7,560.00"	-
200-12	1,980.00"	4,752.00	-
	$15,477.00	$40,986.00	$9,864.00

* The accrual for 1954 should have been $12,744.00; the difference of $2,970.00 is due to the fact that an incorrect basis was used for the setting up of the accrual. This item was mentioned in the audit report covering the period March 31, 1953 to April 30, 1954, but the adjustment has not yet been made.

\# One month

" Five months

As mentioned in the prior audit report the Boston Housing Authority had requested permission from the State Housing Board to make payments for the projects involved but this request was denied. The reason given for the denial was the then current financial condition of the projects, as well as the prospective cost of necessary corrective work to maintain the projects in good physical condition.

It was noted that with the exception of Projects 200-2 and 200-5 the payments have been made to the City of Boston for the year 1955.

It is suggested that if the accrued payment in lieu of taxes for prior years is never to be paid, some consideration should be given to writing the accounts off.

Chapter 200-9 - Abandoned Project: Although this project has been abandoned the books of this project have reflected, since 1949, Development Costs in the amount of $101.40, representing $96.00 for Borings and Test Pits and $5.40 for Blueprinting. Since no funds were ever allocated to this project, payment of the items mentioned above was made from the funds of Chapter 200-7 and Chapter 200-13 in the amount of $96.00 and $5.40 respectively, and are carried as accounts receivables on the books of those projects.

It is suggested that the Authority take the above matter up with

the State Housing Board and secure authority to write these items off. As indicated above, this situation has existed for a period of 7 years and it would appear that some action should have been taken by this time.

Chapter 200-10 - Change Orders: The previous audit report commented upon the fact that the Certificate of Completion for this project had been held up because of claims against the Boston Housing Authority by the contractor and claims of the Authority versus the contractor. The claims of the contractor had been made over an extended period of time dating back to 1952.

In this connection it was noted that a hearing was held at the State Housing Board on November 15, 1955 for the purpose of discussing a decision on these claims, and that in a letter to the Authority dated March 28, 1956 the Chairman of the State Housing Board notified the Authority that it was his decision that the contractor was to be paid an amount of $350,853.78 as full settlement of all claims against the Authority under the terms of his contract.

The detail of the Change Orders involved in this settlement follows:

Change Order			
#2	$ 6,626.62	$ 1,809.24	Concrete basis for boilers
#11	13,838.88	4,911.85	Reinforcing bathroom floor joist
#13	412,489.82	258,012.69	Rock excavation in house locations
#14	14,112.13	3,680.00	Gravel fill in trenches
#15	131,949.00	81,840.00	Gravel and general fill
#16	55,886.08	600.00	Maintenance of buildings
No # Assigned	5,078.76	Claim Denied	Claim for payment on removal of ledge
	$639,981.29	$350,853.78	

In addition to the above, there had been previously approved and paid Change Orders in the amount of $129,136.44, making an approved Change Order total of $479,990.22.

The approved Change Orders were equivalent to 14.47% of the original contract, and the purposes thereof were, as follows:

Rock Excavation	$388,317.61	11.7%
Gravel Fill	85,520.00	2.58%
Maintenance of Buildings	600.00	.02%
Others - Regulars	5,552.61	.17%
	$479,990.22	14.47%

When the claims as settled were presented for the approval of the Authority at its meeting on March 29, 1956, two members asked to be recorded as not approving the claims. The reason noted for their not approving the claims was the fact that the Architect on October 28, 1952 submitted a report on a soil analysis at this project, in which the concluding paragraph reads, as follows:

"The test indicates that this soil material is cemented silty, sandy gravel, with some clay, and as such does not entitle the contractor to an extra, as it does not conform with 'rock' as defined in the specification."

The Treasurer of the Authority, who was one of these members, further stated that in his official capacity as Treasurer he would sign the contractor's draft; but that in doing so he was only carrying out a ministerial function, and that individually, and as a member of the Authority, he did not agree with the State Housing Board's decision and that he still was opposed to the payment to the contractor.

In view of the stand taken by these members of the Boston Housing Authority, based on the report of the architect, and the large sum of money involved, it would seem that the settlement should have been resolved in the courts. It is also not readily apparent why changes of such magnitude were not accepted by the Authority and the State Housing Board at the time of the construction of the project.

It was also noted that, as of the close of the audit, the payment to the general contractor had not been made because of a restraining order issued in connection with a law suit brought against the general contractor by a subcontractor.

Chapter 200-13 - Project Abandonment: On November 22, 1954 the Authority voted to abandon this project which was in the preconstruction stage. As of the date of this audit the costs incurred, amounted to $429,438.38. There are no apparent liabilities of this project other than the financing costs, which will probably be offset by the income on the investments.

Chapter 200-13 - Contract for Financial Assistance: Although this project has been abandoned since November 1954 the original contrace for financial assistance, dated May 29, 1951, in the amount of $8,400,000.00 is still in effect. However, the notes outstanding have been reduced to $450,000.00 since the costs incurred amounted to but $429,438.38. In this connection it was noted that these costs will be reduced by $40,000.00 received during the course of audit on the sale of a parcel of land.

Chapter 200-13 - Bill for Deficiency: In connection with the abandonment of the project, it was noted that House Bill 1636 had been filed on the petition of the Chairman of the State Housing Board to provide for any deficiency resulting from this abandonment. An appropriation of $500,000.00 had been requested, but the bill when passed stipulated that any appropriation would be for the actual deficiency, as determined by the State Auditor.

As the account now stands, with the credit of $40,000.00 for the sale of land previously mentioned, the deficiency will be approximately $390,000.00. However, it is expected that this deficiency will be further decreased on the sale of the remaining land.

Housing for the Elderly: It was noted that the Authority made an application for 350 units for Housing for the Elderly on December 10, 1953 and that on September 1, 1954 the State Housing Board granted a tentative allocation of 200 units.

MARLBOROUGH HOUSING AUTHORITY REPORT NO. 56-H-84

Deficit: It was noted that operating deficit for the year ended December 31, 1955 totaled $75.69, and was transferred to the Reserve for Repairs, Maintenance and Replacements account.

Final Accounting: Because of a court decision, this Authority ceased to administer the project for the City of Marlborough as of March 31, 1956. It was also learned that the only remaining transactions will consist of a final accounting with the owners of the property.

The only assets to be accounted for are the cash balance of $291.09, the Accounts Receivable - Tenants' in the amount of $1,089.75 and a few items of equipment kept on the project grounds. This accounting will be made as soon as possible.

NANTUCKET HOUSING AUTHORITY REPORT NO. 56-H-85

Chapter 372 - Disposition of Surpluses: This project has been in Management since January 1, 1951. The surplus for each year, together with its disposition, follows:

Year Ending December 31,	Surplus	Transferred to Town of Nantucket
1951	$ 2,190.51	$ 2,190.51
1952	2,284.60	2,284.60
1953	2,437.22	2,437.22
1954	2,666.53	2,666.53
1955	2,555.74	2,555.74
	$12,134.60	$12,134.60

The records reflected a net profit of $1,213.22 for the first four months of 1956.

Housing for the Elderly: There has been no activity in this direction during the current audit period.

Project Visit: The visit to the project indicated that it was being properly maintained.

MONTAGUE HOUSING AUTHORITY REPORT NO. 56-H-86

Debt Service Payments: This Authority pays into its Debt Service Fund through its fiscal agent each year from rental income an amount which together with amounts received from other sources will equal that fiscal year's total debt requirements. These requirements for the 1956 fiscal year were computed, as follows:

Bonds and Interest due January 1, 1957		$11,162.50
Less:		
Commonwealth Contribution	$8,125.00	
Amortization of Bond Premium	125.35	
Income on Investment	70.00	8,320.35
Project requirement due November 1, 1956		$2,842.15

Disposition of Surpluses: This project has been on Permanent Financing status since January 1, 1951. The disposition of the surplus for each fiscal year follows:

Year Ending December 31,	Surplus	To Operating Reserve	To Reduction Commonwealth Contribution
1951	$2,825.25	$1,844.25	$981.00
1952	(166.55)	(166.55)	-
1953	2,265.13	2,265.13	-
1954	1,435.35	1,435.35	-
1955	2,334.68	2,334.68	-
	$8,693.86	$7,712.86	$981.00

The dispositions as shown apply to the succeeding year's operations.

Commonwealth Contribution: This Authority has received to date from the Commonwealth, in accordance with its contract for financial assistance, $39,644.00 and will receive an additional $8,125.00 for the 1956 fiscal year. These contributions represent the Commonwealth's participation in lower rents for the tenants, as follows:

Year	Amount of Subsidy	Commonwealth's Share Per Tenant Per Month
1951	$8,125.00	$22.56
1952	7,144.00	19.83
1953	8,125.00	22.56
1954	8,125.00	22.56
1955	8,125.00	22.56
1956	8,125.00	22.56

Project Visit: The visit to the project indicated that it was being properly maintained.

Housing for the Elderly: There was no activity in this direction during the current audit period.

GREENFIELD HOUSING AUTHORITY REPORT NO. 56-H-87

Chapter 200-1 - Disposition of Surpluses: This project has been in the Permanent Financing status since January 1, 1951. The surplus for each fiscal year, after crediting the Commonwealth Contribution, together with its disposition, follows:

Year Ending December 31,	Surplus (Deficit)	To Operating Reserve	To Reduction Commonwealth Contribution
1951	$ 6,261.33	$3,343.33	$ 2,918.00
1952	(4,462.33)	(4,462.33)	-
1953	4,517.54	-	4,517.54
1954	3,075.55	-	3,075.55
1955	2,454.00	2,454.00	-
	$11,846.09	$1,335.00	$10,511.09

The foregoing dispositions apply to the activities of the succeeding fiscal year.

Working Capital: It was noted that a balance of $712.33 is still being carried in the Working Capital account. It is recommended that this balance be transferred to the Operating Reserve.

Project Visit: A visual inspection of the project dwelling exteriors and the grounds disclosed that the dwellings are being well maintained and the surrounding grounds kept in good condition.

Housing for the Elderly: The Executive Director stated that the Authority voted not to adopt this program because after conferring with town officials it was determined that there was insufficient need for such housing at the present time.

SPRINGFIELD HOUSING AUTHORITY REPORT NO. 56-H-88

Veterans' Temporary Housing Projects

Accrued Land Rental and Taxes: The records of this project indicate that accrued land rental and payment in lieu of taxes due to the City of Springfield amount to $11,660.29. It is recommended that this liability either be liquidated or that permission be obtained to retain this amount in the project surplus for use by the Authority for housing surveys at the direction of the City of Springfield.

Project 200-1

Project Visit: The visit to the project indicated that the grounds and buildings are being properly maintained.

Disposition of Surpluses: The project has been on Permanent Financing status since October 1, 1950. The disposition of the surplus for each fiscal year follows:

Year Ending Sept. 30,	Surplus	To Operating Reserve	To Reduction Commonwealth Contribution
1951	$ 8,885.45	$8,885.45	-
1952	8,221.30	-	$ 8,221.30
1953	18,702.85	-	18,702.85
1954	16,047.93	-	16,047.93
1955	8,056.89	-	8,056.89
	$59,914.42	$8,885.45	$51,028.97

Flood Damage: This project sustained some damage as a result of the flood of August 1955. The cost to repair this damage totaled $2,380.00 and was charged against the Operating Reserve. During the course of the audit this project was reimbursed for this damage by the Flood Relief Board.

Project 200-2

Temporary Financing: This project was transferred to Management on January 1, 1953 and is still being financed with temporary notes, which are renewed annually. It was noted that between January 1, 1953 and December 31, 1955 $226,000.00 of development costs have been liquidated.

Flood Damage: This project sustained some flood damage in August 1955 and it was noted that the cost to repair this damage will amount to $10,793.25.

During the course of the audit, this project received a partial reimbursement of this cost in the amount of $1,097.25; the balance of $9,696.00 will be received from the Flood Relief Board when the repairs are completed.

Project Visit: The visit to the project indicated that the grounds and buildings are being properly maintained. It was noted that the buildings were painted during the audit period.

Disposition of Surpluses: This project has been in Management status since January 1, 1953. The disposition of the surplus for each fiscal year follows:

Year Ending Dec. 31,	Surplus	To Operating Reserve	To Reduction Commonwealth Contribution
1953	$ 2,961.55	$2,961.55	-
1954	23,183.70	-	$23,183.70
1955	11,133.66	-	11,133.66
	$37,278.91	$2,961.55	$34,317.36

Project 200-3

Disposition of Surpluses: This project has been on Permanent Financing status since October 1, 1952. The disposition of the surplus for each fiscal year follows:

Year Ending Sept. 30,	Surplus (Deficit)	To Operating Reserve
1953	$4,673.43	$4,673.43
1954	(938.91)	(938.91)
1955	318.43	318.43
	$4,052.95	$4,052.95

Project Visit: The visit to the project indicated that the grounds and buildings are being properly maintained. It was also noted that the buildings were being painted.

Transfers of Account Balances: It was noted that Development Fund Accounts Payable in the amount of $8,179.93 and Working Capital totaling $464.41 were transferred to the Operating Reserve. These transfers were recommended in the previous audit report.

Project 667-1

Status of Project: The following progress has been completed on this project for Housing for the Elderly:

1. Contract for Financial Assistance with the Commonwealth dated October 14, 1955

2. Development Fund Agreement dated October 20, 1955
3. Architect selected and final plans completed and ready for advertisement to bid, June 1, 1956
4. 1st Series Temporary Notes issued in the amount of $620,000.00

Cancellation of Bid Dates: It was noted that the final plans for the construction of this project had been approved and the date for bid advertisement set as June 1, 1956, with a bid opening date of June 20, 1956.

However, the Chairman of the State Housing Board in a letter to this Authority cancelled the date for advertising and receipt of bids because of a definite stand taken by the Springfield Housing Authority against inclusion of an alternate for dry wall construction in the Bid Documents.

