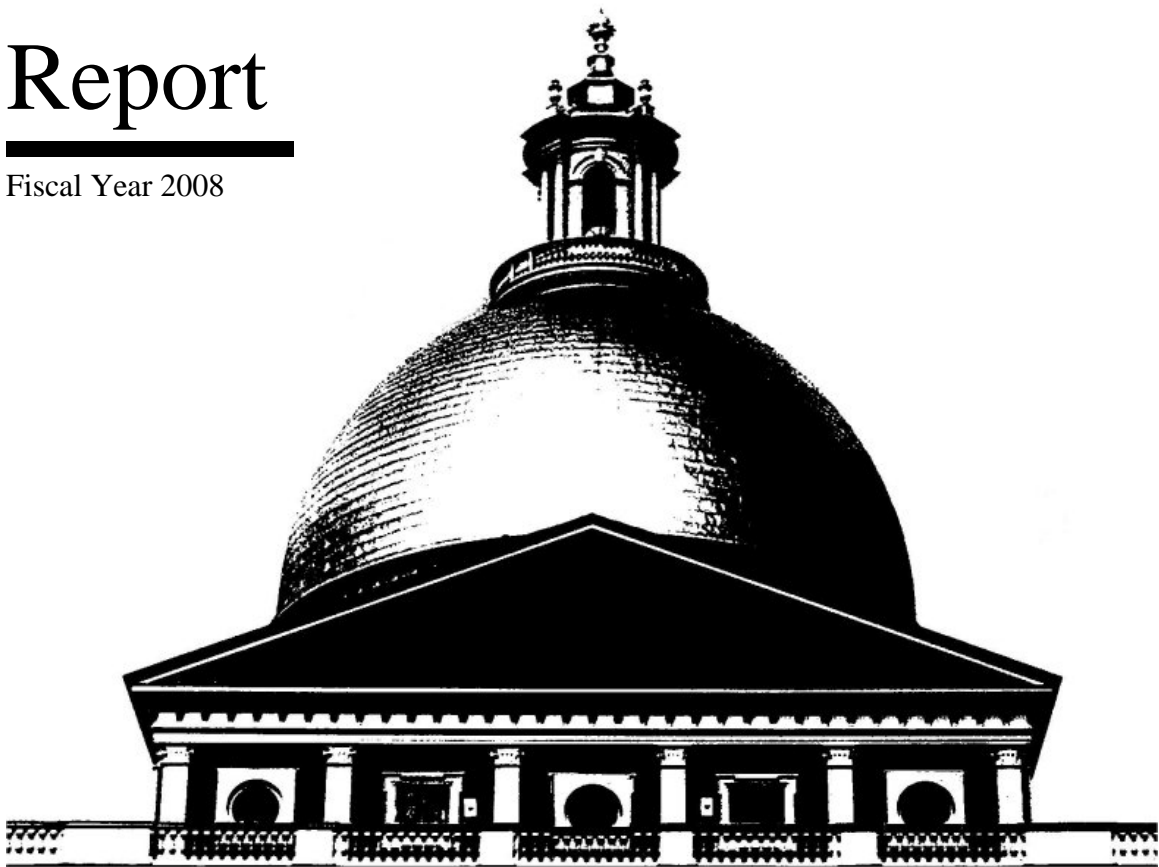


Office of the State Auditor

Annual Report

Fiscal Year 2008



A. Joseph DeNucci

Auditor of the Commonwealth



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

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November 2008

His Excellency Deval Patrick, Governor
Honorable Timothy P. Murray, Lt. Governor
Honorable Therese Murray, President of the Senate
Honorable Salvatore F. DiMasi, Speaker of the House of Representatives
Honorable Steven C. Panagiotakos, Chairman of the Senate Ways and Means Committee
Honorable Robert A. DeLeo, Chairman of the House Ways and Means Committee
Honorable Members of the General Court:

I am pleased to submit herewith the Annual Report of Audit Results and Activities of the Office of the State Auditor (OSA) for the period July 1, 2007 through June 30, 2008. During fiscal year 2008, the OSA issued 220 reports covering 310 agencies, authorities, vendors, and various other state entities and activities. In addition, the OSA partnered with the major private accounting firm, KPMG, in performing the Single Audit of the Commonwealth, a comprehensive annual financial and compliance audit that encompasses the accounts and activities of all of state government.

Also during this report period, my office issued several independent authority audits with major cost implications, including two Central Artery Project reports relative to recoverable costs and construction deficiencies, and a review of costly debt management practices at the MBTA. The broad range of our other audit work included assessments of the Office of Jury Commissioner, the Department of Early Education and Care, and Homeland Security expenditures for bioterrorism prevention and preparedness. Finally, audits of vendors that contract with Commonwealth agencies to provide services continued to identify substantial recoverable unallowable charges to state contracts.

Copies of individual audit reports are available by calling the OSA at (617) 727-2075 or (617) 727-6200. Recent audits, Division of Local Mandates studies, and annual reports can also be downloaded from the OSA's website (<http://www.mass.gov/sao>).

I look forward to continuing to work with you to improve the quality, cost-effectiveness, and accountability of state government and the services that the Commonwealth provides its citizens.

Sincerely,

A handwritten signature in black ink, reading "A. Joseph DeNucci".

A. Joseph DeNucci
Auditor of the Commonwealth

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OFFICE OF THE STATE AUDITOR: AUTHORITY AND RESPONSIBILITIES

The Office of the State Auditor (OSA) operates under the direction of the State Auditor, A. Joseph DeNucci, an independently elected constitutional officer. The OSA provides the Governor, the Legislature, auditees, oversight agencies, and the general public with an independent and objective evaluation of the Commonwealth's financial and programmatic activities. As mandated by Chapter 11, Section 12, of the Massachusetts General Laws (MGLs), the OSA audits the operations of state government, including state agencies, higher education institutions, the state court system, and authorities. The Auditor also performs audits of vendors and contractors that do business with the Commonwealth, and carries out mandated responsibilities relative to privatization initiatives. Furthermore, the Auditor is responsible, under MGL Chapter 11, Section 6B for the Division of Local Mandates, which is charged primarily with determining the financial impact of legislation and regulations on cities and towns. In addition, under provisions of Chapter 184 of the Acts of 2002, the Bureau of Special Investigations, which investigates fraud within public assistance programs, became a division of the OSA.

The OSA conducts financial, performance, and information technology audits in accordance with "Government Auditing Standards" issued by the Comptroller General of the United States. These standards are known in the profession both as Generally Accepted Government Auditing Standards and as the Yellow Book standards. OSA audit activities include the following objectives:

- Determining whether the Commonwealth's resources are properly safeguarded;
- Determining whether such resources are properly and prudently used;
- Evaluating internal controls to help ensure integrity in financial management systems;
- Determining an auditee's compliance with legal and regulatory requirements;
- Determining whether computer systems and technology environments meet control objectives regarding security, integrity, and availability;
- Evaluating and determining a program's results, benefits, or accomplishments; and
- Ensuring that all audit results are disclosed to the public and the auditees.

All OSA audit results and recommendations are intended to assist agency and program administrators by indicating areas where internal controls, financial operations, program results, and efficiency and effectiveness can be improved. The OSA also offers technical assistance where appropriate. In short, the OSA is not simply a critic but is an agent, advocate, and catalyst for improved management and delivery of government services.

AUDIT RESULTS, RECOMMENDATIONS, AND INITIATIVES: OVERVIEW

During fiscal year 2008, the Office of the State Auditor issued 220 reports covering 310 agencies, authorities, institutions of public higher education, human service entities, judiciary/law enforcement entities, vendors, and various other state activities. For a complete listing of audit reports, see the Appendix on page 66. In these reports the OSA disclosed millions of dollars in financial and operational deficiencies and provided recommendations intended to safeguard the Commonwealth's assets and improve the effectiveness and efficiency of governmental operations.

OSA audits are not intended to sensationalize, but rather to present an accurate appraisal of financial management, legal compliance, and, where appropriate, program effectiveness and efficiency. Risk analyses, preliminary surveys, and referrals from state agencies assist the OSA in focusing on areas in which weaknesses may exist. Most audit reports highlight matters that need to be improved, even though these findings may be exceptions in otherwise well-managed operations. However, effective government operations and corrective actions in response to prior audit findings are also acknowledged in audit reports.

Audit results and recommendations are important to auditees, and in a majority of instances auditees have indicated a willingness to take appropriate corrective actions. Audit results, viewed in the aggregate, give focus to problem areas for legislators and administration officials and are the basis of OSA legislative and administrative initiatives and recommendations.

The following information demonstrates that OSA audits have promoted the safeguarding and enhancement of the Commonwealth's assets and assisted auditees in improving their financial and managerial operations.

AUDIT SUMMARIES

Education

During the report period, the OSA released fourteen audits pertaining to 21 education entities. These reports include a review of higher education faculty workload practices, an evaluation of the University of Massachusetts at Dartmouth Estuary Project, and an audit of a nonprofit company that runs a school serving special needs students. In addition, as part of the Single Audit of the Commonwealth, the OSA issued audits of federal student assistance programs at selected colleges, which are also detailed in the section that follows.

Public Higher Education Faculty Workload Practices

At the request of the Massachusetts Board of Higher Education, the OSA conducted an audit of internal procedures at selected state and community colleges for assigning faculty work schedules, including course loads and alternative professional responsibilities. The audit, which included two state colleges and five community colleges, first reviewed the instructional workload assigned to each faculty member for the 2005-2006 academic year. It then assessed whether time reassigned for administrative and other duties was properly monitored, adequately documented, and in compliance with collective bargaining agreements. Finally, the OSA reviewed college policies regarding continuing education programs, which are funded differently from regular day courses. Results of this review are summarized below.

- Faculty workload compliance with collective bargaining agreements was generally high. For example, a review of instructional hours at the five community colleges found that only twelve (3%) of 441 full-time faculty did not meet the minimum of 58 instructional hours per week. However, the collective bargaining agreements did not provide a framework for monitoring or assessing non-teaching assignments designated as part of faculty instructional workload. Moreover, the colleges had not developed an alternative procedure for evaluating performance of these assignments, which included department administration, committee service, and program coordination, or confirming the number of hours committed to them. Clarifying and improving oversight of non-teaching assignments deserves consideration in that the seven colleges reviewed expended over \$5 million, or eleven percent of total salary, to pay for the performance of alternative duties.
- Under state law, public colleges are permitted to keep the tuition that is generated from their continuing education courses, which are taught by adjunct faculty and were traditionally offered in the evening and during the summer. This revenue retention has led to an increase in such offerings, as well as the establishment of day continuing education courses, as colleges try to generate additional revenues. This trend has implications beyond the scope of the OSA's review. However, the audit did note that all of the community colleges reviewed offered a significant number of day continuing education courses, with two schools, Bristol and Massasoit, offering more adjunct-taught than state-supported courses. Furthermore, of the full-time faculty who taught continuing education courses in addition to their regular work schedule, a small number (one at Cape Cod Community College and three at Massasoit Community College) did not meet the minimum number of instructional hours required by collective bargaining agreements.

University of Massachusetts (UMass) at Dartmouth: School of Marine Science and Technology

The OSA conducted an audit of the Massachusetts Estuary Project, a collaborative program managed by the UMass Dartmouth School of Marine Science and Technology in partnership with the Executive Office of Environmental Affairs. The Estuary Project works to protect the 89 estuaries along the southern Massachusetts coastline, helping communities to address pollution problems and development decisions. The audit found that the Estuary Project was troubled by

questionable contract costs, no-bid contracts, and a potential conflict of interest. Major audit findings are summarized below.

- UMass-Dartmouth charged costs on an as-needed basis to individual contracts without adequate substantiation that the allocated costs met contract requirements or that the services were delivered in a timely manner. As a result, the University incurred \$629,362 in questionable contract costs. In its response, the University indicated that it has strengthened its internal controls and improved oversight of sponsored research projects.
- UMass-Dartmouth awarded two contracts totaling \$833,254 to a Cape Cod company, Applied Coastal Research and Engineering, Inc., without conducting the required competitive procurement process. As a result, the University was in noncompliance with state and federal laws and regulations and also lacked assurance that it had acquired the highest quality services at the lowest possible price. In addition, a potential conflict of interest existed in that the principal investigator for the Estuary Project, who was involved in the awarding of the no-bid contracts, had a professional relationship with the subcontractor who received these awards. The seriousness of this issue was compounded by the fact that the principal investigator did not disclose to University officials that his outside business interests included ownership of a for-profit corporation that shared a Mashpee address with Applied Coastal Research and Engineering. Finally, the official who approved invoice payments to the related party subcontractor was the treasurer and a director of the principal investigator's company.

Audits of Federal Student Assistance Programs

The OSA, in this audit period, completed seven reviews of student financial assistance programs funded through the United States Department of Education. These reviews were conducted in conjunction with the Single Audit of the Commonwealth for the fiscal year ended June 30, 2007 to determine compliance with federal regulations regarding student assistance and state laws and regulations. The reviews found that several prior audit findings had been corrected and that compliance was generally satisfactory, especially with federal regulations and procedures for administering student federal financial assistance. Noted deficiencies, as well as corrective actions, are detailed below.

- ***Bridgewater State College*** had made substantial progress in improving its internal controls over revenue collection following a shortage of cash receipts totaling over \$341,441 during fiscal year 2006. In response to OSA recommendations, the College has improved cash collection procedures, increased the timeliness of and accountability over cash deposits, and strengthened oversight of cash management at both the Admissions Office and the Bursar's Office. In addition, the College completed and updated its Internal Control Plan, bringing it into compliance with the requirements of the state's Internal Control Statute and the Office of the State Comptroller's internal control guidelines. However, the College was still not adequately managing and monitoring federal work student timesheets, a deficiency noted in three prior audit reports. Current audit testing found timesheets not submitted on the required pre-printed form, altered without approval, and signed before the end of the pay period. In some cases students were paid on the basis of incorrect calculations of hours worked; and 69 timesheets were

signed by the student and the supervisor late, including after the payroll was processed and paid.