In this connection it was noted that the Chairman of the Authority wrote to the Governor requesting an appointment to discuss the cause of the delay in the construction of the project by the Chairman of the State Housing Board.

However, in a reply from the Governor's office dated June 12, 1956 the Chairman of the Authority was advised that it would be best for him to talk to the Chairman of the State Housing Board on the matter.

In view of the need of these 75 units in the City of Springfield and the importance of the entire program of housing for the elderly, it would appear that the Governor could have taken the time to discuss the delay of the construction of the units with the Chairman of the Authority instead of having his office refer him to the Chairman of the State Housing Board who held up their construction.

FALMOUTH HOUSING AUTHORITY REPORT NO. 56-H-89

Chapter 200-1 - Disposition of Surpluses: This project has been in the Permanent Financing status since January 1, 1951. The surplus for each year, after crediting the Commonwealth Contribution, together with its disposition, follows:

Year Ending December 31,	Surplus	To Operating Reserve	To Reduction of Commonwealth Contribution
1951	$4,379.78	$4,379.78	-
1952	1,989.89	1,989.89	-
1953	1,235.82	1,235.82	-
1954	4,972.37	-	$4,972.37
1955	5,134.11	-	5,134.11

The foregoing dispositions apply to the activities of the succeeding year.

Project 667-1 - Housing for the Elderly: On March 6, 1956 the State Housing Board approved a contract for financial assistance and allotted this Authority $203,000.00 for the construction of 24 units. During the course of this audit the $203,000.00 was received and was deposited in a local bank. The officials of this Authority are of the opinion that actual construction should begin sometime this coming summer.

BRAINTREE HOUSING AUTHORITY REPORT NO. 56-H-90

Chapter 200

Project Surplus: The surplus from operations, after taking into consideration the Commonwealth's Contribution of $10,813.72 and the Contribution Reduction of $16,036.28 reserved from the second fiscal year's surplus, amounted to $12,605.98 for the third fiscal year of Management operations which ended on December 31, 1955. This surplus is to be used to reduce the Commonwealth Contribution for the fourth fiscal year.

Housing for the Elderly: There was no activity in this direction during the current audit period. In this connection, attention is directed to sub-section (g) of Section 26NN of Chapter 121 of the Tercentenary Edition of the General Laws, as amended, which reads in part, as follows:

> ".....In any town in which a veterans' housing project hasalready been established under previous law, the local housing authority shall not be empowered to erect a new housing project, unless first approved by vote of an annual town meeting....."

Project Visit: The Authority and the tenants should be commended for the fine appearance of the dwellings and the maintenance of the grounds.

Closing of Books - Temporary Project: During the current audit period the one remaining building was demolished. The books were subsequently closed out and the surplus of $2,368.52 was remitted to the Town of Braintree on January 23, 1956.

FRANKLIN HOUSING AUTHORITY REPORT NO. 56-H-91

Project Surplus: The project surplus, after taking into consideration the maximum Commonwealth Contribution of $7,000.00, amounted to $3,348.83 for the fifth fiscal year under Permanent Financing which ended on December 31, 1955. This surplus will be used to reduce the Commonwealth Contribution for the sixth fiscal year.

Housing for the Elderly: There was no activity in this direction during the period under audit.

Visit to the Project: During the visit to the project, it was noted that the exterior of the dwellings and the project grounds were in fine condition.

1. AUDIT: This audit was conducted under the provisions of Chapter 675 of the Acts of 1949, which amended Section 12 of Chapter 544 of the Acts of 1947 and provides for an annual audit of the accounts of the Metropolitan Transit Authority by the Department of the State Auditor.

This report covers the calendar year 1955, and, in addition individual reports covering the same period have been issued as the result of separate examinations of the Boston Metropolitan District and the Transit Mutual Insurance Company.

In further connection with this audit, the accounts of one concessionaire of the Authority, selected by the Department of the State Auditor, were examined to the extent necessary to verify payments made to the Railway by that concessionaire.

2. GENERAL: The full impact of the fare increase of April 12, 1954 and the latest fare increase of October 1, 1955 have been reflected in a further sharp decline in passenger traffic on the MTA. In the year 1955 revenue passengers carried totaled 225,077,915, a decrease of 19 million passengers over the previous year. This decline is particularly significant when coupled with the decrease of 24 million in the year 1954. In addition, there was a decrease in revenue miles operated by the Railway from 42,278,693 in 1954 to 40,877,161 in 1955. As noted in the prior audit report this is a trend in MTA affairs which began in 1950 and which has been accelerated in the past few years, principally because of successive fare increases. There is no possible way to determine how much of the passenger loss can be attributed to service cuts and how much can be charged against fare increases but it can be pointed out that the continuation of these two policies is slowly but surely strangling the railway.

The perspective of the Trustees has been a narrow one. They have considered only the present operating structure of the Railway and in an attempt to combat decreased passenger revenues they have raised fares and cut service.

In this connection the prior audit report stated:

> "It has been the stated opinion of this department since the creation of the Metropolitan Transit Authority that the ultimate solution to the problems of the Railway lies in expansion of low cost rapid transit service throughout the present area. Any expansion of the rapid transit system under the present Trustees has not progressed beyond the talking and planning stage.
>
> "The present Trustees have on five separate occasions sought fare increases, and in actual fact reduction of deficits accomplished through fare increases affords no relief whatsoever to the taxpayers of the District. No Trustees in the brief history of the Metropolitan Transit Authority have apparently recognized the fact that costs of the MTA are going to be paid by the taxpayers of this area, either in fares or in deficits. We see no financial gain from fare increases; in fact, such increases can be detrimental to the District for they encourage many commuters to use their cars to drive into Boston, thereby adding complications to the traffic problems of the city and placing an additional burden upon the taxpayers to provide highway and parking areas for this extra traffic.

"The Trustees should realize by now that the present MTA system cannot produce the revenue necessary to meet even their own reduced estimates of the costs of the Railway. The solution lies in an expansion of rapid transit throughout the present area of the Railway which would:

1) Increase the passenger load
2) Decrease operating costs
3) Contribute measurably to the lessening of automobile traffic within the urban areas of the Railway District."

The severe storms in March of 1955 clearly demonstrated the vital necessity of mass public transportation, and in the further possible event of a national emergency the general public would be entirely dependent on public transportation. It is therefore quite apparent that it is in the public interest to have adequate and efficient mass transportation available. Many millions of dollars have been expended to provide easy automobile access to the downtown areas of the city, and in the process many more millions in taxable properties have been destroyed. As a consequence millions more have been expended to provide parking areas coupled with the destruction of more taxable property. In consequence the financial stability of the city has been undermined and the MTA has been forced into policies that are contributing further to insolvency. This Department approves of the promotion of good automotive approaches to the city but we believe that such improvement should be accompanied by modernization and betterments to the facilities of the Railway.

The problems of automobile traffic and mass transportation must be considered jointly. In view of the expected increase in population and the corresponding increase in the number of automobiles if present policies were continued, nothing will be left of downtown Boston, but super highways and parking areas.

In this connection attention is directed to the following item which appeared in the Omaha, Nebraska World Herald's series on the problem of street transportation:

"Engineers in Boston discovered that to provide enough space for all the autos they would have to tear down one-third of the buildings."

It should be obvious that parking areas cannot continue to be increased proportionately with the increase in automobiles, and parking is only part of the problem for despite the millions already spent on access highways, it must be noted that intown parking only contributes to traffic congestion during rush hours.

It is suggested that a study of this entire problem be made and certainly if we are to continue to strangle the MTA with more intown parking areas, it might be advisable to create a Parking Authority and to use the income therefrom to reduce the cost of service of the MTA, since the increased use of automobile transportation adds to the deficit of the Railway.

3. MANAGEMENT: For the calendar year 1955, the Authority reported a net assessable deficit of $6,714,634.63, but other costs of Railway operations paid by the taxpayer in 1955 amounted to $845,001.98, and these costs were not included in the deficit reported by the Trustees.

This substantial difference arises from the fact that the Trustees in reporting their deficits are permitted to exclude from the cost of service principal payments on the subway purchase and new construction bonds, interest on deficit notes issued by the State Treasurer, and the cost of operating the Boston Metropolitan District. These items, however, are paid by the taxpayers.

The following is a summary of the various items that demonstrate an actual cost of $7,559,636.61 levied on the taxpayer rather than the deficit of $6,714,634.63 as reported by the Trustees:

Loss Reported		$6,714,634 63
Add:		
Other Costs Not Included in Loss Resulting from Operation but Assessed Directly on Cities and Towns:		
Retirement of Subway Purchase and New Construction Debt	$801,592 60	
Interest on Deficit Notes Issued by State Treasurer	39,409 38	
Boston Metropolitan District Budget	4,000 00	845,001 98
		$7,559,636 61

A decrease in the operating expenses of $144,448.87 is reflected in the following table:

	Year 1955	Year 1954	Decrease
Wages	$28,314,848 59	$28,379,931 21	$ 65,082 62
Materials, Services and Other Items	4,163,455 70	4,224,724 74	61,269 04
Injuries and Damages	1,288,829 35	1,277,655 66	(11,173 69)
Depreciation	1,200,000 00	1,200,000 00	-
Fuel	1,931,624 67	1,868,816 65	(62,808 02)
Power Exchange	(134,189 01)	(63,606 19)	70,582 82
MTA Retirement Fund	1,675,047 21	1,696,543 31	21,496 10
Total Operating Expenses	$38,439,616 51	$38,584,065 38	$144,448 87

However, the policy of the present Trustees of raising fares and reducing services with the consequent decline in revenue passengers more than offset the decrease of $144,448.87 as evidenced by the fact that income from fares decreased $365,823.42 in the year 1955.

4. CASH POSITION: On December 31, 1955, the Railway had in its possession in unrestricted cash $2,241,324.94, and, in addition, it held $1,496,830.68 in Treasury Bills plus special deposits set aside for current liabilities amounting to $279,637.22.

In prior years when in cash difficulties, the Authority had borrowed money from private sources through the Boston Metropolitan District. In November of 1955 the Authority, under the provisions of Chapter 409 of the Acts of 1954, procured from the State Treasurer an advance of $2,500,000.00 against the deficit for the year 1955.

The financial statements included in this report also indicate the following to be the working capital status of the MTA on December 31, 1955, as compared with the previous year:

	1954	1955
Total Current Assets	$12,065,058 66	$11,292,031 16
Total Current Liabilities	5,849,247 59	5,681,075 89
Working Capital	$6,215,811 07	$5,610,955 27

From the above schedule it will be noted that working capital is reflected on the financial statements apparently decreased during the year by $604,855.80.

Actually however, the financial statement as shown above does not reflect the true current assets, due to the failure to include reimbursements due to regular cash in the following year for transit construction and revenue equipment expenditures made from regular cash. In the case of revenue equipment expenditures, reimbursement is made from the proceeds of the March 1st bond issue. When these items are considered, the working capital would be shown, as follows:

	1954	1955
Working Capital per Records	$6,215,811 07	$5,610,955 27
Add:		
Special Deposits Reimbursements:		
Transit Construction	53,734 88	16,132 96
Revenue Equipment Bond Issue	231,000 00	1,954,000 00
	$6,500,545 95	$7,581,088 23

As indicated by this schedule, the working capital was increased by $1,080,542.28 as rather than decreased $604,855.80.

This increase in working capital was primarily due to the fact that $1,200,000.00 was charged in 1955 to the reserve for depreciation which, as indicated elsewhere in this report, is assessed on the taxpayers to provide for expenditures for capital items. It is also further demonstrated in this report that although the MTA charged the deficit of 1955 with this $1,200,000.00 the net expenditures to the MTA for capital assets over and above the amounts realized from the sale or disposition of capital assets amounted to but $81,000.00; this practice ultimately resulted in an enhancement of cash and working capital in the amount of $1,119,000.00.

5. BOND DEPOSITS - UNRESTRICTED CASH: During the major portion of 1955, the MTA maintained non-interest bearing checking accounts in ten banks and in seven of these a total balance of at least $275,000.00 remained relatively undisturbed during the year. There were small flurries of activity in these accounts, but the dollar value of this activity was covered by transfers from the other three banks. None of these accounts were active for more than one week in the year, and it would seem that such activity was only a weak attempt by the management to justify the existence of these accounts.

In the remaining three active banks the average semi-monthly balances were $1,083,000.00, $502,000.00 and $278,000.00. Although the $1,083,000.00 represents 50% of the average semi-monthly balance of all banks, this particular depository handled but 37% of the total activity of all these banks; whereas, the other two depositories which held 23% and 13% of the average balances respectively handled 31% and 20% of the total activity.

It is quite apparent that this policy of keeping relatively inactive funds in non-interest checking accounts and maintaining excessive balances in the active accounts had deprived the taxpayers of the MTA of the benefits of the investment of a substantial sum of the monies so deposited in the year 1955. It is suggested that the Trustees give some consideration to this matter.

6. FUNDED DEBT: As of December 31, 1955, the principal amount of the funded debt of the MTA amounted to $130,391,595.04 and was made up as follows:

Original Debt	$ 64,918,371 89
Subway Debt	37,001,889 81
New Construction and Off-street Parking Debt	18,767,333 34
Revenue Equipment Debt	9,704,000 00
	$130,391,595 04

The deficit reported by the Authority for the 1955 year amounted to $6,714,634.63, and of this amount $5,497,709.81 represented the cost of interest and retirements of the Original and Revenue Equipment Debts, but included only the interest on the Subway and New Construction Debt since the principal payments on these debts, which in 1955 amounted to $801,592.60 were assessed directly upon the taxpayers of the cities and towns and are not included in the MTA deficit.

(a) Original Debt: During 1955, the outstanding amount of this debt was reduced one million dollars, leaving a balance of $64,918,371.89 on December 31, 1955. This amount represents the balance of the debt of the Boston Elevated Railway Company existing at the time that the road became publicly owned.

During 1955 the cost of service was charged with $1,000,000.00 in bond retirements and $1,357,738.22 in interest costs of this debt. The actual costs of interests and retirements during 1955 under the terms of the original MTA Purchase Act of 1947 would have amounted to approximately $4,275,000.00; however, in an earlier report issued on August 8, 1947, this department commented on the situation as follows:

> "The debt of the District ... if distributed over a period of years by long term financing, can measurably contribute to reduction of current deficits."

Apparently as a result of this comment, Chapter 572, Acts of 1949, amended the original statute so that the debt is now being retired at the rate of one million dollars a year. Under these revised provisions six and one-half million dollars of the original debt has been retired since August 2, 1949.

(b) Subway Debt: Under the provisions of Chapter 572 of the Acts of 1949, the MTA acquired title from the City of Boston to all subways used by the Authority. On August 2, 1949, the debt in connection with the acquisition of these subways amounted to $40,219,445.43. Debt retirement payments at the rate of $536,259.27 per year have reduced this debt to $37,001,889.81 as of December 31, 1955. The annual debt retirement of the subway debt is not included in the cost of service, but it is assessed directly upon the taxpayers of the fourteen cities and towns of the Boston Metropolitan District. Interest costs on this debt, amounting to $1,721,985.72 in 1955, are included in the cost of service.

It has been and still is the contention of this Department that the subway debt retirements payments should be charged to the cost of service and reported by the MTA as a part of the deficit. The present tendency to transfer certain fixed charges from the cost of service to a direct assessment on the fourteen cities and towns is of no benefit to the taxpayers but merely places the Authority in a more favorable light in reporting its annual deficit.

(c) New Construction and Off-Street Parking Debt: This debt includes all bonded indebtedness incurred by the Authority since August 3, 1949 for transit construction and off-street parking facilities.

Total bonds issued for new construction and off-street parking facilities to December 31, 1955 amounted to $19,900,000.00 and of that total $18,767,333.34 was outstanding on that date. Bond retirements during 1955 amounting to $265,333.33, the cost of which was assessed directly on the fourteen cities and towns of the District, was not reflected in the cost of service. Interest costs of this debt charged to the cost of service in 1955 amounted to $377,346.17.

Again, it is the opinion of this Department that the cost of retirement of new construction and off-street parking debt should be reflected in the operations of the Authority and not assessed directly on the fourteen cities and towns.

(d) Revenue Equipment Debt: Authorization to issue bonds for the purchase of revenue equipment and for capital additions and improvements to revenue equipment is provided by Section 22, Chapter 544, Acts of 1947, as amended. Bonds outstanding for the purchase of revenue equipment may not exceed $15,000,000.00 at any one time. Bond issues for capital additions and improvements are limited to $3,000,000.00. The terms of bonds issued under this statute are required to be equivalent to the estimated life of the equipment purchased, but in no case for a period exceeding thirty years.

Serial equipment bonds issued to December 31, 1955 amounted to $13,492,000.00 of which $9,704,000.00 were outstanding on that date. Of the bonds outstanding $8,375,000.00 were originally issued for the purchase of revenue equipment and $1,329,000.00 for the capital additions and improvements. During 1955, new bond issues for the purchase of revenue equipment amounted to $231,000.00. Bond retirements during 1955 were $864,000.00, while interest costs on equipment bonds during the year amounted to $176,639.70. Bond retirements and interest costs are charged to the cost of service.

The following item was released by the Public Relations Department of the MTA for use in the afternoon papers, April 25, 1956:

> "Bids for 100 new cars for its rapid transit 'L' line between Everett and Forest Hills have been asked from manufacturers by the MTA, it was announced today by the Board of Trustees.
>
> "Tentative plans provide for the purchase of 36 of the new cars this year, and the balance during the next two years. Cost of the cars is estimated in the vicinity of $80,000.00 each.
>
> "The proposed purchase would, in the three-year period equip the Everett-Forest Hills line with sufficient new cars for the trains operating all day, with about half of the existing cars being used only during the rush periods. This would retire half of the presently operated cars, newest of which is 28 years old...."

It was also stated in the press release that the proposed new cars would be 55 feet long, and as noted above they would cost approximately $80,000.00 each. In this connection, attention is directed to the fact that the existing cars on this line are 46' 11" long and that the Cambridge Rapid Transit cars are 69' 6¼" long, and that the approximate cost of these two different cars was $21,000.00 for the smaller car and $27,000.00 for the larger car in the year 1927.

On the basis of these comparative costs, it would appear that the MTA should consider the acquisition of the longest cars that it can possibly operate.

Attention is also directed to the fact that if bonds are issued for the purchase of the 100 cars in the three-year period reflected in the press release, the bonded indebtedness of the MTA for revenue equipment would be in excess of the statutory limitation of $15,000,000.00 which may be outstanding on revenue equipment bonds.

7. DEPRECIATION: Paragraph 4 of Section 8 of Chapter 544 of the Acts of 1947 authorizes the Trustees to spend for capital purposes such amounts as are charged to the cost of service for an annual allowance for depreciation. Section 11 of the same Act permits the Trustees to include in the cost of service for depreciation--

> "....such allowance as the Trustees, subject to the approval of the department, may deem necessary or advisable for depreciation of property...."

It is apparent from the above that the legislature intended that funds for capital additions not otherwise provided for be obtained through charges to the cost of service for depreciation.

At the time of the original enactment of Chapter 544 of the Acts of 1947, it was necessary that there be a substantial charge to the cost of service for depreciation because the revenue equipment purchases had to be paid out of the working capital of the Authority. However, Chapter 572 of the Acts of 1949 eliminated the necessity for any such charge to the cost of service, because it provided that funds for the purchase of revenue equipment would be raised by bond issue and that the bond retirements would be charged to the cost of service in lieu of depreciation.

The cost of service is also charged one million dollars annually for the bond retirement of the $71,000,000.00 cost of all fixed assets purchased from the Boston Elevated Railway.

There is no charge to the cost of service for the depreciation of subways and tunnels for when they were purchased from the City of Boston bond retirement payments on this debt were established by statute at a rate of $536,259.27 per year, and are assessed directly upon the fourteen cities and towns. Any new additions or extensive alterations to the existing system are handled in the same manner and, therefore, a depreciation charge is neither necessary nor proper.

The total cost charged against the taxpayers of the District in 1955 through the medium of bond retirement for the allocation of the cost of the fixed assets amounted to $2,665,592.60. However, the Railway arbitrarily, and with no apparent consideration for either the taxpayers or the intent of the legislature, added an additional amount of $1,200,000.00 to the deficit as a charge for depreciation, thereby increasing the cost to the taxpayer in 1955 to $3,865,592.60.

In view of the fact that the cost of the fixed assets reflected on the books of the Authority is being amortized, either by principal payments charged to the cost of service or assessed directly upon the taxpayers of the fourteen cities and towns, only funds for capital expenditures not provided for by bond issue or the sale or disposition of capital assets should be obtained by a depreciation charge to the cost of service, as outlined in Paragraph 4 of Section 8 of Chapter 544 of the Acts of 1947.

This Department has always agreed that a charge to operations is needed by the Railway for capital expenditures not otherwise provided for and which must of a necessity be paid for out of working capital. Attention is directed to the fact that the net cost to the MTA for such expenditures amounted to only $81,000.00 in the year 1955, as indicated by the fact that total expenditures were $361,000.00 as against the proceeds from the sale or disposition of capital assets in the amount of $280,000.00. However, as indicated previously, the MTA unnecessarily charged $1,200,000.00 to the cost of service for depreciation with the result that an extra $1,119,000.00 was paid by the taxpayers.

Previous audit reports have recommended that this charge for depreciation be discontinued and that the taxpayers of the District in the future be charged in the annual deficit only for the cost of necessary replacements not otherwise provided for. Under such a procedure the taxpayers would only be reimbursing the Authority for money actually spent for this purpose.

This same change in the accounting procedures was upheld by an engineering and accounting survey conducted in 1953, by a private organization, at a cost to the Authority of $100,000.00. However, as noted in the prior audit report, the Trustees . . . obviously feeling the need of support for their position . . . at a cost of $225.00 in 1953 and $350.00 in 1954 hired another accounting firm which gave approval to the depreciation policy of the Railway.

In further connection with this matter it was noted that in 1955 the Authority paid a different accounting firm $2,500.00 for a further endorsement of the depreciation policy. It is not readily apparent why the Trustees should waste the taxpayer's money on obtaining these unnecessary opinions. Under Section 11 of Chapter 544 of the Acts of 1947, the amount of the annual depreciation allowance included in the cost of service is subject to the approval of the Department of Public Utilities. It is recommended that the Trustees give some consideration to the taxpayers of the District by eliminating this unjustified expense.

In connection with the review by this accounting firm it was noted that on page 2 of its report it was stated in part, as follows:

> "Inclusion in the cost of the service of an allowance for depreciation as a measure of normal wear and tear of facilities used in service, and the use of funds so derived to replace or add to such facilities is provided for by the amended statutes relating to the Metropolitan Transit Authority in Chapter 544, Section 11, as indicated above, and Section 8. This practice tends to even out over the years the amounts for replacements and additions charged to the cost of the service. Were the expenditures each year for replacements and additional properties, instead of a depreciation allowance, charged to the cost of the service, the same result would tend to be obtained in the long run; but some years would receive disproportionately high charges, and some low charges. The following summary compares the two methods for the last five years:

Year	Depreciation	Expenditures
1950	$1,200,000.	$ 995,000.
1951	1,200,000.	2,036,000.
1952	1,200,000.	990,000.
1953	1,200,000.	1,101,000.
1954	1,200,000.	486,000.
	$6,000,000.	$5,608,000."

It is quite evident that on the basis of this schedule the taxpayers were charged $392,000.00 more than was necessary to provide for capital expenditures, but attention is directed to the fact that the figures thus proposed by the private accounting firm are misleading.

Attention is again directed to the fact that the statute also authorizes the Trustees to expend for capital purposes, not otherwise provided for, moneys received from the sale or exchange of capital assets, and such amounts as are charged for depreciation. In this connection it was noted that the amounts realized from the sale or disposition of capital assets for the five years reflected above amounted to $827,000.00. Therefore, of the $5,608,000.00 expended, only $4,781,000.00 should have been charged to the cost of service for depreciation. This excessive charge of $827,000.00 and the $392,000.00 mentioned above bring the total amount unnecessarily charged to the taxpayers to $1,219,000.00 in this five-year period, as indicated by the following summary:

YEAR	DEPRECIATION CHARGE	TOTAL EXPENDITURES	AMOUNTS REALIZED ON SALE OR DISPOSITION OF CAPITAL ASSETS	EXPENDITURES NOT OTHERWISE PROVIDED FOR	EXCESSIVE DEPRECIATION CHARGE
1950	$1,200,000 00	$ 995,000 00	$145,000 00	$ 850,000 00	$ 350,000 00
1951	1,200,000 00	2,036,000 00	132,000 00	1,904,000 00	(704,000 00)
1952	1,200,000 00	990,000 00	202,000 00	788,000 00	412,000 00
1953	1,200,000 00	1,101,000 00	269,000 00	832,000 00	368,000 00
1954	1,200,000 00	486,000 00	79,000 00	407,000 00	793,000 00
	$6,000,000 00	$5,608,000 00	$827,000 00	$4,781,000 00	$1,219,000 00

An examination of the expenditures reflected in the summary in this report also revealed that approximately $2,280,000.00 pertained to the highly expensive costs of conversion to trackless trolley operation. As noted elsewhere in this report, the MTA is no longer replacing street cars with trackless trolleys, but with buses, which require no such conversion costs.

In the years 1954 and 1955 in which such conversion costs took a sharp drop because of the termination of the policy of trackless trolley conversion and the switch to diesel buses, the capital expenditures declined sharply to $486,000.00 and $361,000.00 respectively. In the same period the amounts realized from the sale or disposition of capital assets amounted to $79,000.00 in 1954 and $280,000.00 in 1955, and as a consequence the net outlay to the Railway for capital expenditures amounted to but $488,000.00 as against $2,400,000.00 charged for depreciation in the same period which resulted in an unnecessary charge of $1,912,000.00 on the taxpayers of the District.

In view of the above factors this Department cannot agree with the contention of this accounting firm that the capital expenditures of the MTA and the depreciation allowance will even out over the years. It is strongly recommended that Section 11 of Chapter 544 of the Acts of 1947 be amended to read that the cost of service shall include in lieu of the depreciation allowance the amount of capital expenditures not provided for by bond issue or sale or disposition of capital assets, thereby bringing to the already overburdened taxpayer some measure of relief from the spiraling costs of government.

8. FARE INCREASES: On July 6, 1955 the MTA filed a petition with the Department of Public Utilities for an increase of 2¢ in the token and local fares. Under this proposal, the special token sale of 5 for 90¢ was to be abolished; the system fare with transfer privilege was to be set at 20¢ and the local fares increased to 15¢.

On September 30, 1955, the Department of Public Utilities approved the proposed modification of rates of fare and the new fare schedule was immediately put into effect by the MTA on October 1, 1955.

The following compares revenue from transportation and revenue passengers for the period October 1, 1954 to December 31, 1954 with the period October 1, 1955 to December 31, 1955:

	Revenue from Transportation		
	1954	1955	Decrease
October	$ 3,292,835 65	$ 3,261,725 70	$ 31,109 95
November	3,263,660 90	3,261,466 62	2,194 28
December	3,663,352 80	3,519,825 00	143,527 80
	$10,219,849 35	$10,043,017 32	$176,832 03

	Revenue Passengers		
	1954	1955	Decrease
October	20,277,683	18,967,865	1,309,818
November	20,071,108	18,928,613	1,142,495
December	22,413,986	20,368,030	2,045,956
	62,762,777	58,264,508	4,498,269

As indicated by the above, it is readily apparent that in the quarter immediately following the fare increase there was a substantial drop in revenue passengers when compared with the like quarter in the previous year. Attention is also directed to the fact that even with the fare increase there was also a considerable decrease in the revenue from transportation.