- ***Holyoke Community College*** satisfactorily resolved the issue discussed in the prior audit by strengthening controls over its federal work-study payroll. Improved procedures were noted relative to processing payroll checks, supervisory review, and payroll distribution.
- ***The Massachusetts College of Liberal Arts*** has taken appropriate corrective action by entering its non-appropriated fund activity into the Massachusetts Management Accounting and Reporting System on a monthly basis and by improving the timeliness and accuracy of financial reconciliations.
- ***Northern Essex Community College*** satisfactorily resolved the issues reported in a prior audit by updating its internal control plan to include a college-wide risk assessment and by improving its system for issuing student refunds.
- ***North Shore Community College*** needed to improve its federal work-study internal control and payroll procedures. The OSA found weaknesses in timesheet preparation, authorizations, documentation, and contracts, resulting in \$23,225 in questionable costs. Among the more serious deficiencies, there was no tracking procedure to ensure that students were not earning beyond their stipulated contract; timesheets were prepared and submitted to payroll in advance, resulting in the estimation of hours that may be worked; a substantial number of timesheets were calculated incorrectly, resulting in both overpayments and underpayments; and 90 timesheets were missing either the student's or a supervisor's signature. In addition, contrary to federal regulations, the College did not notify the National Student Loan Data System of at least three students with Stafford Loans who unofficially withdrew from school midway through the semester. Timely reporting of enrollment data is required to ensure that loans are moved into repayment status and that grace periods begin on the correct dates.
- ***Quinsigamond Community College's*** federal student financial assistance programs were found to be in compliance with the requirements of the United States Department of Education and all other applicable laws, rules, and regulations for the areas tested. However, a separate review of inventory controls found certain weaknesses had contributed to the theft, loss, or inaccurate listing of sixteen computer-related items. The audit also found that the College had properly reported the missing items to the OSA and promptly implemented a plan of corrective action, particularly with respect to protecting laptop computers. At the time of the OSA review, laptops not in use were already secured within a quality assurance room; and laptops located within computer labs were locked in special cabinets. In addition, a new database system had been developed to track laptops loaned to faculty and staff. Finally, metal security cages had been placed over all ceiling and mobile projectors. The OSA complimented Quinsigamond Community College for taking effective steps to improve the safeguarding of its property and equipment and to generally strengthen its internal control environment.
- ***Springfield Technical Community College*** needed to improve its procedures for handling outstanding or returned student work-study checks. At the close of the audit period, the College had 390 checks totaling \$58,224 that had remained uncashed for six

months to several years. As a result, the College was not in compliance with federal student assistance regulations or with state law requiring that checks outstanding for over one year be transferred to the State Treasurer's Unclaimed Check Fund. In addition, the College was not adequately managing and monitoring work-study timesheets. A review of 314 timesheets found instances in which students were paid more than their award amounts, were awarded work-study amounts in excess of allowed maximum amounts, were earning work-study wages without required written work-study contracts; and were working numerous hours during their scheduled class times. These weaknesses in timesheet preparation resulted in questionable payments totaling \$53,550. Finally, contrary to federal regulations, the College did not notify the National Student Loan Data System in a timely manner of nine work-study students who unofficially withdrew from school midway through the semester. As a result, loans may not have been moved into repayment status in a timely manner, and student entitlements to grace and deferment periods could be compromised.

The Frederic L. Chamberlain Center, Inc.

The OSA conducted an audit of various administrative and compliance activities at the Frederic L. Chamberlain Center, Inc., a not-for-profit charitable corporation that operates a school for day and residential students with learning disabilities. As summarized below, the audit identified several problems within the Center's operations, including noncompliance with Board governance standards and substantial unallowable charges to state contracts.

- The Frederic L. Chamberlain Center did not have a properly constituted Board of Directors to oversee its operations for most of the period under audit. Rather, up until fiscal year 2006, the Center operated under the control of its Executive Director, his ex-wife, and her sister. As a result, the Center lacked necessary and required oversight, which contributed to deficiencies in the monitoring of fiscal operations and to potential conflict-of-interest situations.
- During calendar year 2004, the Center provided compensation to its Executive Director and its Chief Operating Officer that exceeded the amounts allowed under state regulations by \$254,384. In addition, \$64,781 of this compensation was inappropriately charged to the Center's state contracts. Of particular concern, the overall compensation package included \$114,957 in questionable bonuses that were approved by the Executive Director and the Chief Operating Officer at a Board meeting attended by only these two officials and a third related party.
- The Center charged the state \$225,476 in questionable credit card expenses that were either inadequately documented or did not appear to be program-related. The audit found no documentation for approximately 28% of credit card expenses, as well as a series of trips to Europe, Japan, and Canada for which the business or program purposes were not documented. Additionally, the audit found no evidence of independent review or approval of Center credit card expenditures.

- The Center did not report as nonreimbursable \$15,403 spent on the rental of property in Bermuda. Based on documentation maintained by the Center, no students ever used this property, which was leased for international marketing rather than programmatic purposes. The Center acknowledged the fact that most of the expenses associated with its Bermuda property were nonreimbursable and identified the private sources used to fund most of the rental payments. However, since this property was not used to benefit any Massachusetts-funded students, none of the expenses associated with its operations should have been charged to the Commonwealth.

Charter School Review

State law requires that all charter schools file annual independent audits of their accounts with the Department of Education and the OSA, and that these reports be in a form prescribed by the State Auditor. The State Auditor is also authorized to examine the records of charter schools and investigate their budgets, finances, and financial dealings. Pursuant to this authority, the OSA developed a basic chart of accounts, pro forma budgets, and financial reports in addition to those required by Generally Accepted Accounting Principles. These models were included in a report issued in October 1998.

During December 2007, the OSA sent all charter schools a notice reminding them that they are required to have an annual independent audit report performed and to send a copy to the OSA, as well as the Department of Education, on or before January 1, in accordance with Chapter 71, Section 89, MGLs. During fiscal year 2008, the OSA conducted reviews of 59 charter school independent audit reports for the fiscal year ended June 30, 2006. Fourteen reports were submitted after the required deadline. Of the 59 schools reviewed, 45 complied with audit requirements for the areas tested. During 2008, the OSA also conducted reviews of 32 charter school independent audit reports for the fiscal year ended June 30, 2007. The remaining 28 audit reports for fiscal year 2008 are under current review.

Those schools whose independent audit reports did not fully comply with audit requirements were notified of their deficiencies and were requested to take corrective action. Additionally, the OSA received nine corrective action plans addressing issues noted in the management letters that accompanied fourteen charter school audits.

INITIATIVES

The following is an update of ongoing initiatives in the area of education.

Student Financial Aid Programs

The OSA is continuing to conduct audits of federal student financial assistance programs at the Commonwealth's institutions of public higher education.

Education Collaboratives

The OSA is conducting a series of audits on education collaboratives, which are formed through written agreements among two or more school committees to conduct joint programs or provide services that complement and strengthen school programs of member school committees. The audit will review the accounts and activities of selected collaboratives to determine whether they are operating in compliance with applicable laws, rules, and regulations and whether their revenues and expenditures are reasonable and allowable. The audit scope will include, but not be limited to, an examination of internal controls, bank records and accounts, payroll activities, contract administration, and financial reporting.

AUDIT SUMMARIES

Health and Human Services

During fiscal year 2008, the OSA issued nineteen audits pertaining to health and human service agencies, contractors, and activities. Audit work in this area covered activities administered under the Executive Office of Health and Human Services and the Executive Office of Elder Affairs. Utilizing both agency and contract workers, these entities provide a broad array of services, including medical assistance; public health initiatives; mental health programs; programs that serve the mentally retarded; rehabilitation services; child protection, childcare, and family assistance programs; refugee assistance; juvenile justice programs; and home care and other senior services. Issued reports with significant findings, which are summarized in the section that follows, include audits of the Department of Early Education and Care, Department of Public Health programs for monitoring prescription drugs and preventing childhood lead poisoning, the Medicaid Drug Rebate Program, client fund management at the Templeton Developmental Center, and private vendors that provide services under state contracts.

The Department of Early Education and Care

In conjunction with the Single Audit of the Commonwealth for the fiscal year ended June 30, 2007, the OSA conducted a review of the Department of Early Education and Care, the lead state agency for the administration of public and private early education and care programs. The Department is responsible for the licensing of early education and care services and provides financial information, referral services, and parenting support to families. In fiscal year 2007, the Department administered approximately \$460 million, of which approximately \$300 million represented federal funds. Findings are summarized below.

- The Department of Early Education and Care, during January 2007, suspended all on-site monitoring of contracted child care providers. Based on prior audit work and a review of 31 on-site visits conducted prior to the suspension, the OSA found that such visits had been effective, particularly in identifying questionable costs. Selected files from on-site visits indicated that 43 percent contained insufficient documentation to support client eligibility. One provider lacked necessary documentation in all 28 files reviewed. The on-site visits initiated a process in which providers either had to provide documentation to prove that questioned clients were eligible, or repay unallowable costs. Even though the Department did not consistently and promptly follow up on-site-findings, it recovered substantial amounts of ineligible charges by providers. The Department responded that on-site visits had been suspended due to inadequate staffing. Officials did indicate their intention to expand desk reviews and improve internal audit follow-up procedures.
- The Department of Early Education and Care, contrary to state requirements, was not using either the Commonwealth's Billing and Accounts Receivable Subsystem (BARS) or an acceptable alternate detailed accounts receivable system to track repayment amounts owed by providers. The OSA and the Office of the State Comptroller recommend the use of BARS because it gives departments a mechanism to bill, collect revenues, send delinquent notices, and initiate state collection and intercept systems. In addition, contractor recoupments were deposited into the Commonwealth's General Fund, with no consideration as to what portion of the repayments were federal funds. The Department responded that it was implementing BARS to better monitor and track billings and to ensure that all funds owed to the Commonwealth are collected. Further, Department officials indicated that they would implement procedures to ensure that recoupments are distributed in compliance with state and federal regulations.
- The Department of Early Education and Care had not solicited competitive re-bids for four existing child care service contracts with an estimated annual value of \$277 million. An extension of the original contracts had been given to the Department's predecessor agency, the Office of Child Care Services, through June 2005. However, as of the period covered by the audit, the Department had not requested a further extension or initiated new procurements. As a result, the Department was not in compliance with state procurement requirements and could not be assured that it was obtaining quality child care services at the best value for the state. Department officials responded that they had formed a procurement management team to re-bid services, including the formulation of new Requests for Responses, and that they expected to award new contracts during the summer of 2008.

Department of Public Health: Drug Control Program

The OSA completed an audit of the Department of Public Health's (DPH) Drug Control Program, which has statutory responsibility to set standards for prescribing, dispensing, and distributing pharmaceutical drugs. The Program also undertakes initiatives to prevent the theft, misuse, and abuse of prescription drugs and to promote safe pharmaceutical care. Prescription drug abuse is a critical and growing public health problem. In Massachusetts, the number of prescriptions for sedative narcotics and analgesics, including OxyContin, increased 261% from 789,000 to approximately 2.85 million from 1993 to 2006, and treatment admissions and drug diversion criminal activity similarly increased. The audit found that many aspects of the Drug Control Program, including drug diversion control field activities and oversight of community residential and day program medication administration, were well managed. However, as detailed below, its Prescription Monitoring Program needed to be strengthened.

- Although the Prescription Monitoring Program responded in a timely manner to requests by regulatory and law enforcement agencies for case information concerning drug distribution and diversion, it was not effectively utilizing collected data to determine and proactively report aberrant prescribing and dispensing trends. During a time of significant increases in pain reliever prescriptions, as well as substance abuse and drug diversion, the number of referrals by the Prescription Monitoring Program to Medical Review Groups for possible drug diversion investigation by law enforcement authorities declined. Specifically, in 1998, 25% of all cases referred to Medical Review Groups were from the Prescription Monitoring Program, while the program's thirteen referrals from 2003 through 2005 represented only 5% of total referrals. While the audit was in progress, in response to preliminary findings, DPH and the Drug Control Program initiated technical and staff enhancements that resulted in an upward trend in referrals. According to responding officials, the Prescription Monitoring Program referred 36 new cases, or 35% of the Medical Review Groups' caseload, in fiscal year 2006.

Department of Public Health: Childhood Lead Poisoning Prevention Program

The OSA conducted a follow-up audit of the Department of Public Health's (DPH) Childhood Lead Poisoning Prevention Program, which is responsible for the prevention, screening, diagnosis, and treatment of lead poisoning. The Program, in keeping with its emphasis on the early identification of lead poisoning in children, contracts with private laboratories to analyze and report on the results of relevant pediatric blood testing. The prior OSA audit found that the Program lacked the control procedures needed to ensure compliance with DPH reporting regulations and, in fact, did not receive laboratory tests in a timely manner. The current audit found that the Program and DPH had taken steps to improve reporting timeliness by enhancing the monitoring of laboratory reporting and by issuing noncompliance letters to all laboratories that were not meeting reporting standards. However, as summarized below, further action was required in order to assure timely treatment for lead-poisoned children.

- The current audit found that several laboratories continued to be late in reporting blood analyses during fiscal year 2006. Specifically, eight laboratories that found instances of lead levels that they were mandated to report within seven days averaged between eleven and 47 days to do so. Even more concerning, five laboratories that found instances of higher lead levels generally associated with adverse medical effects did not report these findings within the three business days allowed by DPH. These laboratories exceeded reporting deadlines by five to nineteen days. As a result, delays continued to deprive lead-poisoned children from timely treatment and to pose a threat to their prospects for recovery. The OSA recommended that the Program take enforcement action against laboratories that are unresponsive to its noncompliance letters. DPH officials agreed and indicated that laboratories late in reporting the higher blood lead levels were receiving Statements of Deficiencies, an initial enforcement step, which can precede a range of sanctions, including loss of federal and state contracts.

MassHealth: Medicaid Drug Rebate Program

The OSA conducted an audit of the administration by MassHealth of the Medicaid Drug Rebate Program, which was established in the federal Omnibus Budget Reconciliation Act of 1990 to help control Medicaid drug spending. Under this program, manufacturers of prescription drugs are required to pay rebates to states as a condition for the federal contribution toward covered outpatient medicines. During fiscal year 2006, MassHealth collected approximately \$257 million in drug rebates from manufacturers, 50% of which was used to offset federal funding. The audit determined that MassHealth had improved its automated system's capability to reconcile and age drug rebates, and was generally ensuring that cash receipts collected through the program were properly offset from the federal Medicaid reimbursement. However, as delineated below, further improvements were needed in accounting for and reporting drug rebates due to the Commonwealth.

- Although MassHealth now has the automated capability to compute and monitor drug rebates due from and paid by manufacturers, summary information on the balance of pending rebates, and interest due on late payments, the drug rebate receivable balance reported to the federal government as of June 30, 2006, was understated by \$18 million. Specifically, in spite of computer enhancements, procedures and internal controls were not in place to routinely and accurately reconcile drug rebate balances reported to the federal government with drug rebate activity recorded on either the in-house Drug Rebate Analysis and Management System or the Commonwealth's Massachusetts Management Accounting and Reporting System. While the audit was in progress, the Executive Office of Health and Human Service Services and MassHealth developed an improved process for coordinating the closing of accounts at month's end and reviewing quarterly reports. The OSA reviewed reporting and reconciliation activity from June 30, 2006 to September 30, 2007 and determined that the errors contained within the June 30, 2006 report were corrected, and that the subsequent reporting of drug rebate activity and balance was accurate.

Templeton Developmental Center

The OSA conducted a follow-up audit of financial operations at the Templeton Developmental Center, a residential-care facility under the control of the Department of Mental Retardation (DMR), in order to determine whether prior audit recommendations were implemented and noted deficiencies corrected. The audit found that the Center had implemented a comprehensive internal control plan, as required under the provisions of Chapter 647 of the Acts of 1989, and had significantly improved internal controls over revenues, food inventories, and clients' personal property. However, as summarized below, certain client fund issues remained unresolved.