The previous audit report in commenting upon this petition stated that this Department felt that further fare increases should not be permitted because, under the policies of the present Trustees of increases in the fare structure and decreases in service, the decline in passenger riding had been accelerated.

During the last full year of Boston Elevated Railway operations, the road carried 433,094,952 passengers, whereas, in 1955, the total number of passengers carried by the MTA had dropped to 225,077,915. This Department is aware of the fact that the extension of the parking facilities in the City of Boston and changes in the economics of the area

have contributed to some degree to the decline in revenue passengers. However, it is also quite evident that increases in the fare structure and decreases in services have accelerated this decline. The cuts in service are quite noteworthy. In 1946, the last year of the Elevated operation, the road operated 55,400,283 revenue miles, while in 1955 revenue miles operated had declined to 40,877,161.

Attention is directed to the fact that the legislature was aware of the dangers of the policies of the present Trustees in their continuing efforts to increase fares. Under the provisions of Chapter 725 of the Acts of 1955 no general increase in rates of fare shall be established by the Trustees of the MTA unless approved by the Advisory Board of the MTA.

This Department still takes the position that no further increases in fares should be permitted until such time as a prudent and economical survey of the possibility of extending rapid transit throughout the present District served by the MTA be made, and in this connection previous audit reports have stated:

> "The greatly heralded economics of the present Trustees have been accomplished by reducing operations and consequent reductions in the hourly pay roll. It cannot be denied that the Railway has lost passengers and revenue as a result of this policy. This department reiterates its stated opinion of the past several years, that the ultimate solution of the financial problems of the MTA lies not with a continuous contraction of service but rather with an economical expansion of rapid transit service within the area now served by the Authority.
>
> "The continuous efforts which have characterized the administration of the present Trustees to seek increases in the fare structure of the Authority cannot provide a solution. Whatever the costs of the system are, they will be met by the taxpayers of the fourteen cities and towns that constitute the MTA district. If fares are raised then the increase in fares must come from these taxpayers, while, on the other hand, if deficits increase, the cost of those deficits will be paid by the same taxpayers. In reality the Railway with extended economical rapid transit service could operate on a lower fare structure to the economical benefit of the area with little effect on the taxpayers who, in any event, must bear the costs of the Railway.
>
> "This department recommends that the Trustees attack the basic problems of the Railway, which is a continuing decline in passengers, through an economical amplification of the low operating cost rapid transit system."

9. PASSENGER SERVICE: During the year 1955 the Railway carried 225,077,915 passengers, a reduction of 19,034,368 from the preceding year. This total represents the lowest passenger load in the history of the Railway, going back as far as 1918 when the road first became publicly controlled.

The substantial decrease resulted primarily from the extensive fare increases installed by the present Trustees, but certainly a contributing factor is a service curtailment policy also initiated by the

Trustees, who, since they have taken office have cut the passenger service of the Railway so severely that the riders of the system have suffered an annual loss of 5,689,252 revenue miles. The service presently offered by the Railway, as evidenced by revenue miles operated, is the poorest in the public history of the Railway.

(a) Revenue Equipment: The following is a comparative summary of revenue equipment operated by the MTA:

On Hand December 31:	1954	1955
Surface Cars	431	408
Rapid Transit Cars	478	461
Trackless Trolleys	414	414
Buses	524	583
	1,847	1,866

During the year 1955, this equipment was operated 40,877,161 revenue miles as compared with 42,278,693 revenue miles during the year 195[illegible] representing a curtailment of 1,401,532 miles in revenue service during 1955, while during the same time the Railway increased the number of passenger carrying vehicles by nineteen.

(b) Routes Discontinued and Added in 1955:

Street Carlines Discontinued:

Arlington Hts. to North Cambridge	November 19, 1955
Elm St. to Sullivan via Fellsway	December 17, 1955
Mattapan to Egleston Station	September 10, 1955
Arborway to Egleston Station	December 17, 1955

Bus Routes Discontinued:

Condor and Meridian St. to Maverick Square	March 19, 1955
Wood Island Park Station to Maverick Square	December 19, 1955

Bus Routes Established:

Mattapan Station to Egleston via Blue Hill Ave.	September 10, 1955
Arlington Heights to Harvard Square	November 19, 1955
Arborway Station to Egleston	December 17, 1955
Elm St. to Sullivan Terminal via Fellsway	December 17, 1955
Malden Square to Faulkner (Sunday) (Ext. of Upper Highland Ave.-Malden Square)	March 20, 1955

Trackless Trolley Routes Established:

Condor and Meridian St. to Maverick Square	March 19, 1955
Wood Island Park Station to Maverick Square via Lexington Street	December 19, 1955

"OWL SERVICE"

Street Car Routes Discontinued:

Mattapan to Egleston via Blue Hill Ave.	June 22, 1955
Egleston to North Station via Tremont St.	June 22, 1955

Arborway to North Station via Huntington Ave.	June	22, 1955
Cleveland Circle to North Station via Beacon St.	June	22, 1955
Lake St. to North Station via Commonwealth Ave.	June	22, 1955
Watertown to North Station	June	22, 1955
Broadway and Tremont St. to North Station via Subway	June	22, 1955

Trackless Trolley Routes Discontinued:

Lebanon to Sullivan Square	June	22, 1955
Linden to Sullivan Square	June	22, 1955
Wonderland to Maverick Square via Bennington St.	June	22, 1955
Wonderland to Maverick Square via Beach and Revere St.	June	22, 1955

Bus Routes Discontinued in Part:

Dorchester Ave., Morton and Gallivan Boulevard to Norfolk St.	June	22, 1955
Geneva Ave., Bowdoin to Grove Hall	June	22, 1955
Blue Hill Ave., Grove Hall to Dudley	June	22, 1955
Stoughton St., Dorchester Ave. to Uphams Corner	June	22, 1955
P St. and E. Fourth, North Point Station to 'L' St.	June	22, 1955
Chestnut Hill Ave., Market St., Western Ave., from Cleveland Circle to Central Square, Cambridge	June	22, 1955
Massachusetts Ave., Arlington Heights to Arlington Centre	June	22, 1955
Washington Ave., Woodlawn Loop to Garfield and Sagamore Avenues and Mystic River Bridge	June	22, 1955
Broadway, Chelsea, Webster Ave. to Bellingham Square	June	22, 1955

Bus Routes Added:

Mattapan to Egleston via Blue Hill Ave.	June	22, 1955
Egleston to Haymarket	June	22, 1955
Cleveland Circle to Haymarket via Beacon St., Commonwealth Ave.	June	22, 1955
Watertown to Haymarket via Brighton Ave.	June	22, 1955
Arborway to Haymarket via Huntington Ave.	June	22, 1955
Central Square to Haymarket via East Cambridge	June	22, 1955
Maplewood Sq. to Haymarket via Malden-Everett Loop	June	22, 1955
Wonderland Station to Haymarket via Chelsea East Boston, Sumner Tunnel	June	22, 1955
Wonderland Station to Haymarket via Orient Heights	June	22, 1955

NOTE: All "Owl" bus routes to Boston terminate at Haymarket Square instead of Scollay Square. Subway closed from 1:30 to 5:00 A.M.

(c) Service Interruptions: The following is a summary of interruptions in MTA service in the year 1955 as compared with the previous three years:

DERAILMENTS AND SPLIT SWITCHES

Year	Derailments	Split Switches	Total	CAUSE			
				Equip. Failure	Man Failure	Foreign Sub. In Switch	Cause Unknown
1952	37	14	51	8	16	16	11
1953	26	7	33	9	11	11	2
1954	28	3	31	5	10	9	7
1955	18	3	21	3	4	5	9

DEFECTS CAUSING DELAYS IN SERVICE

	1952	1953	1954	1955
Surface Cars	716	611	461	350
Trackless Trolleys	162	220	220	175
Buses	897	494	541	397
R. T. L. - Main Line	8	19	4	19
- Cambridge-Dorchester	5	18	1	11
- East Boston	32	21	29	16

TOTAL ACCIDENTS CAUSING DELAYS IN SERVICE

1952	8,151
1953	7,385
1954	6,775
1955	6,499

10. TRANSIT CONSTRUCTION: During 1955, subways, tunnels and other facilities constructed since August 2, 1949, increased $243,320.91, bringing the total expended as of December 31, 1955 up to $19,181,215.21 and leaving balances in the funds provided for this purpose from bond issues totaling $739,940.76.

(a) Washington Street Tunnel Extensions and Tremont Street Subway Additions: Under Chapter 649 of the Acts of 1949, the Authority borrowed $825,000.00 for a preliminary survey of the Washington Street tunnel extensions and $1,000,000.00 for the Tremont Street Subway additions. From these borrowings the Authority has spent respectively $750,271.58 and $781,868.26, leaving balances that represent an overcapitalization of $292,860.16.

(b) East Boston Rapid Transit: As of December 31, 1955, the cost of this extension and the funds provided were as follows:

Funds provided by City of Boston Bond Issues	$ 6,062,133 79
Funds provided by MTA Bond Issues	13,915,008 72
Total Funds Provided	$19,977,142 51
Total Cost as of December 31, 1955	19,745,069 48
Unexpended Balance December 31, 1955	$232,073 03

This project has been in use since January of 1952. It does not appear that there will be a material change in this unexpended balance in the future.

(c) Off-Street Parking: Chapter 544 of the Acts of 1947, as amended, limited the construction of off-street parking areas to $1,500,000.00. To date, under this authorization, bonds have been issued at a premium providing $677,043.97 for this purpose. As of December 31, 1955, only $256,206.92 of this borrowed money had been spent, leaving a balance, from all issues for off-street parking, of $420,837.05. This Department is not aware of any plans contemplated by the MTA for the further use of these funds. This is an outstanding example of overborrowing - for here we have an instance wherein the taxpayers are being directly assessed to repay funds borrowed by the Railway and most of these funds are lying idle in the MTA treasury.

(d) Revere Extension: To raise funds for the construction of this extension, bonds were issued March 1, 1953 and March 1, 1954 for $2,250,000.00 and $750,000.00 respectively, totaling $3,000,000.00. A premium of $7,872.75 was received on this borrowing and transferred to the Authority's unrestricted cash account while expenditures, according to MTA records as of December 31, 1955, amounted to $2,967,531.56, leaving a balance of $32,468.44 to cover any remaining liabilities. However, the Authority exceeded the $3,000,000.00 statutory limit in this construction as commented on elsewhere in this report.

(e) Cambridge-Arlington Extension: Bond issues of $200,000.00 were authorized by statute to provide funds for a study of the cost of this extension of the Cambridge rapid transit. Under this authorization, bonds were issued that provided, at a premium, a total of $150,524.85. The cost of this survey amounted to $106,608.95 leaving a balance that represents an overcapitalization of $43,915.90, or approximately 29% of the proceeds of the bond issue.

The cost of the proposed extension as determined by study was estimated as follows:

From Cambridge to North Cambridge	$24,000,000 00
From Cambridge to Concord Turnpike	31,000,000 00
From Cambridge to Arlington Heights	42,000,000 00

As a result of these extravagant costs, plans for this extension are apparently dormant, since the Trustees did not recommend such construction to the General Court.

(f) Other Alterations: Section 8A of the Acts of 1947, as amended, places alterations of the Authority's facilities into two categories: first, under construction initiated by the City of Boston's Transit Department to be completed by the Authority, and second, construction and alterations on property owned by the Authority.

Funds were provided for alterations under the first category as follows:

Transferred from Unexpended Balances of City of Boston Bond Issues	$228,411 07
MTA Bond Issues	353,578 43
Total Funds Provided	$581,989 50
Expended	509,240 45
Balance Transferred to Paragraph (i) by Chapter 551 of the Acts of 1952	$72,749 05

Funds were provided for alterations under the second category as follows:

Funds Transferred to Paragraph (i) by Chapter 551 of the Acts of 1952, as Above	$ 72,749 05
Unexpended Balances from Washington Tunnel and Tremont St. Subway Additions Chapter 417, Acts of 1954	292,860 16
Total Funds Provided	$365,609 21
Expended under Chapters 517 and 551 of the Acts of 1952 and 417 of the Acts of 1954	354,962 87
Balance Available December 31, 1955 for Paragraph (i) alterations	$10,646 34

(g) Summary:

		TOTAL FUNDS PROVIDED	EXPENDED	BALANCE UNEXPENDED DEC. 31, 1955
ALTERATIONS, SEC. 8A (H), CHAPTER 544, ACTS OF 1948, CHAPTER 520, ACTS OF 1948		$ 353,578 43	$ 353,578 43	-
ALTERATIONS, SEC. 8A (I), CHAPTER 544, ACTS OF 1947, CHAPTERS 517 AND 551, ACTS OF 1952	$ 72,749 05			
CHAPTER 417, ACTS OF 1954	292,860 16	365,609 21	354,962 87	$ 10,646 34
CAMBRIDGE SUBWAY EXTENSION TO ARLINGTON		150,524 85	106,608 95	43,915 90
EAST BOSTON RAPID TRANSIT		13,915,008 72	13,682,935 69	232,073 03
OFF-STREET PARKING		677,043 97	256,206 92	420,837 05
REVERE EXTENSION OF EAST BOSTON RAPID TRANSIT		3,000,000 00	2,967,531 56	32,468 44
TREMONT STREET SUBWAY ADDITION		1,000,000 00	781,868 26	218,131 74*
WASHINGTON STREET TUNNEL EXTENSIONS		825,000 00	750,271 58	74,728 42*
		$20,286,765 18	$19,253,964 26	$1,032,800 92

* USED FOR OTHER PURPOSES WITH THE CONSENT OF THE GENERAL COURT

As of December 31, 1955, by law, proceeds of bond issues that resulted in overcapitalization have been diverted from the original purposes for which the funds were intended and have been set aside for the purpose of making alterations in the MTA system. In addition, under Chapter 277 of the Acts of 1955, the Trustees were authorized to use the unexpended proceeds of the various bond issues reflected above which have not already been transferred for purposes other than those for which the funds were originally borrowed.

In connection with this matter of using unexpended balances of bond issues, attention is directed to the following comment which appeared in the prior audit report:

"We do not question the present propriety of such transfer since funds have actually been borrowed and are lying idle but the situation has arisen so often that it appears that the overcapitalization of construction projects is deliberate especially in view of the fact that this department, in the previous audit reports, has pointed out to the Trustees how other governmental agencies have been financing construction to avoid extravagance in borrowing.

"Again we recommend that the means of financing construction take the form of temporary borrowing under notes, and that only when the total cost is ascertained should permanent financing under bond issues be substituted. The advantages of this type of financing are:

(1) Avoidance of overcapitalization
(2) Bond issues will reflect true costs of construction
(3) Lower interest costs for temporary financing during construction"

11. REVERE EXTENSION: Chapter 418 of the Acts of 1952, which provided for an extension of rapid transit facilities to Revere, provided in its first section as follows:

"The authority shall construct and equip an addition to the existing East Boston rapid transit extension in the city of Boston consisting of a rapid transit line connection with said East Boston rapid transit extension northerly of the Orient Heights station and extending in a northerly direction along the route formerly used by the Boston, Revere, Beach and Lynn Railroad to a point in Revere southerly of Revere street; including therein an underpass or an overpass at Winthrop Avenue in said city of Revere and such stations, parking areas and other appurtenant facilities as are determined by the authority to be necessary.

"The authority may expend for the purposes of this section not exceeding three million dollars."

It will be noted from the second paragraph that the statute places a limit of $3,000,000.00 on expenditures to be made in the construction of this extension, and that the first paragraph specifies that parking areas are to be considered a part of the cost of constructing this extension.

Attention is directed to the fact that MTA records indicate that the total expenditures in connection with the Revere extension as of December 31, 1955 amounted to $2,967,531.56, and on that date, there remained on hand an unexpended balance of $32,468.44.

The MTA records in this instance are incorrect and the Authority, as a result of extravagant construction costs, has been forced to subterfuge to meet statutory provisions. Despite the requirements of Chapter 418 of the Acts of 1952, the Railway expended $52,867.22 for a parking area at Suffolk Downs, $93,714.50 for a parking area at Wonderland Station and $8,420.50 for a parking area at Beachmont Station, a total cost of $155,002.22 for parking areas, which has been excluded by the MTA from the cost of the Revere extension and has been paid from funds provided to the Railway for the building of other parking areas.

These costs should have been included by the MTA in their regular construction costs of this extension. The three million dollar limitation specifically provided by the legislature has been exceeded as of December 31, 1955 by $122,533.78 as follows:

Revere Extension:

Costs per books to December 31, 1955	$2,967,531 56
Cost of Revere Extension Parking Areas	155,002 22
Total Cost December 31, 1955	$3,122,533 78
Legal Limit as per Statute	3,000,000 00
Excess of Legal Limit, December 31, 1955	$122,533 78

12. ADVERTISING, PUBLIC RELATIONS AND PUBLICITY: The costs to the MTA for Advertising, Public Relations and Publicity amounted to $115,164.92 in 1955 and the following expenditures were made during 1955 for these purposes despite the fact that the Trustees, by vote, had limited such payments to $90,000.00.

Advertising to Promote Traffic:

Radio, Newspaper and Other Publications		$84,431 91	
Time Tables and Schedules		4,731 78	
Route Maps, Posters, etc.		3,378 01	
Sign on Kiosk, Harvard Square		2,508 00	
Neon Signs, North Station		444 00	
Power Supplied		365 77	
Miscellaneous		158 76	$ 96,018 23
Publicity Office:			
Director of Publicity:			
Personal Services	$7,708 21		
Expenses	404 12	$ 8,112 33	
Salaries - Office Employees		10,080 20	
Messenger and Telegraph		275 18	
Office Expenses		628 68	19,096 39
Advertising Other Than Securing Traffic			50 30
Total			$115,164 92

As commented upon in the prior audit report, there has been some question in the past as to the determination of what are proper charges to the Trustees' authorization; it is therefore recommended that the Trustees be more explicit in their authorization.

An examination of the payments to the Director of Publicity revealed that there was no supporting detail attached to the vouchers to substantiate the expenses of $404.12 as reflected above. It is suggested that such detail be obtained before these expense vouchers are approved for payment.

13. INSURANCE - GENERAL: The MTA carried the following types of insurance as of December 31, 1955:

Type	Description	Amount	1955 Cost
Fire	Rolling Stock and Fixed Assets not including subways, etc.	$88,511,500 00	
Aircraft and Vehicle Accident	Certain MTA Real Estate in the flight pattern of Aircraft	2,622,300 00	$ 54,516 65
Workmen's Compensation	As per Statute	As per Statute	395,450 21
Fidelity and Holdup	Fidelity and Holdup	950,000 00	1,774 00
Boiler	General Boiler and Machinery	250,000 00	3,310 13
Automobile	On MTA Sedans Personal Injuries and	50,000 00 B/I	
	Property Damage	50,000 00 P/D	31,139 38
Excess Public Liability	Personal Injuries and Damages Excess over	50,000 00	
	to	2,050,000 00	32,779 22
Bus Surety Bond	As per Statute		20 00
Total Charges to Cost of Service			$518,989 59

In addition to these charges to the cost of service, the Authority itself pays the cost of personal injuries and damages up to $50,000.00 in one accident, and these costs in 1955 amounted to $1,626,323.01, thereby increasing the total cost of insurance charged to the cost of service to $2,145,312.60.

The Authority is protected from loss by fire and extended coverage under policies carried by a stock company with co-insurance clauses calling for 100% coverage on rolling stock and 90% on other insurable property.

(a) Injuries and Damages: The cost of Injuries and Damages and Expenses relating thereto, excluding the cost of the excess public liability insurance in the amount of $32,779.22 added $1,626,323.01 to the cost of service in 1955 which included $1,200,000.00 in monthly accruals. The latter charge represents the managements' estimate of payments for the MTA's liabilities for injuries and damages incurred in 1955, while the balance of $426,323.01 represents the cost to the MTA for processing claims in 1955. Comparative figures for calendar years 1954 and 1955 follow:

	1955	1954
Direct Expenses:		
Salaries and Pay roll of Claim Dept.	$306,050 15	$298,723 79
Investigating Expense, Doctor's Examinations and Reports, etc.	39,019 06	38,260 01
Preparation and Trial of Cases	42,847 32	33,179 00
Miscellaneous Expenses of Claim Dept.	6,408 08	9,755 19
Moving of Offices from Sixth to Seventh Floor	-	10,000 00
Direct Expense of Claim Dept.	$394,324 61	$389,917 99

Other Expenses:		
Payments to Car and Bus Men for Accident Reports	$ 627 90	$ 816 84
Time of Employees of Other Depts. at Claim Dept. or Court	18,633 28	19,509 47
Maintenance of First Aid Rooms	6,690 36	2,393 87
Compensation to Employees Injured in Performance of Duty	6,046 86	7,339 97
Total Other Expenses	$31,998 40	$30,060 15
Monthly Provisions for Injuries and Damages	$1,200,000 00	$1,200,000 00
Total Cost of Injuries and Damages	$1,626,323 01	$1,619,978 14

In prior audit reports this Department has repeatedly called attention to the fact that the management had been unjustifiably inflating the assessable deficit through excessive charges to the cost of service by overestimating the potential liability for injuries and damages.

In the period from January 1, 1946 to December 31, 1951, the Cost of Service was charged with $1,046,982.04 in excess of actual costs, and as a result, the Reserve for Injuries and Damages was increased by the same amount without actually reserving the cash thus accrued from the taxpayers of the District. It appears that this type of accounting had been used to obtain funds by indirection.

In recent years the MTA management has reversed this practice and reduced the balance of excess charges by $722,901.01.

While this is a step in the right direction, as long as the present procedure remains, the possibility still remains that overcharges may be made against the cost of service. In view of the fact that the MTA is reinsured for this type of liability in a single accident for any payment in excess of $50,000.00 to $2,050,000.00, it would appear unlikely that any substantial fluctuations in such payments can happen. We, therefore, recommend that the accounting for injuries and damages should be placed on a cash basis.

Should the management accept this proposal, an immediate savings to the fourteen communities of the MTA District would result, for the amount of the reserve would be immediately applied against the deficit in the year the change-over was made.

Attention is directed to the fact that the balance in this reserve on December 31, 1955 was $1,209,881.71.

(b) Unemployment Insurance: Under the provisions of Chapter 431 and Chapter 509, Acts of 1954, the employees of the Metropolitan Transit Authority are insured under the Employment Security Law.

Section 2 of Chapter 431, Acts of 1954, states in part:

> "..... Such instrumentality shall be liable for payments in lieu of contributions required of employers liable for contribution under this chapter, and shall pay into the fund an amount equivalent to the amount of benefits and dependency allowances paid to the claimants who during the applicable base period were paid wages by such instrumentality which were used to compute such benefits. The amount of payments required under this subsection shall be ascertained as soon as practicable at the end of each month or quarter, and request for payment shall be made to the instrumentality.

"In addition to said payments in lieu of contributions the instrumentality shall also be liable for payment of the administrative costs of the payment of such benefits. The director shall as soon as practicable at the end of each quarter ascertain such costs and shall submit a statement setting forth the amount of such administrative costs to the instrumentality against whom benefit charges were made."

Chapter 509, Acts of 1954, which specifically authorizes the Metropolitan Transit Authority to cover its employees under the Massachusetts Employment Security Law, was approved May 28, 1954 and took effect immediately upon its passage.

Invoices from the Division of Employment Security are forwarded quarterly to the Authority. The cost of such unemployment payments during 1955 was as follows:

Reimbursement for benefits paid (less 1954 accrual of $400.00)		$15,800 00
Administrative Costs:		
444 checks @ $1.15 per check	$510 60	
184 checks @ $1.09 per check	200 56	711 16
Total Charges to Cost of Service in 1955 for Unemployment Insurance		$16,511 16

Under existing statutes which govern contributions by employers in support of employment security, the cost to the MTA in 1955 could have amounted to $546,000.00, while under this special legislation the cost to the Railway was only $16,511.16.

14. POWER STATIONS: The Authority operates two power plants known as the Lincoln and South Boston Power Stations, which apparently are adequate for the needs of the Authority. In addition, the Railway has a twenty-year agreement with a private utility for exchange of power during the respective peak needs of each. During 1955 the Railway collected $221,935.68 for power sold to the private utility, while during the same period the MTA purchased $87,746.67 in power from the private utility. The difference in favor of the MTA was $134,189.01. In addition to this transaction the MTA made sundry sales of power during the year amounting to $5,518.02.

Power for the Chelsea Division is purchased directly by the MTA from the same private utility, and for the year 1955 the cost of this power amounted to $19,855.73.

The Authority also maintains twenty-two substations which operate to convert alternating current generated at the power plants to the direct current actually used by the system.

The previous audit report commented upon the fact that in recent years separate studies of the power generating and transmission systems of the MTA had been made by two different firms and that in both instances it was agreed that the cost of power generating and distribution by the MTA was high, primarily as a result of antiquated and obsolete equipment.

It was further stated that there was some disagreement between the reports of the two organizations as to the solution of this problem. One report recommended that the power plants be sold while the other recommended the consolidation of the generating facilities at the South

Boston Power Station and that this plant be completely renovated and modernized.

In connection with these reports it was noted that on June 30, 1955 the following item was recorded in the Minutes of the Meeting:

> "DECLARATION OF POLICY OF THE BOARD OF TRUSTEES OF THE METROPOLITAN TRANSIT AUTHORITY REGARDING TREATMENT OF THE AUTHORITY'S POWER-GENERATING FACILITIES
>
> After careful consideration of the studies and reports made at the request of this Board by . . . . the Authority's engineers and others, concerning the Power Generating Facilities of the Authority and their future treatment and development, it is the considered opinion of this Board that the wisest and most economical policy for the Authority to pursue is to maintain the present Power-Generating Facilities with repairs to major generating units being made on the basis of a minimum of five years further service.
>
> This Board is of the opinion that the changes occurring in the use of public mass transportation facilities, the new developments taking place in the manufacture of generating equipment and in the generation of power, the doubtful savings which would accrue if a modernization program involving the expenditure of many millions of dollars was started at the present time and the fact that the existing Power-Generating Facilities of the Authority have a useful life expectancy of at least ten years, indicate the wisdom of postponing for the present any decision as to the future treatment or development of these facilities."

As noted in the prior audit report, the MTA power costs have increased because of the fact that in recent years the Authority has been purchasing self-propelled revenue equipment, thus decreasing its need for electric energy. This trend continued in 1955 as evidenced by the fact that in the annual report of the Trustees for the year 1955 it was pointed out that one hundred new diesel buses were put into service to replace street car operation, and, as noted elsewhere in this report, the General Manager was authorized to order an additional one hundred diesel buses in the year 1956.

This reduction in car operation requiring power has as a consequence increased the power cost of operating such equipment because the lessening of the consumption of the power produced increases the cost per car mile on power consumed.

This conversion of revenue equipment, if continued, will further decrease the demand for power. It is quite possible that in the years to come that all surface transportation will be provided for by buses. It is quite apparent, therefore, that if this should be the case the power costs of the remaining power car operation will be prohibitive.

However, although the power needs of the present Railway system are diminishing, a great deal of thought should be given to the greatly increased demand for power in the event of the expansion of the Rapid Transit system. It is generally agreed that the only realistic solution to the problem of expeditious mass transportation in the urban areas is an efficient high speed transit system.

When the time comes that city traffic reaches the saturation point and the matter of mass public transportation into the city must be re-

solved, it is a foregone conclusion that there will have to be an extension of the rapid transit system.