- Templeton Developmental Center was cited in the prior audit for not performing monthly bank reconciliations of the main checking account for its client funds. Bank reconciliations had not been performed in more than three years, resulting in a variance of \$3,311. The current audit found that in spite of efforts to address this issue through software enhancements, the account had not been reconciled as of January 31, 2007, and the unreconciled balance had grown to \$6,191. The prior review also noted that delays in the disposition of deceased clients' funds were excessive. The follow-up review disclosed some progress in reducing the amount of time taken by the Center to submit necessary documentation to DMR. However, although the average number of days dropped from 1,115 to 218, the Center was still not meeting the state's 90-day requirement for submitting paperwork to DMR. As a result, there continued to be significant delays in the appropriate disposition of deceased clients' funds.

Current Vendor Audits

OSA reviews of individual vendors that contract with Commonwealth agencies to provide services identified continuing issues involving questionable and unallowable charges and reimbursements, as well as administrative control weaknesses and noncompliance with various state regulations.

- ***Clarendon Family Day Care, Inc.***, a non-profit community service organization, charged and was reimbursed \$80,459 over a two-year period in nonreimbursable expenses, \$79,047 of which was expended for unallowable employee bonuses. An additional \$1,412 in federal nutrition program expenses was inappropriately charged to the Commonwealth. The audit also noted that the organization's Executive Director routinely issued payroll advances to herself and other employees with no formal policies for the return of the loans and no independent oversight. Although no misuse of these funds was found, the OSA recommended that, in addition to documenting these advances in writing, which was being done, the advances should be repaid within one payroll period and should not exceed compensation that an employee has earned but not yet received. The organization took immediate corrective action regarding the advances and has acted appropriately to amend filings regarding the bonuses.

- ***Kiddie Kampus, Inc.***, a for-profit early childhood day care center, did not identify the sources of revenues used to pay for expenses that were not reimbursable under its state contracts, retained profits in excess of allowable amounts, charged unallowable vehicle expenses to the Commonwealth, did not properly report related-party transactions, and did not adequately document certain payroll expenses. During fiscal years 2004 through 2006, Kiddie Kampus reported \$720,097 in nonreimbursable expenses on required financial filings but, contrary to state regulations, did not identify any eligible offsetting revenue sources. The audit also found that more than half of these expenditures were inappropriately offset through the use of state nutrition and federally assisted client funds, both of which are restricted and cannot be used to pay for nonreimbursable contract costs. Also during the audit period, Kiddie Kampus retained \$18,623 in unallowable profits that should be returned to the Commonwealth. Moreover, during the same period, the center charged the state \$21,966 in vehicle expenses without requiring that business versus personal use of its vehicles be documented. In addition, Kiddie Kampus hired both the son and son-in-law of the center's Executive Director without disclosing the \$76,753 paid to them as related-party transactions, a filing requirement under state regulations. Finally, Kiddie Kampus did not require its Executive Director and four of her relatives to complete timesheets indicating hours worked, resulting in \$1,531,710 in inadequately documented payroll expenses.
- ***The Kid's Place, Inc.***, a for-profit early childhood day care center, made rental payments to a related party that exceeded amounts allowed under state regulations. During the two-year period covered by the audit, the organization leased space that housed seven of its day care centers from a company owned by The Kid's Place's President. This related-party transaction was subject to disclosure on financial statements and to restrictions on rental charges. However, The Kid's Place did not properly report the related-party transaction and overcharged the Commonwealth by \$58,661. The OSA recommended that the state's Operational Services Division recoup the overpayment and monitor future compliance with all applicable regulations. In addition, during the audit period, The Kid's Place misrepresented the number of full-time (FTE) staff hired for various administrative positions. Contrary to OSD guidelines, the company's President was performing tasks and receiving additional compensation for 2.66 of these FTE positions. As a result, The Kid's Place filed inaccurate staffing reports with OSD and charged \$53,981 in unallowable compensation to its state contracts. The Kid's Place responded that its report of salary expenses would be revised and that expenditures identified by the OSA as inappropriate would be covered by non-state revenues.

INITIATIVES

The following is an update of ongoing initiatives in the area of health and human services.

Office of Medicaid (MassHealth): Durable Medical Equipment

The OSA is completing an audit of durable medical equipment providers for MassHealth recipients in order to determine whether they are submitting proper claims and providing all claimed services. The audit will include an examination of claims and billing procedures, focusing on whether submissions are complete, accurate, and in compliance with applicable laws, rules, and regulations.

Office of Medicaid (MassHealth): MRI Review

The OSA is conducting an audit of oversight by MassHealth of MRI centers, hospitals, and doctors that receive payment for performing MRI examinations on MassHealth recipients. The audit will include, but not be limited to, an examination of utilization reviews and prior approvals, as well as a trend analysis of the top MRI providers over the past five years. The major objective of this audit is to determine whether proper controls are in place to prevent fraud and abuse and to ensure compliance with laws, rules, and regulations.

Personal Care Attendant Program

The OSA is completing an audit of the Personal Care Attendant (PCA) program under the Executive Office of Elder Affairs (EOEA) to determine whether adequate regulations have been established and whether sufficient monitoring and oversight procedures are in place to protect consumers and prevent program abuses. The audit will also include a review of the contractual and program obligations of the Fiscal Intermediary Agencies and PCA agencies that provide administrative support to EOEA, training, and certain services to consumers to assess contract compliance.

Office of Medicaid: Adult Day Health

The OSA has initiated a series of audits focused on the submission of claims by selected providers of adult day care. These audits will include, but not be limited to, support documentation for claims and for the Medicaid eligibility of individuals who received services, evidence that services were provided as claimed, and compliance by providers with applicable laws, rules, and regulations.

AUDIT SUMMARIES

Housing Authorities

Massachusetts public housing is built and managed under the direction of the Department of Housing and Community Development. Its Bureau of Housing Management oversees the operation of 247 local housing authorities, which provide apartments for low- and moderate-income families, the elderly, and individuals with disabilities. OSA audits help to ensure the solvency and proper operation of local housing authorities by making sure that adequate accounting and administrative controls are in place, and that authorities are in compliance with laws and regulations governing eligibility, rents, inspections, tenant selection, and unit turnover.

During fiscal year 2008, the OSA issued 117 housing authority reports, a significant number of which addressed the urgent problem of long-term neglect of public housing units resulting from funding delays and shortages. Findings from these audits, as well as internal control and compliance reviews and a performance review of the processing of federal disaster relief funds, are summarized in the section that follows.

Agawam Housing Authority

The OSA conducted an audit of Agawam Housing Authority in order to assess its management control system and its compliance with applicable laws and regulations. The audit found that the Authority did not maintain adequate administrative controls or fully comply with laws and regulations. As summarized below, these deficiencies resulted in inappropriate expenditures, health and safety violations, and general mismanagement of housing programs.

- Inspection reviews by both the Department of Housing and Community Development (DHCD) and the OSA disclosed numerous violations of the state sanitary code, including crumbling walls, missing smoke detectors, broken and faulty windows, inoperative emergency lighting, and missing stair handrails. These conditions exposed the Authority's tenants to serious health and safety hazards. Additionally, certain units had deteriorated to the point of being uninhabitable. Six units visited by the OSA had been vacant for long periods of time, with no action taken to rehabilitate them. Postponing improvements in these units contributed to extensive delays in preparing vacated apartments for occupancy. The Authority was taking an average of 155 days to fill vacancies, with some units empty for over a year. By not complying with DHCD's 21-day turnaround requirement, the Authority lost the opportunity to earn approximately \$57,287 in potential rental income and delayed the move to subsidized housing for low-income elderly and family applicants.
- The Authority's Board did not fulfill its fiduciary responsibilities to provide adequate oversight of Authority operations, resulting in questionable payments and a decline in operating reserves. The audit noted that as of October 1, 2006, the Authority's operating reserve balance of \$75,229 was below DHCD's suggested minimum level of \$121,000. As a consequence, the Authority lacked the financial resources necessary to fund emergency situations or to maintain its current level of services.
- The Authority's tenant accounts receivable balance increased from \$24,077 to \$63,935 over a two-year period. The Authority did not actively monitor amounts due from tenants and did not receive Board approval for tenant accounts receivable write-offs of \$31,042. In addition, the audit found incorrect rent determinations and improper postings to the Authority's rent rolls, which resulted in incorrect charges for tenant rents.
- The former Executive Director approved questionable payments associated with a prolonged personnel dispute and with a contract that was extended for a year without DHCD approval. The audit also noted high personal use of Authority cell phones; questionable gasoline card purchases; inappropriate, unallowable, or inadequately supported expenditures; and unallowable compensatory time payments.
- The Authority did not properly process tenant applications. Specifically, applications were not stamped with date and time and did not include reviewer signatures; incomplete applications were given control numbers; and ineligible applicants were placed on waiting lists. In addition, the Authority did not properly maintain its waiting lists. As a result of these deficiencies, the Authority could not assure that eligible applicants were selected for housing in the proper sequence.

- The Authority's new Executive Director responded that corrective action had been initiated on all of the problems identified by the OSA. Among significant actions taken, the Authority applied for and received over \$1.5 million from DHCD for emergency repair work; a new Board of Commissioners is establishing policies and guidelines for expenditures, including payroll, procurement of goods and services, and performance monitoring; and improvements have been made in tenant selection, rent determinations, and rent collections.

Internal Control and Compliance Audits

The OSA continued to conduct audits of housing authorities' financial controls and compliance with laws and regulations governing specific programs. These audits found general compliance and adequate fiscal controls at most housing authorities reviewed. Of those audits with reportable findings, questionable accrual of compensatory time, inadequate documentation of employee vacation and sick leave balances, excessive tenant accounts receivable, and inadequate inventory controls were identified as issues that needed to be addressed. Findings from selected audits are summarized below.

- ***Berkshire County Regional Housing Authority*** did not document travel costs, reconcile petty cash, deposit cash in a timely manner, or obtain its Board of Commissioners' approval prior to signing contracts. Additionally, the Authority did not create a consolidated listing of its property and equipment or conduct an annual inspection of fixed assets. These fiscal and inventory weaknesses increased the potential risk of loss, theft, or misuse of cash and fixed assets. The audit also noted that the Authority's financial statements overstated its land account by \$55,760 because it listed among its holdings a \$45,000 parcel that had been transferred to the Lee Housing Authority. Berkshire County Regional Housing Authority responded that prompt corrective action to address all audit findings had been initiated.
- ***Dalton Housing Authority*** did not accurately document employees' vacation and sick leave balances, resulting in an under-reporting of what is essentially a financial liability (accrued compensated absences) to the Department of Housing and Community Development. In addition, the Authority did not maintain required personnel files and did not give its administrative assistant benefits such as sick leave, vacation time, and holiday pay to which she was entitled under provisions of its Personnel Policy. The Authority also lost the opportunity for earning additional income by maintaining over \$49,000 in a revolving account paying less than one percent interest and by not filling vacant units within the 21-day timeframe set by DHCD. Prior to the conclusion of audit fieldwork, the Executive Director began to develop personnel files and improve payroll records and procedures. She also indicated that other identified issues will be addressed.
- ***Dennis Housing Authority*** has taken steps to address several issues identified in a prior audit, including strengthening payroll expenditure controls; adopting new, legally compliant, procurement procedures; and more closely reviewing all travel requests. However, the Authority had not been able to reverse the steady decline, noted in the prior audit, in its financial position. The prior audit found that the Authority's operating reserve had been drawn down below the minimum allowable level established by DHCD

and that its Revolving Fund had been used to make extensive repairs at its Melpet Farms rehabilitation project rather than for day-to-day operations. In addition, the Authority borrowed money from its Modernization Fund and through a \$400,000 construction loan to perform work at Melpet Farms. The current audit found that the Authority's Board of Directors still had not developed a management plan for improving its fiscal condition or addressing its substantial debt. The Authority, as of the close of the audit period, was paying only monthly interest on the construction loan. In addition to principal on this loan, the Authority still needed to repay advances owed to the Revolving Fund and the \$41,000 loaned from the modernization fund. The audit also noted that only one additional unit at Melpet Farms had been rehabilitated since the prior audit, bringing the total to eight, while five units remained in need of extensive renovation, for which there were not available funds. The OSA recommended that the Authority work with DHCD and its lending institution to stabilize its finances, repay its loans, and assure that decisions regarding the completion and operation of the Melpet Farms Project include repayments to the Revolving Fund and termination of loans and subsidies from Authority operations.

- ***Natick Housing Authority*** lacked sufficient internal controls over purchases made with the Authority's credit card. During the audit period, only 21, or 7%, of credit card transactions were supported by documentation, such as a store receipt. Furthermore, the Authority's Executive Director charged expenses to the credit card that were not related to the business or service purposes of the Authority. In addition, the Authority billed the state for \$2,095 in longevity bonus payments for employees, a charge that is not allowable under Department of Housing and Community Development (DHCD) budget guidelines. Finally, the Authority did not submit required vacancy reports to DHCD and did not move expeditiously to fill vacant apartments. As a result of excessive delays, averaging 147 days, in refurbishing and re-renting vacant units, the Authority lost the opportunity to earn approximately \$276,310 in potential rental income between April 1, 2005 and July 30, 2006.
- ***Stockbridge Housing Authority*** maintained two checking accounts with average daily balances of \$26,165 and \$13,798, respectively, that earned only \$39.35 in interest during the audit period. The OSA recommended that the Authority's Board evaluate cash flow needs and move any funds not needed for current operations into a safe investment vehicle, such as a certificate of deposit or the Massachusetts Municipal Depository Trust, both of which were offering interest rates over 5% as of November 2006. The Authority also lost potential income due to long-term vacancies in its four-unit congregate housing program. One of these units had been vacant since April 2003 and another had been vacant since August 2002, resulting in lost potential income of approximately \$26,000. The Authority responded that it was converting one of the units to a standard two-bedroom apartment and, subsequently, indicated that the converted unit was rented in May 2007. The audit also noted deficiencies in controls over property and equipment, in that the Authority had not conducted an annual physical inventory and did not maintain complete inventory records. As a result, certain items, including a truck and sander attachment, were not on the list of fixed assets; locating equipment items was difficult; and property and equipment were at risk of loss, theft, or misuse.

- ***Williamstown Housing Authority*** needed to strengthen certain administrative functions. Although no misuse of funds was found, the Authority was not requiring its employees to submit travel vouchers with supporting documentation for their business-related travel reimbursements; employee timesheets were not properly signed and authorized; the Executive Director, rather than securing the necessary second signature on checks, was using a Board officer's signature stamp, which was in her control; and a ten-year washer/dryer contract was renewed without the required authorization of the Authority's Board of Commissioners. As a result, the Authority was not in compliance with all relevant laws, rules, and regulations, and did not always follow prudent business practice. The audit also noted that excessive delays in re-renting vacant apartments resulted in \$7,343 in lost potential rental income and that the Authority was making its Payment in Lieu of Taxes (PILOT) payments every three years, rather than annually as required under the terms of its PILOT agreement, resulting in underpayments to the Town of Williamstown of \$7,000 during the audit period.

Federal Disaster Funds for Local Housing Authorities

The OSA conducted a performance review of the processing of \$602,156 in federal disaster funds received by the Commonwealth on behalf of 24 local housing authorities that sustained damages during severe flooding in 2006. This audit was initiated in response to concerns raised by the Senate Post Audit and Oversight Committee, individual housing authorities, and the Massachusetts Chapter of the National Association of Housing and Redevelopment Officials regarding delays in distributing the federal funds. Audit findings are summarized below.

- The process for distributing Federal Emergency Management Agency (FEMA) flood relief funding to local housing authorities impacted by May 2006 flooding was seriously flawed. As a result, local housing authorities were severely delayed in receiving federal funds and, in some cases, were still waiting for funds obligated by the state (a 25% share) as part of the FEMA grants. Specifically, although the federal relief funds were sent in a timely manner to the Department of Housing and Community Development (DHCD), the designated applicant on behalf of the housing authorities, their distribution was not in compliance with state policies and regulations. These funds should have been deposited in an expendable trust managed by DHCD, from which individual eligible housing authorities could have been paid. Instead, at the direction of the Executive Office for Administration and Finance, the funds were improperly deposited into the state's General Fund as "reimbursement to the Commonwealth" for costs "expended from appropriated funds" for disaster relief. This error resulted in an eight-month delay in reimbursing eligible housing authorities, many of which could not cover the unexpected storm damages out of current operating budgets. In addition, state officials inappropriately utilized funds from the restricted Hurricane Katrina Aid account to pay the overdue federal reimbursements. At the close of the audit period, several issues remained unresolved, some associated with insurance payments and whether housing authorities that did not file insurance claims would be penalized, and others having to do with the status of the state's 25% share of approved claims. As of March 2008, it was unclear whether all of the housing authorities would be fully and fairly reimbursed for their losses.

Special Audit Section

Health and Safety Problems at Public Housing Units

The OSA, in 2007, conducted a statewide audit of the physical conditions at state-aided public housing projects in order to determine whether mandated standards for the provisions of safe, decent, and sanitary housing were being met. In addition to a comprehensive review, which found that chronic shortfalls in capital funding and state operating subsidies had led to severe deterioration of public housing units, the OSA prepared individual reports, based on site visits across the state. Twenty-eight reports were released in fiscal year 2007, and 37 reports were issued in fiscal year 2008. Recurring issues discussed in these reviews are summarized below.

- The great majority of housing authorities visited in the conduct of these audits had apartments that were in violation of the state sanitary code, in many cases jeopardizing the health and safety of low-income and elderly tenants. Issues noted included crumbling stairs and walkways, improper and exposed electrical wiring, fire hazards, leaking roofs, water damage to walls and ceilings, broken windows, rotting porches, unsafe handrails, missing and non-functioning smoke detectors, cracked walls and ceilings, and rodent infestation. Although most of the housing authorities were conducting required annual site inspections, many reported that lower and untimely state subsidies had drained reserves while failing to provide funding needed to maintain apartments and make repairs. The OSA did note in certain 2008 follow-up audits that increased and more timely subsidies have resulted in corrective action and major improvements at housing authorities, including Avon, Somerset, Middleborough, and Westborough.
- Local housing authorities across the state expressed a need to make major capital improvements to their properties. In a majority of cases, however, capital modernization projects for which funding applications had been submitted to DHCD were delayed or denied. As a result, conditions at many housing authorities continued to deteriorate, in some cases rendering units and buildings uninhabitable. In addition, the large number of unfunded modernization projects identified in individual audits increased the risk that emergency situations would increase at the same time emergency reserves had been drained. However, this issue should be greatly alleviated by a \$1.275 billion housing bond authorization signed by the Governor in May 2008. One of its provisions, which responds to audit findings, appropriates \$500 million “to address a large backlog of deferred maintenance in order to repair and modernize housing.”
- Many housing authorities did not comply with DHCD guidelines for reoccupying vacant units within 21 working days. In one case, turnaround time averaged 165 days, while 485 applicants remained on the Authority’s waiting list. As a result of delays in re-renting apartments, potential rental income was lost and eligible low-income individuals were deprived, at least temporarily, of needed housing. In response to this finding, authorities cited the need for extensive repairs to vacant apartments as the main reason for units remaining vacant over an extended period of time. The 2008 housing bond act, discussed in the previous paragraph, should help to address this problem by making additional resources available for renovating and reoccupying vacated apartments.

INITIATIVES

The following is an update of ongoing initiatives in the area of housing authority audits.

Review of Housing Authorities

The OSA will continue to conduct reviews to determine whether local housing authorities are properly verifying tenant income, properly maintaining and administering tenant waiting lists, and complying with laws and regulations regarding rent redeterminations, vacancy turnarounds, site inspections, and subsidy calculations. The audits will also examine controls over procurements and cash management.

Review of Conditions at Special Needs Public Housing Units

The OSA is conducting site inspections of public housing units for special needs individuals to determine whether these apartments are safe, sanitary, secure, and properly maintained. The audit will include approximately 1,900 units owned by 115 local housing authorities, but operated by various human service providers funded and licensed by the departments of Mental Health and Mental Retardation. In addition to examining conditions both inside and outside units, the audit will assess the timeliness and quality of inspections and review lease documents as they pertain to maintenance responsibility.

AUDIT SUMMARIES

Independent Authorities

Independent entities, including the Massachusetts Turnpike Authority, the Massachusetts Bay Transportation Authority (MBTA), and the Massachusetts Water Resources Authority (MWRA), provide and oversee essential services, such as Central Artery maintenance and management, public transportation, and the maintenance of public water resources. As summarized in the section that follows, the OSA, during the report period, issued fifteen audit reports regarding independent entities, including two reviews of Central Artery/Tunnel repair issues and audits of MBTA debt management practices, the MWRA's Combined Residuals Pelletizing Plant, and the Pioneer Valley Regional Transit Authority.

Central Artery/Tunnel (CA/T) Project: Water Leak and Ceiling Collapse Repair Costs

The OSA, in its 21st CA/T audit, evaluated Project management's efforts to recover water leak and ceiling collapse repair costs due to the state. The audit determined that the Project, as of June 2007, had not recovered any of the money expended for these repairs or referred recoverable costs to the Attorney General's Office for legal action.

- The CA/T Project identified \$29.6 million in repair costs associated with massive 2004 water leaks, \$26.9 million of which was expended to repair or reconstruct defectively performed work. Noting that no contractor repayments had been made, the OSA questioned Project management's decision to delay referring the costs to correct contractors' errors to the Attorney General's Office for legal action. Project officials responded that they would ask the Attorney General to intervene only after settlement negotiations with contractors had been exhausted. However, this approach could hinder the Commonwealth's ability to hold contractors responsible at a time when the Project is coming to a close and key personnel are leaving. In addition, the audit found that Project management was not pursuing recovery of related overhead costs such as special studies, contract administration, legal work, and law enforcement activities. The OSA recommended that Project officials establish a definite timeframe for ending Project negotiation and collection activity and for referring cases to the Attorney General for further pursuit of cost recoveries.
- On July 10, 2006, several concrete ceiling panels collapsed in the I-90 section of the CA/T tunnel, killing a passenger in a vehicle and drawing attention to deficiencies in the method used to anchor the ceiling panels to the tunnel roof. Although costs for tunnel ceiling repairs were still being calculated, estimates based on Project data totaled approximately \$87 million. As of the close of the audit period, the percentage of these costs that would be recoverable from contractors and insurance companies was unknown, and several federal and state investigations were ongoing. Again, the OSA emphasized that with key personnel departing from the Project, diligent and timely action was required to recoup costs due to the Commonwealth.

Subsequent Event: In late January 2008, state and federal law enforcement authorities reached a settlement with Bechtel/Parsons Brinckerhoff, the consortium that oversaw the CA/T design and construction, and several smaller companies, under which the Commonwealth was paid \$458 million. The settlement amount represented restitution for repair work associated with defective construction of both the I-93 and I-90 tunnels and overbillings by various contractors, penalties for poor oversight, and funding for ongoing efforts to correct defects and complete major repairs. By signing the agreement, the Bechtel consortium, which admitted to lax monitoring and poor performance, was granted immunity from state criminal prosecution for the tunnel collapse that tragically killed Milena DelValle, though her family's pending civil lawsuit is not affected by the settlement. The majority of the funds received, \$415 million, will be placed in a trust fund for immediate and ongoing major repairs, with lesser amounts going to state road and bridge repair, the City of Boston, the Massachusetts Turnpike Authority, and the federal government.

Central Artery/Tunnel (CA/T) Project: Road Repair Dispute

Also during this report period, the OSA, in its 22nd CA/T report, reviewed the decision by the Massachusetts Port Authority (Massport) to withhold payments for roadways constructed by the CA/T project that Massport deemed deficient or incomplete. The audit also assessed the financial impact of this decision on the Commonwealth and urged both parties to resolve their long-standing construction repair issues, complete remedial repair work, and finalize payment obligations. Audit findings are summarized below.

- The Massachusetts Turnpike Authority, which oversees the CA/T project, and Massport have long disagreed on the steps necessary to finalize the transfers of CA/T-built roadways serving Logan International Airport to Massport. As of the close of the audit period, the dispute had cost the state an unnecessary \$8.3 million in financing and remained unresolved after nearly ten years of discussion. Under a series of legislative acts, Massport was required to pay a total of \$365 million to the CA/T project for road and tunnel construction, from which the Authority, as owner of the airport, derived benefit. In order to make scheduled payments, Massport at times borrowed money from the Commonwealth, most of which has been repaid. However, Massport refused to take ownership of the roadways, stating that they were in unsatisfactory condition, and withheld, for an extended period of time, a final \$50 million payment. At the close of the audit period, Massport had paid all but \$12.4 million. However, the two authorities continued to disagree on the definition and cost of necessary repair work. The OSA determined that additional state borrowing costs resulting from late or unpaid reimbursements to the Commonwealth totaled \$8.3 million as of June 2008. The audit also concluded that the Turnpike Authority was largely responsible for this additional cost, because it delayed repairs or did not correct construction deficiencies, including leaking tunnel walls and cracks in access ramps, which were cited and documented by Massport. Both Massport and the Turnpike Authority responded that they are working together more cooperatively and are making significant progress toward resolving repair, ownership, and repayment issues. The OSA urged that this resolution be achieved promptly in order to prevent additional negative financial impact on the Commonwealth and also recommended that the Turnpike Authority pursue cost recoupment from contractors deemed responsible for the unacceptable construction work.

Massachusetts Bay Transportation Authority (MBTA): Debt Management Practices

The OSA conducted a review of use by the MBTA of interest rate derivatives, such as interest rate swaps and options, to help manage annual debt service costs. A swap is an agreement between two parties, such as a bank and a borrower, usually to move from fixed to variable or variable to fixed interest rates. The MBTA, which carries over \$4.6 billion in debt, arranged for interest rate swaps in an effort to reduce its exposure to rising interest rates and, ultimately, to lower annual interest expense. However, as summarized below, this investment practice, rather than saving money, actually resulted in a \$55 million increase in borrowing costs over a five-year period.

- The MBTA, during the audit period, entered into twelve interest rate swap agreements with various investment banks totaling \$1.63 billion. As a result of these swaps, the MBTA received nearly \$31.5 million in interest and premiums. However, the MBTA made payments totaling more than \$86.8 million for interest costs and termination fees during the same period, resulting in a net loss to the MBTA of \$55.3 million. In one case, a financial institution offered to pay the MBTA an \$8.36 million inducement to enter into a swap agreement under which the MBTA exchanged a variable rate of 4.63 percent for a fixed interest rate of 5.27 percent. However, when the variable rate dropped to less than 1 percent two years later, the MBTA decided to terminate the agreement to avoid future losses that could be incurred over the 18-year term of the option. As a result, the MBTA had to pay a termination fee of \$25.3 million to cancel the agreement. In reviewing the terms of all of the MBTA's swap agreements, the OSA concluded that the opportunity to receive up-front payments, which in most cases can be used for any purpose including operating expenses, was a factor in inducing the MBTA to participate in the speculative interest rate derivatives market. However, the benefit of these payments was eliminated and additional costs incurred, by higher interest charges, consultant fees, and termination fees of \$48.8 million.

Massachusetts Water Resources Authority (MWRA): Residuals Pelletizing Plant

The OSA completed an audit of MWRA oversight of operations at the Fore River Shipyard Residuals Pelletizing Plant in Quincy. This facility, which converts solid waste from the Deer Island Treatment Plant into commercial fertilizer, is one of three MWRA projects established to fulfill the 1985 federal court order to clean up Boston Harbor. The MWRA contracts out the operations of the pelletizing plant to the New England Fertilizer Company, which, in turn produces approximately 110 tons of fertilizer per day from the sludge that had previously been released into the Harbor. The Company has satisfactorily fulfilled its major responsibilities. It has operated the facility continuously and without interruption, and there have been no significant odor, noise, or traffic issues impacting plant performance. However, as noted below, the MWRA needed to increase oversight of contracted administrative requirements and should consider utilizing the fertilizer products to which it is entitled under the contract.

- The MWRA was not performing and documenting required evaluations of the contractor. The OSA recommended that, as part of its monitoring responsibilities, the MWRA should complete these performance reviews and submit documented results to the management of the New England Fertilizer Company, as well as to its own Board of Directors. The MWRA's Executive Director responded that a formal written performance review had been undertaken, and that required evaluations would be conducted annually.
- The MWRA is entitled, under terms of its contract with New England Fertilizer Company, to receive 900 tons of fertilizer pellets annually, which the Authority can either sell commercially or donate at its discretion. However, the MWRA's efforts to market or donate the product had substantially declined over the past few years. The OSA recommended that the Authority renew its efforts to market or donate its tonnage of fertilizer products to state and local entities that need the product. MWRA officials

agreed to do so, beginning with notifying municipalities that the pellets are available for their use and may be picked up at the Fore River Shipyard.

Pioneer Valley Transit Authority

At the request of the House Chairman of the Legislature's Joint Committee on Transportation, the OSA conducted an audit of the Pioneer Valley Transit Authority's contract with MV Transportation, Inc., for the operation of a paratransit program serving disabled and elderly passengers. The audit, which reviewed procurement activities and performance under the contract, found internal control and administrative weaknesses, as well as serious service delivery deficiencies. Major findings, as well as recommendations for corrective action, are summarized below.