Therefore, it is suggested that the Trustees consider not only the present Railway system but also the future Railway system in their deliberations on the power stations.

15. GASOLINE AND DIESEL OIL TAXES: Since the creation of the Metropolitan Transit Authority, it has been the expressed opinion of this Department that this Railway, which is a public agency, should be exempted from the payment of gasoline and diesel oil taxes.

During the year 1955, the MTA costs for gasoline taxes amounted to $137,518.78 plus $58,798.50 for diesel oil taxes, and this entire amount which totaled $196,317.28 was included in the 1955 deficit and assessed on the taxpayers of the MTA District.

Attention is again directed to the fact that only an extremely small fraction of the MTA bus mileage is actually performed on State highways, and, at the same time, by contrast, it is pertinent to point out that a substantial part of the gasoline revenues accruing to the Commonwealth are collected from within the area and therefor from the same people who pay the MTA deficit. Attention is also directed to the fact that the MTA is exempt from federal taxes on gasoline and oil.

We again recommend that the Metropolitan Transit Authority be exempted from the payment of State gasoline and diesel oil taxes.

16. ACCOUNTING: The previous audit report commented upon the fact that although a complete IBM system of pay roll accounting had been adopted, punch card pay roll checks were not being used, with the result that bank reconciliations could not be made by machine. In this connection it was noted that the MTA began using such checks on April 6, 1956.

It was further noted in the prior audit report that the inventory at the Power Department storeroom could not be verified because of the many inaccuracies in the records at that location. The test check of the inventory at this location during the current audit indicated that steps had been taken to correct this situation, since there was a great improvement in the records and the inventory could be verified.

17. EXECUTIVE PAY ROLL: The following is a summary of changes made on the executive or monthly pay roll during the year 1955:

Employees on Monthly Pay Roll:	
Month Ended December 31, 1954	103
Month Ended December 31, 1955	104

RECONCILIATION OF MONTHLY PAY ROLL

Number of Employees on Pay Roll Month Ended December 31, 1954		103
Deduct:		
Employees Resigned	1	
Employees Retired	1	2
		101
Add:		
Employees Appointed	1	
Employees Transferred from Weekly Pay Roll	2	3
Number of Employees on Pay Roll Month Ended December 31, 1955		104

During 1955, the following salary increases were authorized by the Board of Trustees:

	Increase	Salary After Increase
General Manager	$ 2,500 00	$30,000 00
General Counsel	1,000 00	21,000 00
General Attorney	1,000 00	21,000 00
General Superintendent	1,000 00	16,000 00
Superintendent of Engineering and Maintenance	1,000 00	15,200 00
Superintendent of Rolling Stock and Shops	1,000 00	15,200 00
Superintendent of Power	2,000 00	12,500 00
Attorney in General Counsel's Office	1,000 00	9,575 00
20 Other Classifications	8,504 00	
Total Salary Increases	$19,004 00	

For the month of December,1954, the monthly pay roll totaled $69,820.32, while in the month of December 1955 it had increased to $71,968.45 showing a net increase of $2,148.13. The following is an analysis of the charges:

Increases:		
2 Transfers from weekly pay roll	$1,054 16	
1 Employee promotion	83 33	
1 Employee appointed	666 67	
28 Salary Increases	1,500 18	
Yearly Salary Adjusted	04	
Total Increases		$3,304 38
Decreases:		
1 Resignation	$562 50	
1 Retirement	593 75	1,156 25
Net Increases		$2,148 13

The cost of this executive pay roll does not include payments of $8,112.33 made to the Director of Publicity and $7,335.45 paid to a special representative of the Board of Trustees.

At various meetings of the Board of Trustees held between January 11, 1956 and March 21, 1956, the following increases were voted to employees on the executive pay roll:

	Salary Increase	Salary After Increase
General Counsel	$1,000 00*	$22,000 00
General Attorney	1,000 00*	22,000 00
Superintendent of Engineering and Maintenance	300 00*	15,500 00
Superintendent of Rolling Stock and Shops	300 00*	15,500 00

Superintendent of Power	$1,000 00*	$13,500 00
Administrative Assistant	500 00	12,500 00
Purchasing Agent	500 00	12,500 00
Recording Secretary to the Board of Trustees	475 00	6,400 00
	$5,075 00	

* Received increases in 1955

18. WEEKLY PAY ROLL: The following is a summary of the changes in the MTA weekly pay roll during the year 1955:

Employees on Weekly Pay Roll:	
Week Ended December 31, 1954	6,166
Week Ended December 30, 1955	5,931

RECONCILIATION OF WEEKLY PAY ROLL
December 31, 1954 and December 30, 1955

Number of Employees on Pay Roll Week Ended December 31, 1954		6,166
Deduct:		
Employees Laid Off	112	
Employees Resigned	129	
Employees Pensioned	202	
Employees Died	46	
Employees Dropped	-	
Employees Discharged	4	
Employees to Military Service	3	
Employees to Monthly Pay Roll	2	498
		5,668
Add:		
Employees Hired	155	
Employees Reemployed	98	
Employees Returned from Military Service	5	
Employees Temporary Absence	5	263
Number of Employees on Pay Roll Week Ended December 30, 1955		5,931

19. ROLLING STOCK: The Authority is restricted by statute in the purchase of revenue equipment, since the outstanding bonds issued for the purchase of revenue equipment may not exceed $15,000,000.00 at any one time. Originally this limit was set at $10,000,000.00, but was increased to $15,000,000.00 by Chapter 549 of the Acts of 1952.

During 1955 the Authority purchased 100 diesel buses at a cost of $1,954,954.05. An analysis of the changes in revenue equipment during the year follows:

	Surface Cars	Rapid Transit Cars	Buses	Trackless Trolleys	Total
On Hand January 1, 1955	431	478	524	414	1,847
1955 Purchases	-	-	100	-	100
	431	478	624	414	1,947

Less:					
1955 Retirements	23	17	41	-	81
On Hand December 31, 1955	408	461	583	414	1,866
Net Increase (Decrease) in 1955	(23)	(17)	59	-	19

From 1947 through 1952, trackless trolleys were increased from 187 to 440, while buses decreased from 582 to 531 during the same period. Since that time, the MTA has reversed its policies in this matter, for, since 1952 the Authority has purchased only 16 trackless trolleys, while 35 buses were bought in 1953, 12 in 1954 and 100 in 1955.

In addition, it was noted that on March 7, 1956 the Trustees authorized the General Manager to place orders for another 100 buses. The following is a comparison of buses and trackless trolleys on hand at the end of each year since 1947:

On Hand December 31	Buses	Trackless Trolleys
1947	582	187
1948	612	257
1949	594	315
1950	608	340
1951	616	430
1952	531	440
1953	543	443
1954	524	414
1955	583	414

Of the 583 buses on hand December 31, 1955, 366 were gasoline buses, while 217 were diesel buses. The most recent acquisitions have been diesel buses.

20. DISPOSAL OF SNOW REMOVAL EQUIPMENT: In 1953 the Authority informed the cities and towns that the Railway would no longer plow public highways except those on which the Railway operated street cars. As a result of the adoption of this policy, certain snow removal equipment became surplus to the needs of the Authority and was, therefore, offered for sale to the fourteen cities and towns of the Boston Metropolitan District.

Sales by the Authority to the cities and towns during 1953, 1954 and 1955 were as follows:

1953 Sales

Sold to	Equipment Sold	Selling Price
Town of Arlington	2 Walter Trucks with Sand Spreaders	$ 2,235 00
City of Boston	16 Walter Trucks with Sand Spreaders)	
City of Boston	3 F.W.D. Trucks with Sand Spreaders)	21,530 00
City of Boston	2 Bucket Loaders	1,180 00
City of Boston	20 Road Plows with Frames	2,000 00
City of Cambridge	7 Walter Trucks with Sand Spreaders	7,455 00
City of Cambridge	1 Bucket Loader	350 00
City of Chelsea	3 Walter Trucks with Sand Spreaders	3,225 00
City of Malden	3 Used Plows	180 00

City of Medford	6 Walter Trucks with Sand Spreaders	5,250 00
City of Revere	4 Walter Trucks (3) with Sand Spreaders	3,500 00
City of Somerville	5 Walter Trucks with Sand Spreaders	5,175 00
Total 1953 Sales		$52,080 00

1954 Sales

City of Malden	3 Walter Trucks (2) with Sand Spreaders	$2,425 00
City of Malden	2 F.W.D. Trucks with Sand Spreaders	2,880 00
City of Malden	1 Bucket Loader	590 00
City of Malden	1 Snow Loader	300 00
City of Malden	5 Used Plows	750 00
City of Newton	9 Used Plows	670 00
Total 1954 Sales		$7,615 00

1955 Sales

Town of Brookline	1 F.W.D. Snow Fighter with Sand Spreader	$1,625 00
City of Malden	1 Walter Snow Fighter Truck with Sand Spreader	975 00
City of Malden	2 F.W.D. Snow Fighter Trucks with Sand Spreaders	4,450 00
Town of Brookline	1 Walter Snow Fighter Truck with Sand Spreader	1,220 00
Total 1955 Sales		$8,270 00
Total Sales		$67,965 00

The fifty-six snow fighter trucks listed in the above sales ranged from 1933 to 1942 models.

In addition to the sales of the equipment, one Walter Snow Fighter Truck was leased to the Town of Watertown for $1.00 per year under an agreement by which that town has agreed to plow and sand those streets in Watertown on which street car rails of the Authority are located.

In December, 1954 the Authority leased an additional four used snow fighter trucks to the City of Boston under an agreement similar to that entered into with the Town of Watertown.

As of December 31, 1955 the Authority had but two snow fighters on hand.

21 PASSENGER AUTOMOBILES: On December 31, 1955, the Authority owned and operated twenty-nine passenger cars a number equal to that operated on December 31, 1954. During the year 1955 twenty-one cars were turned in for new cars at a net cost to the Authority of $14,275.00.

During the year 1955 the passenger cars of the MTA were operated a total of 653,345 miles and the total expenses for gas and oil amounted to $6,589.70 while the maintenance costs on the same vehicles totaled $4,563.00. In addition to these vehicles, the MTA during the year 1955 paid certain employees $9,237.94 for the use of their own cars during the year. Total running costs to the MTA for these automobiles during 1955 amounted to $20,390.64.

22. OFFICE SPACE: For the calendar year 1955, the costs to the MTA for the office space used by the Railway general offices amounted to $118,326.50.

An analysis of these expenditures follows:

Rent	$107,818 20
Electricity	8,647 74
Porter Service	506 40
Overtime Heat	255 85
Clock Service	123 00
Water Service	974 75
Miscellaneous	56
	$118,326 50

The amount paid for rent amounting to $107,818.20 represented a decrease of $9,099.50 from the calendar year 1954 and resulted from surrender in May of 1954 of space occupied by the Authority on the sixth floor.

In connection with the rental of office space, the previous audit report stated:

> "This department feels quite strongly that continuance of the rental of this space is an extravagance which the MTA cannot afford, and in connection with this fact, a previous audit report stated:
>
> > 'In view of the fact that the Authority is now exempt from real estate taxes, substantial savings could result from erection of a building to house the main offices of the Metropolitan Transit Authority.'"

On February 8, 1956, the Trustees voted to authorize the General Manager to enter into an agreement extending the lease on the office space occupied by the MTA for a period of two years commencing January 1, 1957 and expiring December 31, 1958 at an annual rental of $113,140.48, or an increase of $5,322.28 annually.

This Department is still of the opinion that substantial savings could be effected if the MTA erected its own office building. Since the MTA is apparently indifferent regarding the possiblity of any such savings, it is suggested that the legislature authorize that a study of this matter be made.

23. DETECTIVE AGENCY: During the year 1955 the total costs to the MTA for investigating services amounted to $12,920.43 as compared with $14,878.52 in 1954.

24. RENTAL OF PARKING AREAS: For rental of parking areas in 1955 the MTA received $69,695.30. Of this amount $50,733.95 came from one large contractor who was licensed to operate the majority of these parking areas adjacent to the MTA stations. In addition to the above proceeds the Authority received $184,347.60 for fare tickets sold to parking area patrons.

25. REIMBURSEMENTS FROM COMMONWEALTH OF MASSACHUSETTS: During the year 1955, the MTA billed the Commonwealth of Massachusetts for $641,080.83 for certain work performed by the MTA, as follows:

A. Metropolitan District Commission:

1. Expense, for alterations to power facilities of MTA account of construction of grade separation project, Anderson Underpass at North Harvard St. and Soldiers' Field Road	$11,861 09
2. Expense, account of construction of grade separation project on Msgr. McGrath Highway in City of Somerville requiring temporary and permanent relocation of plies and wires for Trackless Trolley installation and in overhead and underground electric power facilities of the Authority	60,930 64
3. Expense, account of construction of Main St. and Mystic Valley Parkway in Medford, requiring relocation of poles and trolley wires of MTA	1,993 23
Total Metropolitan District Commission	$74,784 96

B. Department of Public Works:

1. Expense, account of construction of underground expressway with ramps as part of the John F. Fitzgerald expressway from Fort Hill Square to Kneeland St., Boston, requiring alterations of the Dorchester Tunnel structure at and westerly of South Station Under and alterations in or replacement of tracks and other appurtenances of the Authority	$459,920 75
2. Expense, account of construction of grade separation project at Washington Avenue and County Road, in City of Chelsea, requiring certain changes and alterations and temporary and permanent relocation of poles and wires for trackless trolley installation and overhead electric power facilities of MTA	8,123 04
3. Expense, account of construction of grade separation project at Revere Beach Parkway, Main and Broadway, Everett, requiring certain changes and alterations and temporary and permanent relocation of poles and wires for trackless trolleys installation over and underground electric power facilities of MTA	20,608 75
4. Expense, account of construction of footbridge by Commonwealth of Massachusetts over and across the tracks of the Rapid	

Transit Lines of the Authority at Beaver Street, in the City of Revere	736 61
Total Department of Public Works	$489,389 15

C. Commissioner of Administration and Finance:

1. Reimbursement of expenditures for damage caused by Hurricane "Carol" as authorized under Chapter 689, Acts of 1954	$10,557 02
2. Reimbursement of expenditures for damage caused by Hurricane "Edna" as authorized under Chapter 689, Acts of 1954 as amended by Chapter 46, Acts of 1955	27,022 34
3. Reimbursement of expenditures for damage caused by floods, caused by rain, as authorized under Chapter 699, Acts of 1955	39,327 36
Total Commissioner of Administration and Finance	$76,906 72
Grand Total	$641,080 83

26. CONCESSIONS: Income from rental of MTA facilities, station and car privileges, etc., totaled $878,664.52 for the calendar year 1955, representing a reduction of $9,559.56 in the income from the same sources during the calendar year 1954. With the exception of $18,853.61 of income from telephone pay stations, the internal auditors of the MTA verified all other rental income which is based on a percentage of gross receipts. Comparative figures for the calendar years 1955 and 1954 follow:

	1955	1954
Advertising Privileges - Signs, etc.	$369,951 22	$359,348 63
News Stands	225,000 00	225,000 00
Weighing and Vending Machines	20,000 00	28,160 00
Automatic Drink Vending Machines	20,000 00	26,249 98
Telephone Pay Stations	18,853 61	20,246 87
Pay Toilets	18,373 80	16,866 60
Parcel Checking	9,541 40	10,200 56
Parking Areas - Public and Private and Certain Gas Stations	67,615 17	69,121 97
Other - Rentals, etc.	129,329 32	133,029 47
	$878,664 52	$888,224 08

27. PAYMENTS TO SPECIAL REPRESENTATIVE OF THE BOARD OF TRUSTEES: During the year 1955 the payments to the special representative of the Board of Trustees totaled $7,335.45. The employment of this individual was originally authorized by the Trustees on April 27, 1953, on the following basis as reflected in the Minutes of the Meeting:

"VOTED: That the Chairman be authorized to engage . . . . to act on a part time voucher basis as a special representative of this Board, with duties assigned; and that . . . be authorized, with the approval of the Chairman to engage not more than one assistant at any one time to further projects assigned; the total cost not to exceed $1,000.00 per month. . . ."

The details of the $7,335.45 paid during the year 1955 follows:

246 days @ $27.50 per day	$6,765 00
Carfare	335 78
Meals	202 16
Hotel	21 20
Telephone	11 31
	$7,335 45

It is not readily apparent why the Trustees should need a special representative when one considers that there were 104 persons on the executive pay roll on December 31, 1955.

28. SCIENCE PARK STATION: Chapter 359 of the Acts of 1954 authorized the MTA to erect and maintain this station subject to the approval of the Advisory Board of the MTA. The Advisory Board subsequently authorized the MTA to construct this station and approved the use of the unexpended proceeds of the bonds issued for the Washington Street Tunnel Extension and Tremont Street Subway Additions.
The total costs to the MTA for this station were as follows:

Engineering and Construction including all equipment and appurtenances, exclusive of fare collection facilities	$176,432 73
Fare Collection Facilities	1,683 91
	$178,116 64

In connection with the construction of this station, it was noted that on February 12, 1954, prior to the passage of Chapter 359, the Trustees of the MTA instructed the General Counsel to make the following statement to the Committee on Metropolitan Affairs:

"The Trustees have no reason to believe, nor any traffic surveys to substantiate a belief, that a proposed station will or can be self-supporting. As a matter of sound operating principle, the Trustees must oppose the expenditure and cost of operation.

However, if the General Court feels the station and service is essential, then, since the Trustees have made no firm engineering survey to substantiate an estimate of cost, they feel any bill passed should provide:

1. Cost of construction, including engineering expenses, not to exceed $225,000.00

2. Connecting footbridge across streets to be constructed by the Metropolitan District Commission or some other agency other than the MTA.

3. Bond issue to be approved by Advisory Board."

The Science Park station opened on August 20, 1955 and three collectors were assigned to this station by the MTA. For the period from August 20, 1955 to August 30, 1955, a total of only $153.01 was collected with the result that fare collections were discontinued at the station. The passengers now pay their fares when boarding the cars, and as noted in the annual report of the MTA the patronage of this station continues to be negligible.

In addition to the costs of $178,116.64 to the MTA, it was noted that the needed footbridge was constructed by the Metropolitan District Commission at a cost of $135,888.43. Therefore, the total cost to the taxpayers to make this station serviceable amounted to $314,005.07.

This Department feels that no expensive addition should be made to the present MTA system until such time as there is evidence to indicate that it will either bring in sufficient additional revenue or reduce operational costs to the extent that the cost of the addition will be recovered. It is suggested that the legislature consider these factors before authorizing the MTA to make any expensive additions or alterations.

General: The report of this examination is being issued in connection with a current audit of the Metropolitan Transit Authority which is now in progress and covers the period from January 1, 1955, the date of the previous audit, to December 31, 1955.

During this period the Boston Metropolitan District issued two series of bonds totaling $2,357,000.00. The first bond issue for $2,126,000.00 was for the purpose of refunding certain maturing obligations of the District. The proceeds of the second bond issue was used to purchase bonds of the Metropolitan Transit Authority. The detail of these issues is submitted below:

On March 1, 1955 the District, under authority of Section 7A, Chapter 544 of the Acts of 1947, as amended, issued $2,126,000.00 coupon bonds, 1955 Series A, bearing interest at 2.40% per annum, dated March 1, 1955, and maturing December 1, 1965-1985. The proceeds of this issue were used for refinancing those obligations of the District which were to mature between March 1, 1955 and August 15, 1955, and could not be met by the application of the $500,000.00 payment by the Metropolitan Transit Authority on June 1, 1955 in reduction of the principal of the $71,418,371.89 Authority Bond dated August 3, 1949, and held by the District. The bonds were sold at a price of $2,142,746.50. The premium of $16,746.50 was paid to the Metropolitan Transit Authority.

On March 1, 1955, under authority of Section 22, Chapter 544 of the Acts of 1947, as amended, the District issued $231,000.00 coupon bonds, 1955 Series B, bearing interest at 2.00% per annum, dated March 1, 1955 and maturing March 1, 1956 - 1970. These bonds were sold for $231,000.00. With the proceeds the District purchased 2.00% serial bonds of the Authority in the amount of $231,000.00 maturing March 1, 1956 - 1970.

The purpose of this bond issue was to replace funds expended for the purchase of buses.

Receipts Under Rapid Transit Bond: On November 21, 1955 the District received the fifth installment of $536,259.27 under the terms of the $40,219,445.43 Rapid Transit Bond of the Authority held by the District. Amounts received in reduction of the principal amount of this bond are deposited in a separate account where they are held to meet payments required on the Rapid Transit Bonds of the District. Pending the use of these funds for this purpose they may be invested as provided by Section 11 of Chapter 383 of the Acts of 1929.

Section 8A (c), Chapter 544, Acts of 1947, as amended, provides that income earned on this fund is to be paid to the Metropolitan Transit Authority. During the year 1955, the District paid to the Authority in accordance therewith $43,691.16.

On December 31, 1955 there remained $162.76 of cash on deposit in the National Shawmut Bank of Boston.

The following data is from a schedule prepared by the Metropolitan Transit Authority for the use of the District Trustees. This schedule indicates the payments which will be required to the City of Boston through the year 1959.

Boston Metropolitan District Funds Applicable to City of Boston Transit Debt

Year	Nov. 20, Payment from M.T.A.	B.M.D. 3/4% Bond Maturing Nov. 24, 1950	Payments to City of Boston	Cumulative Balances B.M.D. Fund
1950	$ 536,259 27	$297,671 65*	-	$ 238,587 62
1951	536,259 27	-	-	774,846 89
1952	536,259 27	-	-	1,311,106 16
1953	536,259 27	-	-	1,847,365 43
1954	536,259 27	-	-	2,383,634 70
1955	536,259 27	-	-	2,919,883 97
1956	536,259 27	-	-	3,456,143 24
1957	536,259 27	-	$ 887,000 00	3,105,402 51
1958	536,259 27	-	1,300,000 00	2,341,661 78
1959	536,259 27	-	2,500,000 00	377,921 05
	$5,362,592 70	$297,671 65	$4,687,000 00	$377,921 05

Refunding bond dated December 1, 1949 and maturing November 24, 1950 was issued to obtain funds to meet principal payable by the District on December 15, 1949.

Investment of Funds: The previous audit report commented that funds for the retirement of the District's bonds were not being invested although such funds were available in varying amounts between March 1, 1954 and December 31, 1954 and it was suggested that a policy of investing such funds each year be established because the same condition would exist for many years.

With reference to this matter, it was noted that the minutes of the meeting of July 19, 1955, read in part, as follows:

> "On page 10 of the Auditor's Report comment is made on 'Investment of Funds'. After discussion with Boston banks relative to charges and with the District's counsel relative to the technicalities involved in earmarked funds, the Trustees decided that, even if permissible, there would be little or no financial advantage gained by investment of funds for brief periods of time."

Unclaimed Funds: The previous audit report included the following comment:

> "The records of the paying agent for the District's bonds indicate that funds for certain bond maturities and interest payments have remained unclaimed for more than fourteen years. It is suggested that possibly these funds come within the provisions of Chapter 200A of the General Laws, as inserted by Chapter 801, Acts of 1950 which is the so-called "Abandoned Property Act."
>
> "It is suggested that the Trustees of the District review this matter and, if applicable, comply with the provisions of that statute."

In this connection it was noted that the Trustees of the District had consulted with the Paying Agent and were informed that it was the practice of the Paying Agent to remit moneys so held to the Trustees of the issuing entity. The following vote was then recorded in the minutes of the meetings of January 12, 1956:

> "VOTED: To refer to counsel for the District, for further consideration, the matter of funds held by the Paying Agents which seem to fall within the provisions of Chapter 801 of the Acts of 1950."

Excess Cash in Commercial Depository: In the prior audit report the following comment was made:

> "It was noted that on April 30, 1954 an account was opened in the commercial bank in the amount of $25,000.00. From April 30, 1954 to February 17, 1955, there was no activity in this account. It appears that this $25,000.00 should have been deposited in a savings account or invested in authorized securities so that it would yield some income."

The current examination found that shortly after the audit report of the Transit Mutual Insurance Company for the calendar year 1954 had been issued a nominal amount of activity in this account was begun. However, at no time during the 1955 year did the balance drop below $25,000.00. It is therefore again suggested that the management return to the policy in effect prior to April 1954 and deposit all cash not currently needed in interest bearing savings accounts or invest it in authorized securities.

Liquidation of the Transit Mutual Insurance Company: By law, the Transit Mutual Insurance Company is a formally organized Massachusetts Mutual Insurance Company licensed to do business in Massachusetts.

Economically, the Transit Mutual Insurance Company is a division of the Metropolitan Transit Authority which is a political subdivision of the Commonwealth of Massachusetts comprising the 14 cities and towns in the Boston Metropolitan District. All earnings of the Transit Mutual Insurance Company can be attributed directly or indirectly to the Underwriting of the Workmen's Compensation paid for by the Metropolitan Transit Authority. During 1955 the Transit Mutual Insurance Company issued thirteen insurance policies as follows:

Type	No. of Policies	Net Premium	Reinsured	Premium Retained
General Liability	12	$ 39 60	$ 39 60	-
Workmen's Compensation	1	400,000 00*	6,500 00	$393,500 00
	13	$400,039 60	$6,539 60	$393,500 00

* Discounted premium and gross premium - $427,588.23

The general liability policies were issued to the executive officers of the Metropolitan Transit Authority who were members of the Board of Directors.

These policies are mere token policies issued to qualify these Metropolitan Transit Authority officials to serve on the Board.

Article XXI of the bylaws in part reads as follows:

> "If in the opinion of the Board of Directors, an assessment shall be necessary in any group or groups the members of such group or groups shall be assessed for their pro rata share of the deficiency in such group or groups, provided, however, that in no event shall the liability

"of any member to assessment on account of his membership for any policy year, or part thereof, be greater than an amount equal to and in addition to his premium determined as provided in these Bylaws."

For the policy year 1955, of the 13 policy holders, 12 held by the executives of the Metropolitan Transit Authority could be assessed an additional $39.60 whereas, the thirteenth policy holder the Metropolitan Transit Authority could be assessed the gross premium of $427,588.23 subject to a minor adjustment when the total audited pay roll of the insurer for that year has been determined.

Because of the nature of the business transacted by the Transit Mutual Insurance Company and because of the nature of the transactions of the Metropolitan Transit Authority handled by its Legal and Claim Department, it is strongly recommended that the Transit Mutual Insurance Company be liquidated and its assets and liabilities be assumed by the Metropolitan Transit Authority and its functions by its Legal and Claim Department. Some of the advantages of this integration are enumberated below:

1. Savings in Federal and State taxes
   In 1955 such expenses amounted to $6,290.23 in Massachusetts Premium Excise tax and at least $6,079.31 in Federal Income Tax
2. Savings involved in investigations
3. Savings involved in legal expenses
4. Savings involved in clerical expenses
5. Other savings that would accrue because of savings in overhead

In addition if such a liquidation took place on December 31, 1955, the Metropolitan Transit Authority would receive approximately $1,000,000.00 in assets from which $200,000.00 could be deducted for losses payable currently, since, during the course of the examination it was noted that in the past ten years payments for such losses never exceeded $178,000.00. The net current advantage to the Metropolitan Transit Authority would then be approximately $800,000.00. This liquidation could conceivably be applied against the current deficits.