- Pioneer Valley Transit Authority did not maintain records detailing whether bidders complied with its filing deadline and could not locate cost proposals by the unsuccessful bidders. As a result, the Authority's scoring of submitted proposals could not be substantiated.
- Pioneer Valley Transit Authority provided inaccurate off-peak trip data for calendar year 2005, which was used by MV in developing its cost proposals. Because the number of anticipated off-peak trips was substantially underestimated, charges for 38 weeks ended June 30, 2007, which the Authority had estimated would cost \$345,792, actually cost \$500,786, or 45% more than had been anticipated. The audit also noted that although a contract provision allowed the Authority to negotiate a fee adjustment should a significant departure from trip levels occur, the Authority had not exercised its right to negotiate with MV for a revised rate. Authority officials agreed that some of the information included in its Request for Proposals was incorrect and indicated that they would pursue negotiations with MV, as recommended by the OSA.
- Pioneer Valley Transit Authority did not adequately monitor MV's performance under the contract, and for the period under review, MV did not effectively and efficiently deliver paratransit services. A peer review conducted after three months of MV service documented poor service, including cancelled trips, late pick-ups, long travel times, and continuous busy signals on MV's telephones. The OSA review confirmed the results of the peer review, found that certain problems persisted, and noted that MV's billings did not reflect the substantial number of cancellations it had made. The audit found that billing adjustments for cancellations were insufficient by \$15,287, which should be repaid to the Authority.
- MV did not bill for Sunday and holiday services in accordance with contract specifications. The contract stated that, on these days, all trips within three of four service areas would be paid for on a per trip basis, while daytime trips in the fourth service area would be paid for on a per hour basis. The OSA's review of MV's billings from October 2006 through June 2007 found that the contractor billed all services on a per trip basis. This billing error resulted in unallowable contract charges totaling \$110,830. Although MV asserted that a verbal agreement permitted this billing change, current Authority officials were unaware of any such contract modification.

- Pioneer Valley Transit Authority did not provide MV with policies and procedures for collecting, reconciling, and reporting fares, nor did the Authority exercise its right to observe and audit fare collection and fare handling procedures. MV, which was responsible under the terms of its contract for collecting, handling, and reporting passenger fares, did not count and reconcile fares daily, investigate fare discrepancies, properly document ticket collections, track free rides, or provide the Authority with deposit slips and bank statements. These internal control deficiencies contributed to fare shortages totaling \$21,562 during the period October 9, 2006 to May 31, 2007. The Authority responded that its Director of Transit was in the process of implementing appropriate fare collection procedures with MV, and that it had already begun billing MV for the fare overcharges, based on the amounts identified in the audit.

Fall River Line Pier, Inc.

The OSA conducted a follow-up audit of certain activities of the Fall River Line Pier, Inc., a nonprofit corporation that operates and maintains a pier for the shipment of freight and merchandise. The Pier operates under a 50-year lease with the Commonwealth that began on March 24, 1964. As most recently amended, the lease agreement requires that the Pier's annual net operating profits, as determined by the State Auditor, be paid to the Commonwealth during the following calendar year. In addition to examining administrative and accounting controls, the audit reviewed the status of prior audit results and assessed compliance with applicable laws, rules, and regulations. As summarized below, major findings pertained to unresolved prior audit issues.

- Two prior audits found that the Fall River Line Pier was not in compliance with the terms of its lease. Specifically, the entity did not seek approval from its oversight agency, the Department of Conservation and Recreation, for its capital improvements, and did not transfer its net profits to the Commonwealth. The current audit determined that the entity was still not complying with the terms of its lease and that excess profits owed to the Commonwealth had increased from \$180,427 to \$207,672, dating back to 1995.
- The prior audit report also disclosed that the Fall River Line Pier had written off \$48,159 without securing required approvals from the Department of Conservation and Recreation. The current audit determined that the entity had written off an additional \$51,957 without receiving approval. These write-offs contributed to a reduction in the entity's net profits and resulted in a loss of revenue due to the Commonwealth.
- The OSA recommended that the Department of Conservation and Recreation and the Fall River Line Pier take immediate steps to resolve this longstanding matter, perhaps by amending the lease agreement to increase the Pier's Stabilization Reserve Fund. This would address the Pier's contention that current lease language does not provide for sufficient funding for capital repairs and other improvements. When new lease language is agreed to, the Pier should comply with all aspects of the amended lease, and the Department should be proactive in ensuring that the Pier fulfill its contracted obligations.

INITIATIVES

The following is an update of ongoing initiatives in the area of independent audits.

Massachusetts Bay Transportation Authority: The Ride

The OSA is conducting a performance audit of “The Ride,” an MBTA program that provides door-to-door transportation to eligible individuals who are unable to use general public transportation because of disabilities. The audit will include, but not be limited to, a review of eligibility determinations, payment systems, on-time performance, complaint systems, and monitoring procedures. It will also evaluate financial controls over receipts and expenditures and assess whether financial records are complete, accurate, and up-to-date.

MBTA: Controls over Monthly Passes

The OSA is reviewing and evaluating the MBTA’s recently activated automated fare collection system in order to assess the adequacy of the Authority’s internal controls and determine whether the system is operating efficiently and effectively. The audit will also review inventory controls over monthly MBTA passes, focusing, in particular, on employer pass program sales, web-based sales, private vendor sales, and free or discounted monthly passes.

MBTA: SMART CARD Fare System

The OSA is completing an audit of the MBTA’s implementation of its new SMART CARD fare system. The audit will include a review of the internal controls built into the new fare system to ensure accuracy and accountability and to safeguard the inventory of new cards. The bid and contract award process, as well as costs to date, including change orders, will also be reviewed and assessed.

Massachusetts Turnpike Authority

The OSA has initiated an audit of the Massachusetts Turnpike Authority focusing on financial and administrative controls. The audit, which is being conducted in phases, will be issued as three reports. The first phase of the audit will review and examine receipts and disbursements from the Central Artery/Tunnel Project Repair and Maintenance Trust Fund. The second phase will review and assess the Turnpike Authority’s automobile use policies and determine whether said policies are cost effective and adequately monitored to prevent abuses. The third phase will review and examine consultant contracts, including the procurement, selection, and monitoring of consultants, to assess compliance with applicable laws, rules, and regulations.

AUDIT SUMMARIES

Judiciary/Law Enforcement

During fiscal year 2008, the OSA issued 33 audit reports covering 60 judiciary, law enforcement, and public safety entities. These reviews included audits of the Office of the Jury Commissioner; five district attorneys' offices; financial administration activities at selected probate, district, superior, housing, and juvenile courts; and Homeland Security grants received by the Department of Public Health to address bioterrorism and outbreaks of infectious diseases. Significant findings are summarized in the section that follows.

Office of Jury Commissioner

The OSA conducted an audit of the Office of Jury Commissioner, the agency that manages the selection and participation of prospective qualified jurors. The scope of this audit included a review of the Office's controls over administrative and operational activities, including Master Juror List Development and progress in overhauling juror management software, which provides statistical information on juror utilization. As discussed below, the audit found that increased efficiency in the management of jury pools would reduce the number of people who are unnecessarily called for jury duty, resulting in increased juror availability, fewer lost work days, and cost savings for employers.

- The Office of Jury Commissioner needed to continue working to improve juror selection procedures. While District Court officials had already conducted a review of juror target numbers and reduced them where possible by three jurors per location, further cuts could be made without compromising juror availability. During calendar year 2006, the Office of Jury Commissioner summoned 1,004,842 potential jurors. Of that amount, 338,931 individuals served on juries; 98,744 postponed their service until 2007; and 264,388 were excused or disqualified, mostly due to age or relocation. Based upon these numbers, procedures utilized in other states, and a new software system that allows for more accurately determining the number of prospective jurors needed in various courts, target numbers could be further reduced by an average of four jurors for district court trials. This change would result in savings of 15,000 juror days at the district court level; would keep individuals available for future sessions; and would save employers at least \$2.2 million annually in the cost of jury duty leave.
- The Office of Juror Commissioner, when upgrading its jury management software, did not solicit formal bids for a project consultant. Although the consultant was on the Operational Services Division's prequalified vendor contract list, best practice would advocate certain additional procurement steps, such as preparing a proposed scope of work and soliciting proposals from several vendors on the prequalification list. The Office also needed to improve the monitoring of this consultant contract, which increased from the original \$150,000 award to \$1.4 million three years later, without sufficient documentation. Specifically, although the consultant billed for hours worked, the Office of Jury Commissioner had no documentation to support how those billings related to specific tasks or phases of the project. As a result, there was inadequate assurance that the Office received the highest quality services at the lowest cost or had an effective mechanism for monitoring contract performance.

Five District Attorney's Offices

The OSA conducted an audit of internal controls and financial activities at the Berkshire County, Bristol County, Norfolk, Northwestern, and Worcester County district attorney's offices. One of the audits, that of Bristol County, was a transition audit, the primary objective of which was to inform the new District Attorney of the status of fiscal and administrative operations as of the date of his assuming office. The District Attorney also requested a complete accounting of all cash held by his office from drug forfeitures. The audits generally found that all five district attorney's offices maintained accurate, up-to-date financial records; had proper and adequate

controls over revenue; and appropriately documented costs and expenditures. However, as noted below, the offices did need to implement or strengthen internal control plans and procedures.

- The Norfolk District Attorney's Office had not developed or implemented an Internal Control Plan or conducted periodic risk assessments. This plan and related activities are required under Chapter 647 of the Acts of 1989, the state's Internal Control Statute, in order to safeguard assets and maximize operational efficiencies. The other four D.A.'s offices had prepared and implemented Internal Control Plans that were generally in compliance with Chapter 647 requirements. However, they needed to update and enhance their plans, adding definitive language regarding integrity and ethical standards, expanded risk assessments, and controls to mitigate any new identified risks.
- The Bristol County District Attorney's Office needed to improve controls over forfeiture funds, which are seized profits from illegal drug trafficking. The Office had not been conducting periodic reconciliations between its in-house record of forfeited funds and the actual funds secured in safe deposit boxes at a local bank. As a result, substantial variances existed between the Office's logbook and funds in the safe deposit boxes. Specifically, the Office's logbook as of July 20, 2007 indicated a balance of \$2,871,537, while the actual balance, as verified by the OSA, was \$2,178,702, a variance of \$692,835. The OSA identified 38 logbook entries totaling \$108,971 for which funds were not located. In addition, nineteen envelopes with funds totaling \$10,119 that were in the safe deposit boxes were not recorded in the logbook. The OSA also found eight improperly recorded transactions, one of which was derived from erroneously entering the log number, 593701, for the dollar amount, which was \$76. Finally, the Office was not receiving interest on the more than \$2 million in forfeited funds in its custody. The new District Attorney responded that his staff was working diligently to resolve all variances, to make proper adjustments, and take other necessary corrective action.

Special Audit Section

Court System: Financial Administration

As part of an ongoing comprehensive review of internal controls over financial and management activities at superior, district, probate and family, housing, and juvenile courts, the OSA, in fiscal year 2008, completed twenty financial administration audits. An additional 64 court audits, also included in this initiative, were issued in fiscal years 2006 and 2007. These court audits assessed controls over bail funds, cash management systems, fee and fine collections, and compliance with applicable laws and regulations. In general, the courts complied with regulatory, administrative, and program requirements. However, a number of courts did need to address financial control issues, particularly with respect to bail fund management, internal control plan preparation, and revenue reconciliations. Major findings from court audits issued during this report period are summarized below.

- Bail in cash and other forms is the security given to a court by a defendant to help assure the defendant's appearance in court at a future date. Should the defendant fail to appear in court, the posted bail is forfeited to the Commonwealth. Bail funds left unclaimed for three years by defendants eligible to request their return must be transferred to the State

Treasurer's Office as abandoned property. Although courts throughout the system had made improvements in managing bail funds, several courts still needed to strengthen controls over the reporting and processing of these funds. For example, while Essex Superior Court had properly transferred bail funds totaling over \$200,000, which had not been claimed for over three years, outstanding old bail balances remained at the Court. In addition, the Court needed to improve procedures for notifying defendants, whose bails were available to be claimed. Middlesex Juvenile Court did not review bail funds held by the Court in a timely manner and did not promptly transfer unclaimed bail amounts to the State Treasurer. However, the Court took prompt action in response to this finding, initiating a detailed review of the status of its bail accounts, and subsequently sending \$7,172 to the State Treasurer's Abandoned Property Unit. In addition, the Court transferred as general revenues to the Commonwealth \$2,450 in forfeited funds. Chicopee District Court also did not conduct a timely review of bail funds and did not promptly transfer unclaimed bail amounts to the State Treasurer. The OSA found that the Court was holding 399 bails totaling \$56,000 that had been received more than three years previously, with the earliest having been received in September 1991. Court personnel responded that although understaffing had caused delays in processing old bail accounts, corrective action was underway. Although Fall River District Court had made some progress in obtaining orders of forfeiture in defaulted cases, further action was needed. Court officials responded that although they were implementing corrective action and had disposed of many old cases that were in default, they had not yet been able to fully catch up on these accounts. Retaining forfeited and unclaimed funds beyond allowable timeframes reduces Commonwealth revenues and increases the risk of loss or misuse of funds.

- Sixteen of the twenty courts reviewed still needed to improve their internal control plans or conduct risk assessments. These documents and activities are required under Chapter 647 of the Acts of 1989, the state's Internal Control Statute, in order to safeguard assets and maximize operational efficiencies. Their absence creates vulnerabilities and may have contributed to noted accounting and administrative weaknesses. The most frequently cited deficiencies were failure to complete timely bank reconciliations, delayed depositing of revenues, and incomplete inventory listings.
- Although Berkshire Juvenile Court had generally adequate internal controls over juvenile case activity, cash management, payroll, and inventory, two issues requiring further attention were identified. The vendor with whom Berkshire Juvenile Court contracted to run its Court Appointed Special Advocates program at times submitted monthly invoices that exceeded the contract's allowable monthly maximum allocation. In addition, an audit analysis of quarterly reports submitted by the vendor indicated several instances of underperformance of contract specifications. As a result, state funds may have been improperly spent, and certain services may not have been fully provided to abused and neglected children brought before the court. The audit also noted that the Court's rented satellite building in North Adams had ongoing health and safety problems, including roof leaks and inconsistent janitorial and after-hours security services. As a result, individuals who work at or use the North Adams location expressed health and safety concerns; Commonwealth assets were susceptible to damage and misappropriation; and sensitive court records were subject to unauthorized access or destruction.

Homeland Security

The OSA is continuing a series of Homeland Security audits to determine whether Massachusetts is using federal and state Homeland Security funds efficiently and for the critical purposes intended. For the period October 1, 2001 through May 13, 2005, the Commonwealth was awarded \$374 million in federal grants intended to enhance statewide capabilities to detect, prevent, and respond to acts of terrorism and other emergencies. As of August 30, 2008, the state had been awarded an additional \$269 million. In the first phase of this OSA audit initiative, an analysis was completed of the amounts and categories of funds Commonwealth entities had received through May 2005. Five additional reports have been issued, including a 2008 review of \$28.1 million in bioterrorism grants awarded to the Department of Public Health (DPH). Findings from this audit, which focused on DPH's system for monitoring subgrantees and assuring that grant funds effectively enhanced bioterrorism preparedness, are summarized below.

- The bioterrorism funds received by DPH were intended to address bioterrorism and outbreaks of infectious diseases by upgrading infectious disease surveillance and investigation, expanding public health laboratory and communications capacities, and coordinating a statewide response to a potential mass casualty event. The audit found that while certain preparedness enhancements had been made, serious deficiencies existed, especially with respect to regional planning for potential mass casualty incidents. Most troubling were weaknesses involving trailers located in five regions across the state and intended to supply medical services in the event of a mass casualty disaster. Specifically, not all municipalities within each region had been notified of trailer availability, location, and purpose; trailer maintenance was inadequate; required training and drills on the use of the trailers and equipment did not take place; and procedures for changing trailer locations were not followed. An OSA site survey of two trailer locations, conducted to test inventory controls and the condition and readiness of equipment, disclosed further problems. In one case, the mass casualty incident trailer was not at its specified location or at a secondary site listed with DPH. When the trailer was subsequently located, it could not be immediately accessed since personnel with necessary keys were unavailable. Although the trailer at the second site visited was at its stipulated location, its contents had not been unpacked and sorted, nor had any of its equipment been tested for use. The OSA recommended an immediate strengthening of DPH programmatic and fiscal oversight directed to preparedness for an effective response to a bioterrorism or health epidemic emergency. DPH responded that the conditions cited in the audit resulted from insufficient monitoring personnel and were being vigorously addressed. Among important corrective actions DPH officials listed were improved website and other communication tools relative to the availability, location, and purpose of the emergency trailers; regular conduct of training and exercise drills; and a newly formed and properly staffed Emergency Preparedness Bureau.

INITIATIVES

The following is an update of ongoing initiatives in the area of judiciary and law enforcement.

Homeland Security Audit Initiative

As part of an ongoing effort to determine whether Homeland Security and other relevant funding is being used, as intended, to significantly enhance the safety of the citizens and infrastructure of Massachusetts, the OSA is continuing to audit Homeland Security grants, expenditures, and programmatic issues. For the period from October 1, 2001 through August 1, 2008, the Commonwealth was awarded \$643 million in federal grants intended to enhance statewide capabilities to detect, prevent, and respond to acts of terrorism and other emergencies. In August 2008, the OSA completed an audit of Homeland Security and Urban Area Security Initiative grants administered by the Executive Office of Public Safety. This audit, which is available from the OSA at 617-727-6200, will be detailed in the next Annual Report. In addition, a review of security grants to the Department of Agricultural Resources is nearing completion. As of June 30, 2008, the OSA had completed six comprehensive Homeland Security audits and several additional examinations of safety and security issues within larger audits.

Trial Court Law Library System

The OSA is conducting a statewide audit of the Trial Court Library System to determine whether it is efficiently and effectively fulfilling its mission by providing access to current and historical sources of law and law-related information. The audit will include an examination of organizational structure, utilization of law library sites, purchasing and payroll procedures, inventory records, security systems, and revenue management.

AUDIT SUMMARIES

Financial Management and Other Special Audits

During fiscal year 2008, the OSA issued 22 audit reports pertaining to financial management at various agencies, boards, commissions, and funds. Significant reports, findings from which are summarized in the section that follows, pertained to the Pesticide Bureau of the Department of Agricultural Resources, the Department of Fish and Game, the Committee for Public Counsel Services, the Architectural Access Board, and the State Election Campaign Fund. In response to requests by public officials, the OSA also conducted reviews of fiscal and budgetary issues at the cities of Fall River and Springfield.

Single Audit of the Commonwealth

The OSA is a partner with a major private accounting firm and other small firms in performing the Single Audit of the Commonwealth, a comprehensive annual financial and compliance audit of the Commonwealth as a whole that encompasses the accounts and activities of all state agencies. This audit satisfies the federal and state requirements to audit the Commonwealth of Massachusetts' financial operations, consisting of its accounts, programs, activities, funds, and functions, as well as specified compliance issues.

The OSA performs the following audit functions: (1) determining the relationship of Net State Tax Revenues to Allowable Tax Revenues (Tax Cap Determination), (2) reporting on agency compliance with the Office of the State Comptroller's Official Year-End Closing Instructions for Cash and Revenue Management, and (3) reporting on agency compliance with the Office of the State Comptroller's Year-End Closing Instructions for Encumbrance and Advance-Fund Management.

As part of the Single Audit, the OSA also provides staff resources for the audit of federal programs, such as student financial assistance at state institutions of higher education. Finally, the OSA conducts audit procedures that are needed to render an opinion on the Commonwealth's Comprehensive Annual Financial Report, such as verifying certain accounts and documents at several agencies.

During fiscal year 2008, the OSA released twelve separate reports based on audit work for the Single Audit. These included performance of the statutorily required Tax Cap Determination, which is summarized on the following page. Other audits conducted in conjunction with the Single Audit are detailed as part of the Education and Health and Human Services sections of this report.

Chapter 62F: Tax Cap Determination

Pursuant to Chapter 62F of the Massachusetts General Laws, the State Auditor is charged with annually determining whether the net state tax revenues of a particular year exceeded allowable state tax revenues for that year. The most recent review determined that the net state tax revenues for the fiscal year ended June 30, 2007 of \$19,848,063,763.93 were below allowable state tax revenues of \$22,300,580,888.19 by the amount of \$2,452,517,124.26. Therefore, no excess tax revenues, as defined in Chapter 62F, MGLs, existed for fiscal year 2007.

City of Fall River: Financial Conditions

In response to a request from the newly elected Mayor of the City of Fall River, the OSA conducted a comprehensive examination of the financial condition of the city as of December 31, 2007. Among objectives of the audit were review of the status of the city's budget, internal control systems, fiscal operations, debt management, and financial transactions. In the first stages of the audit engagement, the OSA found that many aspects of the city's financial condition were unauditably due to missing, incomplete, unreconciled, and inaccurate records, reports, and other office files. The completed audit disclosed significant deficiencies in the city's fiscal management and urged prompt corrective action.

- The city had not developed an Internal Control Plan, which is encouraged by the state's Division of Local Services and required under federal regulations, in order to safeguard assets, maximize operational efficiencies, and monitor program performance. The absence of a comprehensive internal control plan creates vulnerabilities and may have contributed to the severe accounting, reporting, and administrative weaknesses noted below.
- The city was years behind in fulfilling its federal and state auditing requirements. This condition has forced officials, year after year, to plan for the future and set tax rates without audited records and timely status reports. Furthermore, the city has not been able to provide reliable financial statements to state and federal funding agencies, a failure that could result in an interruption or cessation of essential funding. In fact, the U.S. Department of Housing and Urban Development notified the city that it risked losing Community Development Block Grant funds amounting to several millions of dollars.
- The city had major problems with cash and debt management. Most importantly, bank balance records were not being reconciled with cash balances on the city's financial records. On separate occasions during 2007, the city hired firms to reconcile its cash and investments. The first firm attempted to perform a reconciliation for April, May, and June 2007, but was unable to complete the process. The unreconciled variance at that time was \$416,859. The second firm reviewed records from July through November 2007, but also was unable to deliver a complete reconciliation of cash and investment activity. These variances, largely attributable to errors involving omitted deposits in transit, outstanding checks, delays in recording tax collections, and inaccurate postings and transfers, negatively impact the city's ability to identify monthly budgetary and short term borrowing needs. They also increase the potential of incurring unnecessary and excessive interest costs. The audit also found that the city does not have adequate

procedures for procuring goods and services, controlling inventory, billing and collecting receivables, and managing payroll.

- The city erroneously recorded Trust Fund Investment earnings to its General Fund, improperly affecting both funds. In reviewing this matter, the OSA found problems with the city's investment performance. During calendar year 2007, the city experienced more than \$100,000 in losses on investments. The OSA noted that the city did not use competitive procedures in obtaining banking and investment services and also allowed brokers to make all investment decisions, including the decision to put trust funds in speculative investments. Furthermore, although the OSA was told that city funds were only invested in A or AA rated investments, its examination revealed numerous investments in holdings that were unrated or rated B or less.
- The city lost almost \$800,000 over five years by not billing the Fall River Housing Authority for Payments in Lieu of Taxes (PILOT) to which it was entitled. PILOT payments assist with the cost of police, fire, and emergency medical services and are due to municipalities whether or not a housing authority accumulates a surplus.
- The School Department's significant financial issues resulted in its being placed, temporarily, on the state's "watch list" and assigned a fiscal monitor. Although the School Department implemented sufficient corrective action for removal from the watch list, it still needed to develop a comprehensive plan for monitoring and improving school performance.
- The city needed to improve its Information Technology (IT) operations. Specifically, IT staffing levels and training were not sufficient; no disaster recovery or business continuity plans had been developed; and policies and procedures were insufficient for IT security and confidentiality.
- The OSA recommended that the city seek technical assistance from the Division of Local Services in the Department of Revenue and also consider recruiting outside assistance to correct the reported deficiencies.

City of Springfield: Fiscal and Budgetary Issues

At the request of two members of the Springfield legislative delegation, the OSA conducted a special scope review focused on the use and prospects for repayment of \$52 million in interest-free loans provided by the Commonwealth to the city to address an impending fiscal crisis. At the close of fiscal year 2004, Springfield's financial difficulties were such that current fiscal obligations could not be met, a balanced budget could not be enacted, and crucial core services were at risk. In response, the Legislature enacted, and the Governor signed, Chapter 169 of the Acts of 2004, a municipal assistance law for Springfield. In addition to the loan funds, the statute provided for a state-appointed Financial Control Board to help restore the city to financial stability. Review results, including recommendations regarding management and fiscal controls, are summarized below.

Other Audits

- The Financial Control Board has utilized the loan funding authorized by Chapter 169 to help resolve Springfield's fiscal crisis. The city expended \$29.7 million to help turn a \$20.7 million budget deficit into a small surplus. In addition, prior to the loan authorization's expiration date of June 30, 2007, the Financial Control Board voted to draw down and set aside the balance of \$22.3 million for future economic development. In addition to the use of state funds, the Financial Control Board has taken a number of important steps to enhance revenues, stabilize expenditures, and institute structural changes to improve the overall management of resources. These measures include aggressively collecting past-due property taxes, negotiating long-term collective bargaining agreements, joining the Commonwealth's Group Insurance Commission health plan, and investing the city's pension assets in the Commonwealth's Pension Reserves Investment Trust Fund.
- In reviewing the Financial Control Board's five-year Budget Projection, the OSA found that it provided a reasonable basis for the forecast of revenues and expenditures, which indicated a balanced budget in fiscal year 2008 and estimated modest surpluses in the ensuing four years. However, Auditor DeNucci cautioned that Springfield's budget situation remained fragile, noting, for example, that the city did not have the ability to repay its state loan within the five-year timeframe defined in the statute. Furthermore, any additional use of the loan balance would compound the repayment problem and create an additional strain on the city's budget.
- The OSA recommended that the City of Springfield maintain diligent oversight of its financial situation by vigorously monitoring actual revenues and expenditures on an ongoing basis. Among further recommendations, the Financial Control Board should proceed with caution in expending funds for economic development, assessing both the economic benefit and budgetary impact of any such spending. The city should also avoid, if possible, the use of one-time revenues to support recurring expenditures. Finally, the review suggested that the Financial Control Board and city officials should work closely with Springfield's legislative delegation and seek legislative support for extending the loan repayment period.

Department of Agricultural Resources: Pesticide Bureau

The OSA conducted a follow-up audit of the Pesticide Bureau within the Division of Regulatory and Consumer Services of the Department of Agricultural Resources, which is charged with administering and enforcing pesticide laws and regulations. The Bureau licenses and monitors individuals and companies that sell or apply pesticides and oversees pesticide application activities at schools, day care centers, and child-care facilities. The Bureau also protects the public drinking water supply, registers chemicals used in the Commonwealth, and investigates allegations of pesticide misuse. The audit found that the Bureau had improved its on-site inspection procedures for pesticide dealers and applicators by including a review of documents supporting the purchase, sale, use, and quantities on hand of restricted-use pesticides. However, a second issue remained unresolved, as summarized below.

- The Pesticide Bureau was still not adequately enforcing the state statute that requires schools and day care centers to submit a plan on pesticide use at their facilities and to notify parents and employees at least two days before any pesticides are applied. The audit cited some improvement over the 80 percent noncompliance rate by Massachusetts schools and child-care centers found in 2004. The current audit determined that, as of June 30, 2006, 24 percent of public and private schools and 59 percent of day-care facilities had not submitted the pesticide plans required under the Children's Protection Act of 2000. The audit did note that the Bureau, in cooperation with the Early Education Commission and the Attorney General's Office, has developed a Corrective Action Plan that requires a day care facility to file a pest management plan before a renewal license is issued. However, this plan would not go into effect until current licenses expire, at least two years after the period of this audit. Moreover, the license renewal plan does not address the issue of noncompliance by schools. Until further and more comprehensive corrective action is taken, there is inadequate assurance that children and staff are being properly protected from exposure to unauthorized and potentially harmful pesticides.

Department of Fish and Game

The OSA's audit of the Department of Fish and Game was undertaken in response to a Chapter 647 report filed by the Executive Office of Environmental Affairs, the Department's oversight agency. The 647 report stated that an employee, who had retired from the Department and been rehired in the same position as a 120-day appointment, was paid in excess of the state retiree earning limits allowed by pension laws. The report further stated that the Department had dismissed the employee in September 2005 and initiated proceedings to recoup the overpayments. In accordance with provisions of Chapter 647 of the Acts of 1989, the state's Internal Control Statute, the OSA determined the amount of overpaid funds, investigated the Department's internal control environment, and made recommendations to correct noted deficiencies and modify certain internal control policies and procedures. Results of this investigation are summarized below.

- The OSA determined that the Department of Fish and Game, during calendar years 2004 and 2005, paid its Chief Fiscal Officer \$79,870.61 in excess of public retiree annual earning limits. Among internal control deficiencies that allowed the overpayment to occur, most significant was the Department's lack of oversight, including its failure to ensure that this employee, who monitored payroll processing and certified payroll expenditures, sign an annual earnings certification as required under state law. Department officials stated that the employee had verbally declared waiving his retirement allowance for the period under review. However, they had not required written documentation or corroborated the waiver request with the State Board of Retirement. As a result of procedural and monitoring weaknesses, as well as ineffective compliance controls, the employee's earnings overpayments went unrecognized for nearly two years. With regard to proceedings initiated by the Department to recoup the overpaid funds, the OSA noted that the repayment schedule agreed to by the former Chief Financial Officer was informal, making its terms difficult to enforce and potentially jeopardizing the recovery of funds. In addition, the audit questioned whether the 20-year payback period accepted by the Department was in the best interest of the Commonwealth. The OSA recommended that the Department immediately obtain a

signed and dated written repayment agreement, assuring equitable and timely repayments and stating that default will result in civil action seeking the return of the funds and/or the withholding of pension payments. The Department concurred with OSA findings and was seeking assistance from the Attorney General's Office and from the State Board of Retirement in examining options for more timely and certain repayments.