NEW BEDFORD, WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY REPORT NO. 56-142

Results of 1955 Operations: It was noted that the gross operating revenues of this Authority increased from $1,638,331.20 in 1954 to $1,757,083.08 in 1955. This increase in revenue may be attributed mainly to the increase of passenger and freight traffic during 1955.

The operating expenses during 1955 were $1,674,641.72 and indicate an increase from the prior year's cost of $1,661,073.94. This resulted principally from an increase in transportation expenses from $961,765.62 in 1954 to $970,842.64 in 1955.

The net cost of service indicated a loss of $34,350.89 in 1955 as compared with a loss of $109,190.22 for 1954.

Cash expenditures for capital additions and replacements totaled $874,285.58 in 1955 as compared with $62,899.94 in 1954. The 1955 expenditures included $69,221.58 from the Property Replacement Fund, principally on account of hurricane damages, and $805,064.00 from the Capital Improvements Fund largely in connection with the purchase of the proposed new vessel.

The number of passengers increased from 388,095 in 1954 to 393,316 in 1955, and the number of passenger cars carried increased from 54,094 to 58,025 during the same period. Freight tonnage carried increased from 43,254 in 1954 to 44,276 during 1955.

Transfers from the Sinking Fund totaled $217,391.25 of which $115,000.00 represented funds for the retirement of bonds and $102,391.25 for interest on indebtedness.

Discontinuance of Service to New Bedford: On October 31, 1955 the Authority voted by a three to two margin to suspend service to New Bedford for the period from November 14, 1955 to April 29, 1956. As noted in the prior audit report the Authority had originally voted to suspend such service from September 26, 1954 to April 25, 1955, but rescinded this vote apparently because an opinion by the Authority's Consulting Engineer and an independent report by a firm of public accountants indicated that it would be more economical to keep the New Bedford terminal open.

In connection with the vote of October 31, 1955, it was noted that, in a report of the Consulting Engineer dated October 21, 1955, it was indicated that there was a possibility of a maximum net saving of approximately $5,000.00 on the closing of the station because of an expected reduction in pay roll expense.

It was further stated that this estimate could easily be translated into a net loss by an unfavorable turn of events, since it was also clearly possible that the closing of New Bedford could result in a substantial portion of the New Bedford winter business going to a competitive line at Hyannis, instead of being transferred to Woods Hole. It was also pointed out that it was easily conceivable that a considerable amount of the present freight business to and from Nantucket would be lost to Hyannis by Woods Hole and that such a drift to the Hyannis competition might well set the stage for its continuation into the summer.

Notwithstanding the possible risks of loss as outlined by the Consulting Engineer, the members voted to close New Bedford as indicated above.

A comparison of the results of operations for the period January 1, 1956 to March 31, 1956, during which time the New Bedford station was closed, with the like period in 1955 in which New Bedford was open clearly demonstrates that there was sound basis for the doubts of the Consulting Engineer on the financial benefits to be derived from the closing of New Bedford. For the first three months of 1956, the

freight tonnage carried by the Authority decreased by approximately 1300 tons and the freight revenue by approximately $16,000.00.

With reference to the expected pay roll expense saving, it was noted that such a saving was never realized as evidenced by the fact that the cost of terminal operations increased by approximately $3,500.00 for the first quarter of 1956 over the first quarter of 1955. The estimated reduction in the cost of labor was not achieved because of certain provisions in the labor agreements.

It is not readily apparent why the matter of any possible pay roll saving on the closing of the station could not have been fully and exactly determined, before the taking of a vote to close the terminal, by consultation with the unions and counsel.

In view of the opinions expressed by the Consulting Engineer and the fact that the pay roll problem was not settled before the taking of the vote, it would appear that the members voting for the closing were motivated by sectional feelings rather than by practical considerations, and that the action thus taken was detrimental to the finances of the Authority.

While the evidence is plain that the volume of winter business does not justify the existence of two mainland stations, attention is directed to the fact that the present membership finds itself in this dilemma because of the actions of the previous membership of the Authority, who created the competitive mainland station by the expenditure of hundreds of thousands of dollars at Woods Hole to provide facilities which were already available at New Bedford.

New Vessel: On June 21, 1955 the Authority signed a contract for the construction of a new vessel to replace the Steamship Martha's Vineyard at a contract price of $2,254,502.65.

It was expected that this steamer would be completed in time for use in the summer season of 1956, but the Authority is now of the opinion that the steamer will not be received until November or December of 1956.

In connection with this delay it was noted that the Authority at a meeting held on April 17, 1956 voted as follows:

> "That in view of advice from the .... Company that delivery of the new vessel for the summer season of 1956 is impossible within the terms of the contract, the Authority instruct the Chairman, the Naval Architect, and the General Manager to work out a revised delivery schedule with the shipyard and negotiate, with advice of admiralty counsel, an equitable adjustment of the Authority's contract with the .....Company."

Bond Issue: It was noted that the Authority issued bonds in the amount of $2,000,000.00 for the purpose of paying for the cost of the construction of a new ferry-type, twin-screw, welded steel steamer and the alterations of the Authority's terminals necessary to accommodate such steamer. These bonds were dated March 1, 1955 and shall be payable March 1, 1980, which is one year after the last stated maturity of the bonds outstanding on the original issue of the Authority. Interest at the rate of 2½% is payable semi-annually on the first day of March and September.

In connection with this bond issue the previous audit report stated as follows:

"Attention is also directed to Section 108 of the Bond Resolution, which provides that in the event of an additional bond issue, none of these new bonds shall mature earlier than one year after the date of the final maturity of the present bond issue which matures in 1979. Since the Authority is currently considering the acquisition of a new vessel, the purchase of which must of necessity be financed from the proceeds of a bond issue, this particular section creates an almost impossible situation, and it follows that should borrowings be attempted providing for maturities to begin in 1980, the interest costs on such borrowings is certain to be exorbitant. As an example of the incongruity of this situation, it is pointed out that the vessel, which will be the collateral for the bonds that are to be issued, will be more than twenty five years old, and will undoubtedly be outmoded or ready for replacement before any maturities in this particular issue begin. It must be presumed, therefore, that the future bondholders would in this event, have little protection other than the contingent responsibility of the Commonwealth."

In further connection with this matter it was also noted that the Authority cannot set up a reserve or a sinking fund for the amortization of the principal amount of this new bond issue because Section 404 of the original Bond Resolution, which deals with the deposit of the funds of the Authority, reads in part, as follows:

"(b) with the Fiscal Agent to the credit of the Sinking Fund, the balance of such sum, if any, remaining after making the deposit required by clause (a) above, or such amount thereof, if any, as may be necessary to make the amount then to the credit of the Sinking Fund equal to the total of the amount required for paying the principal of all bonds, if any, which will become payable within the next ensuing twelve (12) months and the amount required for paying the interest which will become payable within the next ensuing six (6) months on all bonds then outstanding;"

Therefore, as indicated by these two particular sections of the Bond Resolution the Authority found itself in a most ridiculous position with respect to this new bond issue. In Section 108 it was prohibited from issuing bonds which would mature prior to 1980, and under Section 404 it can only deposit in the Sinking Fund for bond retirement that amount which will become payable in the next twelve months. It is, therefore, quite apparent that, unless the present bond issues with their unnecessary restrictions are refinanced, future operations cannot reflect charges for the amortization of this new bond issue.

As indicated in prior audit reports, the Bond Resolution adopted April 20, 1949 was designed to afford the utmost protection to the bondholders. This Department fails to see the necessity for all the burdensome restrictions imposed on the management of the Authority by this Bond Resolution. The bondholders are completely protected under the original legislation establishing the Authority, which provides for the payment by the Commonwealth of any deficiency in the operations of the Authority.

In view of this provision in the statute, it is suggested that the Authority adopt amendments to the Bond Resolution which would permit the setting aside of funds for the amortization of the principal amount of the new bond issue. It must be noted that these amendments cannot be put into effect without the written consent of at least two thirds of the bondholders.

It is further suggested that the Authority review the entire Bond Resolution and adopt any amendments which will facilitate operations and efficient management and thus benefit the taxpayers of the area served who, in the final analysis should be given primary consideration because they must bear the burden of deficit operation.

It is again emphasized that the bondholders are adequately protected under the statute setting up the Authority and, therefore, require no lengthy unnecessarily restrictive Bond Resolution to protect them.

Bond Resolution: As commented upon in prior audit reports, certain of the provisions of the Bond Resolution adopted April 20, 1949 did not appear to be consistent with good management policies and could have resulted, under certain conditions, in a loss of revenue or increased expenses.

Attention was directed to the fact that revenue cash had to be deposited intact into a special fund and was not available for current expenses until the tenth day of the subsequent month. It was also pointed out that because of this restriction, it was extremely probable that at some future date the Authority could conceivable have in its possession several hundred thousand dollars, and, at the same time, be unable to actually pay its day to day expenses.

It was, therefore, recommended that the Authority should proceed to seek the removal of these restrictions.

In this connection it was noted that the Bond Resolution has been amended as follows:

1. ". . . that that part prior to the clauses designated by letters of Section 404 of the Resolution adopted April 20, 1949 authorizing Steamship Bonds shall be amended so as to read as follows:- At any time the Treasurer may withdraw from the Revenue Fund all or any part of the moneys therein, and on or before the 10th day of each month he shall withdraw from the said Fund the balance of the moneys therein representing revenues of the preceding month, and he shall deposit all such withdrawals forthwith to the credit of the following funds in the following order.

2. ". . . that Section 610 of the Resolution adopted April 20, 1949 authorizing Steamship Bonds shall be amended by adding at the end thereof the following sentence:- Notwithstanding the foregoing provisions, the Authority may lease any part of its property for any purpose facilitating its operations or, if it determines that it will not need said property for its own purposes during the period of the lease, for any other purposes."

Alteration of Terminals: It was noted that the Authority voted to make certain alterations at the Nantucket terminal which were necessary for the accommodation of the new steamer.

In connection with this matter of alteration of terminal facilities it was noted that on February 9, 1956 the New Bedford member proposed that alterations to accommodate the new steamer be made at New Bedford. However, when the matter was voted it was turned down by a three to two vote. The members voting for the proposal were the New Bedford member and the non-resident member, and voting against the proposal were the island members and the Falmouth member, the same majority that voted for the closing of New Bedford during the winter months. It was indicated in the minutes of the meetings that the proposal was turned down because it was felt that the making of the alterations was unwise at this time.

Acquisition of Land at Nantucket: It was noted that the Authority was negotiating with a Yacht Club at Nantucket for the purchase of a strip of land adjacent to Nantucket wharf. It was felt that the securing of this property would greatly relieve the traffic conditions at Nantucket wharf and provide a parking area for cars awaiting embarkation.

The Yacht Club has quoted a figure of $55,000.00 plus whatever taxes, if any, might be assessed. On March 6, 1956 the Chairman was instructed to offer $50,000.00 plus taxes, if any, and increase this offer if necessary to $52,000.00 plus taxes and to sign a purchase and sale agreement between the Authority and the Yacht Club upon acceptance of the offer.

Membership: In view of the vote taken on the closing of New Bedford and the alteration of the New Bedford terminal, it would appear that the following comment with respect to the membership of the Authority which has appeared in previous reports be repeated:

> "It is recommended that the present members of the Authority be reduced to the status of an advisory committee and that a new Authority of three members should be created, none of whom should live within the area of the Authority and have any interests, direct or indirect, in any business conducted within the area."

It is further suggested that one member be experienced in transportation matters, one in financial matters and one in labor relations.

Deficiency Transfer from Reserve Fund: Section 9 of Chapter 544 of the Acts of 1948 outlines the procedure to be followed with respect to the operating deficits of this Authority, as follows:

> "Whenever the income of the Authority is insufficient to meet the cost of the service, as defined in section five, the reserve fund shall be used as far as necessary to make up said deficiency.
>
> "If as the last day of December in any year the amount remaining in the reserve fund shall be insufficient to meet the deficiency hereinbefore referred to, the Authority shall notify the state treasurer of the amount of such deficiency, less the amount, if any, in the reserve fund applicable thereto, and the common-

"wealth shall thereupon pay over to the Authority the amount so ascertained and the Authority shall apply the amount so received from the commonwealth in payment of such deficiency. Pending such payment, the Authority shall borrow such amount of money as may be necessary to enable it to make all payments as they become due."

It was noted that the income of the Authority was insufficient to meet the cost of service for the calendar year 1955. This deficiency amounted to $34,350.89.

As of December 31, 1955 the balance in the Reserve Fund amounted to $52,927.77 from which, subsequent to December 31, 1955, the Fiscal Agent transferred sufficient funds to the Operations Fund to make up the deficiency.

Damages Resulting from 1954 Hurricanes: The properties of the Authority suffered extensive damages from the hurricanes of August and September 1954. The resultant costs of repairs and expenses were handled as deferred charges until such time as it could be determined how much of these costs were recoverable through insurance companies and the Massachusetts Hurricane Relief Fund. The total amount of such damages and expenses appears to have amounted to $80,859.86. Of this amount, $41,603.28 was recovered from an insurance company and $38,936.24 from the Massachusetts Hurricane Relief Fund during 1955.

As of December 31, 1955 the balance not recovered amounted to $320.34.

Policy Regarding Expenditures: In this connection the prior audit report stated:

"A review of expenditures for capital improvements, replacements, and large amounts of maintenance repairs indicates that there appears to be no standard policy as to competitive bids, formal contracts or agreements, and/or the recording of information regarding authorizations."

Inasmuch as this situation apparently remains unchanged, it is again recommended that the Authority give serious consideration to the establishment of a policy governing the procedure for expenditure of large amounts.

Annual Report of the Authority: Section 14 of Chapter 544 of the Acts of 1949 states in part as follows:

"On or before the thirtieth day of January, each year, the Authority shall make an annual report of its activities for the preceding calendar year to the governor and to the general court.

"Each such report shall set forth a complete operating and financial statement covering its operations during the year."

It was noted that as of April 30, 1956, the Authority had not filed an annual report for the 1955 calendar year.