- The Department of Fish and Game's Division of Marine Fisheries was not consistently depositing cash receipts on a daily basis, entering receipt documents into the state's automated system in a timely manner, or regularly reconciling cash receipts to bank statements. Improvements in these areas of cash management would help to protect funds, maximize interest income, and improve accountability and accuracy in recording and reporting revenue.

Architectural Access Board

The OSA conducted an audit of the Architectural Access Board, a regulatory agency within the Massachusetts Department of Public Safety. The audit assessed the Board's oversight policies, procedures, and systems in order to determine whether the agency was efficiently and effectively fulfilling its mission of ensuring that public buildings and facilities are safe and accessible to disabled persons. As summarized below, an increased volume of complaints has impacted the Board's ability to ensure compliance with its decisions.

- The Architectural Access Board was not in compliance with its own internal policies and procedures for ensuring compliance with its decisions. The OSA reviewed 97 decisions that required an owner to take corrective action. In 41% of these cases, the Board's deadline for making and documenting access improvements had passed, with no documentation on file of either compliance achieved or a follow-up Board review. As a result, the Architectural Access Board could not ensure that decisions rendered had been appropriately resolved, or that persons with disabilities were being provided with access due them under law. Board officials responded that a significant increase in complaints regarding curb cuts in the City of Boston had delayed their follow-up review activities, which, since completion of the audit, were being conducted more promptly.

Committee for Public Counsel Services

The OSA conducted a review of the Committee for Public Counsel Services, the state entity that provides legal representation for eligible indigent persons. Although the Committee, which consists of fifteen members appointed by the Supreme Judicial Court, has its own public defender division, private attorneys represent over 90% of its cases. Its private counsel division sets qualification standards for the private sector attorneys retained for services and also monitors and evaluates their work. The audit found that the Committee had corrected several billing deficiencies disclosed in a prior audit by implementing a new Web-based computer system, which has enhanced audit checks and interim billing capability and by improving controls over court costs such as private investigator billings. However, the Committee still needed to improve several areas of billing oversight, as summarized below.

- Working with the Committee for Public Counsel Services' Internal Audit and Oversight Department, the OSA tabulated discrepancy rates and cost disallowances from random internal audits, finding a sample attorney billing error rate of 16%. This review of 230 bills, as well as findings from other internal audits, indicated a potential for significant discrepancies in the 305,000 bills that attorneys submitted for payment during the audit period. The OSA recommended that if the Committee was unable to address these discrepancies and significantly lower its error rate using its current method for calculating payments, it might want to consider establishing a fixed fee for each type of case, rather than continuing to pay an hourly rate plus expenses. In its response, the Committee stated that it had adopted new policies intended to improve the accuracy and oversight of its billings, catch errors at the prepayment stage, and recoup overpayments in a more timely manner. In addition to computer system enhancements, the Committee is requiring detailed documentation to support amounts invoiced by attorneys and is withholding payments from attorneys who submit inadequate documentation. In addition, attorneys must respond to internal audit inquiries and findings within 30 days; those who fail to do so are prevented from submitting any further bills to the Committee.

State Election Campaign Fund

The OSA conducted an audit of the State Election Campaign Fund, which was created to provide limited public financing for candidates for statewide office. The Fund has been cited in several prior audits for a lack of central oversight and internal control weaknesses that led to accounting, recording, and reporting errors. The current review found that corrective action had not been taken and accountability problems persisted.

- The State Election Campaign Fund's accounting records and investment income were not subject to oversight by a single state agency. Instead, four agencies, the Department of Revenue, the Office of Campaign and Political Finance, the Office of the State Comptroller, and the Office of the State Treasurer shared responsibility for Fund maintenance and management. Because there was no single point of accountability, not all required administrative activities, such as timely bank reconciliations, were being performed, limiting assurance that all transactions were recorded promptly and accurately. In fact, the OSA found, as it had in previous audits, that the reported State Election Campaign Fund balance was inaccurate. As of March 31, 2007, the Fund balance recorded on the Massachusetts Management Accounting and Reporting System, \$495,777, was understated by \$32,351 due to various errors in the calculation and posting of interest. In a joint response, the Fund's oversight agencies stated that they had initiated a corrective action management plan. The plan includes focus by the Office of Campaign and Political Finance, which will now receive monthly bank statements, on reconciliations among various accounts; regularly scheduled meetings among departments to discuss any variances identified through the reconciliation process; and improved communication between the Office of Campaign and Political Finance and the Office of the State Treasurer regarding authorized disbursements and the investment of funds. Implementation of these improvements should help ensure that the full amount of taxpayer contributions and maximum investment earnings are available for distribution.

INITIATIVES

The following is an update of planned and ongoing initiatives relative to various state agencies and programs.

Single Audit of the Commonwealth

During fiscal year 2009, the OSA will once again partner with a private auditing firm in performing the Single Audit of the Commonwealth, a comprehensive annual audit of the Commonwealth as a whole that encompasses the accounts and activities of all state agencies. This audit satisfies the federal and state requirements to audit the Commonwealth of Massachusetts' financial operations consisting of its accounts, programs, activities, funds, and functions, as well as specified compliance issues.

As a partner in the "Single Audit," the OSA will also provide staff resources for the audit of federal programs to determine whether the state is in compliance with applicable federal laws, rules, and regulations. The OSA will also conduct audit procedures that are needed to render an opinion on the Commonwealth's Comprehensive Annual Financial Report.

In addition to conducting audits relative to agency compliance with year-end closing instructions and a report determining the relationship of net state tax revenues to allowable tax revenues, the OSA will issue audits of:

- Federal student assistance programs at selected colleges, including Bridgewater State College, Bristol Community College, Mount Wachusett Community College, North Shore Community College, Springfield Technical Community College, and Westfield State College;
- Federal grant programs at the Department of Housing and Community Development;
- Federal grant programs at the Department of Early Education and Care;
- Federal grant programs at the Department of Social Services; and
- Federal grant programs at the Massachusetts Rehabilitation Commission.

Hurricane Katrina Reserve Account

The OSA is conducting a performance audit of a reserve account created within the Executive Office for Administration and Finance to fund and reimburse agencies responsible for assisting Hurricane Katrina evacuees in Massachusetts. The audit will review financial controls over the reserve account, including documentation on file to support receipts and disbursements. The audit will also determine the current status of the account, including any outstanding encumbrances.

Controls over Credit Card Purchases

The OSA plans to review and analyze credit card usage by selected agencies across the Commonwealth to determine whether charged purchases comply with credit card policies issued by the Office of the State Comptroller and the Operational Services Division, as well as applicable laws and regulations. The audit will also assess the adequacy of internal controls over state agency credit card purchases and the completeness and accuracy of files and records.

Use of Contract Employees by State Agencies

The OSA is conducting a statewide review to determine whether state agencies are complying with laws, rules, and regulations governing the employment of contract employees. The audit will include, but not be limited to, hiring procedures; policies for the continued use of contract employees, including contract renewals; and compliance with state rules limiting contract employees' managerial and supervisory duties.

AUDIT SUMMARIES

Information Technology Audits

During fiscal year 2008, the OSA's Information Technology (IT) Audit Division issued sixteen audit reports detailing strengths and weaknesses of internal controls within IT-related areas.

The primary duty of the IT Audit Division is to examine how well information technology is being controlled within state organizations and to make recommendations for control enhancements that reduce the risks to which computer-based information systems and facilities are exposed. The IT Audit Division conducts general and application control examinations that provide independent, objective appraisals of the adequacy of internal controls over and within information systems and IT processing environments. One of the goals of IT auditing is to assist agencies in achieving and maintaining a technology environment that adequately safeguards assets, maintains data and system integrity, achieves organizational goals, and effectively and efficiently uses resources to achieve desired value. Information technology auditing also includes providing technical support to financial and performance auditors in evaluating IT-related or information systems-related controls and retrieving selected information from automated systems.

Audit objectives for information systems include determining whether adequate controls are in place to provide reasonable assurance that control objectives will be met regarding security, integrity, and availability of automated systems. The IT Audit Division may also examine administrative and operational controls as part of an IT audit or included in the scope of an integrated OSA audit. Audit work during this report period has continued to be focused on evaluating general controls, including security over and within the IT processing environment and, increasingly, assessing the extent to which entities address IT operational objectives. During this report period, audit results disclosed issues that warrant management attention in a number of areas, including disaster recovery and business continuity planning, inventory control, and data integrity. The following section highlights findings from this report period.

Division of Banks

The OSA's IT Audit Division completed an audit of the Massachusetts Division of Banks' IT-related controls and oversight of mortgage brokers and lenders. Although the audit indicated that the Division was making a concerted effort to provide sufficient mortgage industry oversight, its capacity to perform examinations had not kept pace with the increase in the number of mortgage lenders and brokers under its authority. As summarized below, without additional resources, the Division's mission to ensure public confidence relative to the safety and soundness of the mortgage credit industry in the Commonwealth could be impacted.

- The number of mortgage brokers and lenders licensed by the Division of Banks had substantially risen since 2003, increasing from 915 to 1,409. However, as of September 2007, only 228, or sixteen percent, of mortgage broker and lender examinations had been completed. The OSA found that the Division was exercising due diligence regarding its licensing operations, but lacked the resources necessary to perform an increased number of examinations. The staff shortage, combined with an ongoing financial crisis in the mortgage industry, weakened assurance that consumers seeking mortgages would be protected from unscrupulous lenders and brokers. The Division of Banks responded that it had reallocated personnel from its banking and credit union divisions on a temporary basis to assist in the monitoring and resolution of consumer complaints regarding mortgage brokers and lenders. Division management agreed, however, that this was only a short-term solution, and that a substantial increase in personnel was necessary to adequately monitor and evaluate non-bank entities. They also stated that the Division was working with other states to develop a Nationwide Mortgage Licensing System, a central repository of information about licensing and enforcement actions intended to identify questionable lending practices and coordinate supervision of multi-state mortgage entities. (Subsequent to the release of the audit, this multi-state automated information system was implemented.)
- Regarding the examination of internal controls, the audit found that controls in place provided reasonable assurance that IT-related objectives pertaining to organization and management, physical security, environmental protection, system access security, inventory controls, and storage of back-up copies of magnetic media would be met. However, the Division had not formally tested its disaster recovery and business continuity plan for restoring processing functions in the event that automated systems are rendered inoperable or inaccessible. As a result, the Division might experience unanticipated delays in re-establishing mission-critical functions such as processing of bank examinations, credit union reviews, and licensing renewals of non-banking entities.

The Massachusetts Parole Board

The OSA's IT Audit Division completed an audit of IT-related activities at the Massachusetts Parole Board within the Executive Office of Public Safety. In addition to determining which prisoners in Commonwealth correctional facilities are released on parole, the seven-member Board monitors the supervision of parolees, working with field parole officers to reintegrate offenders into the community. As of October 16, 2006 there were 3,267 active parole cases, with case files maintained on the State Parole Integrated Records and Information Tracking (SPIRIT) system. The OSA examination included a review of internal controls over SPIRIT and an assessment of the Board's efforts to effectively supervise parolees. Major findings are summarized below.

- The Parole Board needed to improve supervision and management practices pertaining to polygraph testing for sex offenders, drug retesting for parolees who had tested positive for drugs, and supervision level reassessments. Specifically, audit tests revealed that of 105 parolees designated as sex offenders, seventeen or 16% were overdue, some by as many as 300 days, for a required biannual polygraph examination. These examinations, which must be conducted by a polygrapher trained specifically in the use of the polygraph for the monitoring and ongoing assessment of sex offenders, provides information necessary for risk management. In response to this finding, the Board amended its SPIRIT application to include a calendar that posts due dates for polygraph testing of sex offenders and hired a new polygraph examiner to help ensure that these tests are administered on time. Relative to required drug testing, the Board could not provide evidence that 26 of 78 parolees who initially tested positive for drugs were retested within 30 days, as mandated by state regulations. The OSA recommended, and the Board agreed, that the drug retesting requirement be automated within the SPIRIT system. This will create a consistent monitoring process that can provide more timely and appropriate responses to drug violations. Finally, field parole officers were not in compliance with Board policy that requires them to reassess each parolee they supervise every six months to determine whether a change should be made in the degree of supervision. Audit tests indicated that none of the 29 randomly selected parolees had had their supervision level reassessed. As a result, the Board could not be assured that parolees were being monitored at an appropriate and efficient supervision level.
- The Parole Board did not actively enforce certain collections for which it was responsible. For example, the Board failed to collect over \$700,000 in supervision fees from parolees from November 2005 through November 2006. Furthermore, although compliance with child support orders is a condition of parole, only three percent of parolees, as of November 2006, were current in their payments, with 550 parolees owing more than \$13.7 million. The audit also noted that none of these parolees, some of whom owed more than \$100,000 in past-due payments, had parole revoked for this violation. The Board responded by making modifications to the SPIRIT system that will help to monitor and evaluate parolee child support payments, as well as noting delinquencies. The Board has also developed a Graduated Sanctions policy to provide guidance in areas such as failure to pay child support.

- Regarding the examination of other IT-related activities, the audit found that adequate controls were in place to provide reasonable assurance that information technology-related control objectives would be met with respect to IT organization and management, physical security, environmental protection, on-site and off-site storage of backup copies of magnetic media, system access security, and inventory control over computer equipment. However, the Parole Board needed to develop and implement a disaster recovery and business continuity plan to provide for the timely restoration of mission-critical business functions should IT systems be rendered inoperable or inaccessible. The audit also noted that the Board did not have a formal policy for software development and program change control procedures. Such procedures would help ensure that only authorized, tested, and documented modifications to application systems are made.

Additional Findings Categorized by Issues

The following are examples of findings from selected IT audits.

Disaster Recovery and Business Continuity Planning

The overall objective of disaster recovery and business continuity planning is to provide reasonable assurance that mission-critical or essential computer operations can be restored within acceptable periods of time in the event of significant disruptions or loss of processing capabilities. Other contingency planning objectives are to ensure employee safety; to safeguard data, software, and critical documentation; to minimize security exposures and system damage; and to reduce the time and cost required to recover from system disruptions or failure.

- ***The Alcoholic Beverages Control Commission***, within the Office of the State Treasurer, did not have a business continuity plan to address a loss of IT processing capabilities and access to automated systems, in particular the Commission's mission-critical License Tracking System. Furthermore, the Treasurer's Office, which operates the local area network file server used by the Commission, did not have a finalized, tested disaster recovery plan; and its draft disaster recovery plan did not specifically include the Alcoholic Beverages Control Commission. The OSA recommended that the Commission, in conjunction with the Office of the State Treasurer, develop a user area plan that documents all required operational procedures to be performed under various disaster scenarios. The OSA further recommended, and the agency agreed, that after risks associated with its business continuity objectives are reviewed, the Commission should develop, test, and implement a comprehensive disaster recovery plan.
- ***The Department of Industrial Accidents*** had formulated its required Continuity of Operations Plan, a high level of strategy for executives establishing operational procedures to restore and sustain essential business functions. However, the Department did not have an approved and implemented business continuity plan, which is more detailed and comprehensive, for the timely restoration of its automated systems, including its Case Management System, should a disaster cause significant disruption to computer operations. As of the close of the audit period, the Department, which had conducted a risk assessment, was working with the state's Information Technology Division to develop and implement an effective recovery plan.

- **Quincy Housing Authority** was cited in a previous audit for not having a formal, comprehensive disaster recovery and business continuity plan. The current audit found that the Authority still had not developed or implemented a detailed, tested plan for restoring processing functions in the event that automated systems were rendered inoperable or inaccessible. Furthermore, no records were maintained of back-up tapes that were sent to an off-site storage location, and back-up tapes were left on an employee's desk at the off-site location rather than being secured in a safe. Without sufficient recovery plans, Authority activities, such as processing tenant applications and accounting for rent payments, would be adversely affected should its automated capabilities be significantly disrupted or lost.

Inventory Controls: IT-Related Assets

All state entities are required to maintain complete inventories of fixed assets, including IT resources such as computer equipment and software, to ensure that they are properly accounted for, safeguarded, and used only for authorized and intended purposes. Maintaining an adequate inventory system of record is also necessary to support configuration management of IT infrastructure. In addition, with respect to software, inventory records and periodic tests should be used to help prevent unnecessary software expenditures, software copyright infringement, and loss or theft of software products.

- **The Department of Environmental Protection** maintained a master inventory record as well as a secondary listing of notebook computers. The audit found that the Department did not reconcile these listings with physical counts for accuracy and completeness, and did not consistently document historical costs, location, and condition for either listing. As a result, the integrity of the Department's inventory record for computer equipment could not be relied upon. Moreover, although policies and procedures were in place for the reporting of lost or stolen equipment, the Department failed to report two missing laptops with a total estimated value of \$2,600 to the Office of the State Auditor as required under Chapter 647 of the Acts of 1989.
- **The Massachusetts Commission Against Discrimination** had significant deficiencies in its inventory practices relative to IT resources. The Commission did not perform an annual physical inventory and reconciliation of computer equipment and did not maintain a complete and accurate record of IT-related assets. As a result, the IT inventory record lacked integrity, and IT-related resources could be exposed to an increased risk of loss, theft, and misuse. Regarding the administrative office in Boston, for example, the audit found that the description listed on the inventory record for four workstations did not match the pieces of equipment located at the office. Furthermore, the audit noted particular problems with the Commission's control procedures for the distribution and return of notebook computers. The Commission did not maintain a record of all staff that had been provided notebook computers or had returned them, or the dates of these actions, and was not adequately monitoring the status of the distributed computers. With respect to this last issue, the Commission responded that it had implemented a new form, which employees are required to sign when they borrow and return notebook computers, and that additional steps were being initiated to monitor and secure these computers.

- ***The Massachusetts Office on Disability*** had not conducted an annual physical inventory and reconciliation, and did not maintain a complete, accurate, and up-to-date perpetual inventory system. Furthermore, the Office lacked a formal policy to control the assignment and use of notebook computers. As a result of these weaknesses, the Office could not ensure that its IT-related assets were adequately safeguarded or accurately reported on financial statements.

Administrative, Organizational, and Data Integrity Issues

Effective controls need to be in place over the operation and management of IT facilities, including IT-related functions, such as assuring that data stored in application systems is sufficiently complete, accurate, and valid. These administrative controls, which include procedures relating to IT organization, recordkeeping, review, and oversight, help to ensure that entities are functioning efficiently, resources are effectively deployed, reliable information is produced in a timely manner, and business objectives are realized.

- ***The Alcoholic Beverages Control Commission's*** License Tracking System, which processes and tracks over 21,000 licenses and permits, did not have an adequate assurance function to verify the integrity of data entered and maintained in its databases. In addition, revenues on the License Tracking System were not routinely reconciled with license fee receipts recorded on the Massachusetts Management Accounting and Reporting System (MMARS). As a result, the Commission could not be assured that information recorded in its License Tracking System was accurate and complete and, in fact, the audit found a number of errors and omissions within the databases. In addition to recommending that internal control practices be enhanced to require reconciliation of data entered to source documents and MMARS and to ensure that relevant data is recorded in the License Tracking System data fields, the OSA suggested that the Commission and the Office of the State Treasurer consider charging a license or permit renewal fee to offset processing and administrative costs.
- ***The Department of Correction*** needed to improve certain aspects of records management. While the Department demonstrated adequate controls over data entry for initial bookings, five of its correctional institutions were not performing periodic reviews of inmate folders. The lack of consistent and routine monitoring of inmate records increases the risk that data, including inmate sentences and release dates, contained in the Department's automated system may not be complete, accurate, and up to date.
- ***The Department of Environmental Protection*** needed to strengthen data integrity controls over its Water Quality Testing System database in order to ensure that monitoring of acute contaminant data (bacteria, nitrate, and nitrite) is consistent and effective. Specifically, audit tests identified missing acute contaminant information and data entry errors for ten of the 61 cities and towns sampled. Incorrect or missing data, resulting in part from a lack of supervisory monitoring, as well as delays in entering test results into the system, could result in reporting and decision making based on inaccurate statistical information.

- ***The Disabled Persons Protection Commission's*** resource limitations, combined with a growing caseload, hampered the agency's effectiveness and prevented it from completing its investigative work in a timely manner. The audit noted a dramatic increase in the number of hotline calls received by the Commission over the past six years. In fiscal year 2007, for example, the Commission received a total of 14,847 hotline calls, representing a 152 percent jump from fiscal year 2001. Although the Commission was able to make initial assessments of abuse reports within the mandated 24-hour timeframe, it lacked the investigative staff resources necessary to promptly process its expanding and complex caseload. As a result, in fiscal year 2007, the Commission did not meet its statutory deadline of case completion within 30 business days for 653 or 77 percent of cases under review. The Commission's difficulty in completing cases in a timely manner has resulted in delays in implementing remedial action plans, which is a significant part of providing protective services to abused victims. The Commission agreed with audit findings that increased resources are essential to its providing protections for the vulnerable population it serves.
- The OSA's examination of the state's ***Information Technology Division's*** (ITD) policy, first issued in September 2005, for shifting the Commonwealth from existing proprietary office systems to an ***Open Document Format*** standard for the state's IT environment disclosed significant flaws in planning, consultation, and cost analysis development. (The open document format standard creates text documents, spreadsheets, and presentations in a format that provides long-term availability and use, which was approved by the Organization for the Advancement of Structured Information Standards on May 23, 2005. One major benefit of the Open Document Format is the ability to communicate and share data through widely available protocols without license fees or use restrictions.) Specifically,
 - ITD had not completed sufficient research on the Commonwealth's operational and IT environment prior to developing its open standards, open source implementation plan. In addition, ITD had not tested the feasibility of interfacing open source technology with Commonwealth application systems. Subsequently, when product testing was completed nearly a year later, ITD found that the open source office products initially recommended for installation did not meet user requirements.
 - ITD's policy management team did not have sufficient communication with the Supervisor of Public Records and the Chief Archivist from the Office of the Secretary of the Commonwealth to identify legal criteria and the level of importance of documents requiring various retention and archival schedules. Furthermore, the process for developing and promulgating the policy for implementing the Open Document Format standard lacked adequate consultation with agency operational management, clarity of value to be achieved by the initiative, and sufficient information to justify the business case.

- Although ITD sought user feedback when its original implementation policy was in draft form, time periods for response were very limited. The short time period afforded by the exposure and policy approval process, combined with failure to respond to concerns raised by the disability community, gave the appearance that the decision to approve the Open Document Format implementation policy had been made prior to seeking comments.
- ITD's original cost analysis lacked sufficient detail and explanation to support management decision-making regarding the adoption and implementation of Open Document Format compliant office applications. The projected \$26 million in cost savings was not adequately supported with supporting documentation. A later cost analysis for a revised strategy for implementing the Open Document Format through plug-ins that would work with existing technology was also insufficiently documented and contained significant errors, including two calculation errors totaling \$12 million.

INITIATIVES

The following is an update of ongoing initiatives in the area of information technology.

Data Integrity

The Office of the State Auditor has implemented an initiative to review and evaluate data integrity for mission-critical application systems at selected state agencies. A major objective is to assess the extent to which data stored in application systems is sufficiently complete, accurate, and valid. The audit initiative, which will result in a series of reports and management letters, will also analyze state agencies' data on a proactive basis to help identify differences between information in these systems and supporting source documentation, as well as unusual trends and potential problems for maintaining the systems.

Personally Identifiable Information

The OSA will initiate an audit of Personally Identifiable Information maintained by state entities. Personally Identifiable Information refers to data, such as names, addresses, Social Security numbers, medical records, bank deposit and investment information, and credit card numbers, which can potentially be used to uniquely identify an individual. One of the objectives of this audit is to raise awareness regarding the IT controls necessary to secure and protect personal data. IT Audit staff will also review selected entities in order to assess the adequacy of their controls over Personally Identifiable Information and make recommendations for preventing misuse of this confidential data, including identity theft.

Business Continuity Planning

The OSA is continuing an audit of two major areas of business continuity planning: state agencies' required Continuity of Operations (COOP) plans and alternate processing sites. The audit will include a review of the extent to which COOP plans have been developed by state entities and an assessment of whether the development of COOP plans has helped agencies develop more comprehensive recovery and business continuity plans. The audit will also assess the availability of alternate processing sites across the Commonwealth to support disaster recovery and business continuity strategies. Relative to this issue, initial audit work included a review of plans for an alternate processing site for the Commonwealth's primary data center. The OSA will review the process for determining the need for this back-up site and identifying a location that best supports the Commonwealth's requirements for alternate processing.

BUREAU OF SPECIAL INVESTIGATIONS

The OSA's Bureau of Special Investigations (BSI) is charged with investigating potentially fraudulent claims for or wrongful receipt of payment or services under public assistance programs. The division receives complaints and allegations of fraud from various state agencies, as well as from the State Police, the general public, and recipients. These referrals principally involve suspected fraud in Medicaid and in the Department of Transitional Assistance cash assistance and Food Stamp programs. The costs of these programs are enormous, and the services provided under them are essential to the Commonwealth's most vulnerable citizens. Therefore, BSI's role in combating fraud and recovering funds contributes significantly to the ongoing OSA mission and efforts to safeguard the state's financial assets, ensure that state expenditures are legal and used for the purposes intended, and maximize funds available for important state services.

To accomplish its mission, BSI works closely with other agencies at the federal, state, and local levels. BSI staff participate in joint investigations and serve on task forces focused on preventing and combating illegal activities. Agencies with which BSI interacts include the Federal Bureau of Investigation, the Food and Drug Administration, the federal Health and Human Services' Office of the Inspector General, the U.S. Attorney's Office, the state Attorney General's Office, the State Police, District Attorneys' Offices, local police, and administering agencies.

BSI's case tracking application and database continues to be a valuable electronic investigative management tool for fraud examiners and other staff. Using this application, which electronically collects investigative data, performs analytical tasks, and helps to prioritize casework, examiners have been able to expedite fraud investigations, accelerate referrals for recoveries, and gather information to enhance prevention activities. The OSA is also working closely with a variety of state agencies to maximize the application's benefit to other public entities.

Highlights of BSI Activities and Accomplishments

- During fiscal year 2008, BSI identified over \$3.6 million in public assistance fraud, representing a 14% increase in identified fraud since 2007 and a 50% increase since 2006. Of the \$3.6 million, nearly half (over \$1.7 million) represented Medicaid fraud. In addition, there was \$821,000 in financial assistance fraud, \$480,000 in Food Stamp fraud, \$420,000 in housing fraud, and \$136,000 in childcare fraud.
- Over this past year, BSI completed a comprehensive review of aged cases, which resulted in expedited completion of 1,500 lower value cases. Intensive use of its case tracking application and database, which was implemented in 2007, enabled the identification of cases that were appropriate for this review and assisted in the most effective assignment of cases.
- BSI completed over 3,080 cases during fiscal year 2008. Of these, 313 investigations resulted in identified fraud and were referred to the appropriate agency for civil recovery or prosecution. In addition to referring 179 of these completed cases, representing \$575,000 in financial assistance fraud, to the Department of Transitional Assistance (DTA), BSI brought thirteen completed cases to the criminal justice system for prosecution. These cases had been identified by BSI's Prosecution Team as appropriate for court action, then subjected to review and preparation in order to present high quality, well-documented cases to district attorneys' offices or to the Office of the Attorney General.
- The OSA, over the past year, also focused on outstanding so-called "warrant" cases, many of which involve older completed cases, where fraud had been identified and a judicial warrant issued. Letters were sent to the subjects identified in each case explaining the meaning and risk of an outstanding warrant, as well as the means, including repayment of the identified fraud, by which the warrant can be resolved. Forty-six of these cases were adjudicated in fiscal year 2008, resulting in court-ordered restitution of \$107,731.
- BSI, during this period, completed its largest number of investigations into allegations of financial assistance fraud. Over 30% of these cases involved recipients who applied for benefits based on income deprivation from an absent parent when, in fact, this parent was living with the family and was employed. In some cases, investigations into allegations of financial assistance fraud also uncover simultaneously occurring housing, healthcare, and Food Stamp fraud. One multi-agency investigation involving an exceptionally high amount of identified fraud led to the indictment of an individual for illegally receiving over \$500,000 in fraudulently obtained benefits from DTA, MassHealth, the Department of Early Education, the U.S. Department of Housing and Urban Development, and the Social Security Administration. Of completed BSI investigations into Medicaid fraud, three cases involving individuals who transferred personal assets in order to qualify for Medicaid resulted in repayments to the Commonwealth totaling \$252,435.

- BSI is continuing its investigations of drug diversion cases, which involve the use of Medicaid benefits for drug-related criminal activities. Most of these investigations disclose MassHealth recipients or providers who fraudulently obtain certain prescription drugs, which are then either abused or sold on the street at a substantial profit. In some of these cases, recipients conspire with physicians and pharmacists to obtain these drugs, requiring investigation and criminal prosecution of both recipients and providers. In response to recommendations by and with assistance from BSI and other fraud prevention agency divisions, the Commonwealth's Pharmacy Unit within the Department of Public Health has developed a computer program that tracks MassHealth members whose use of prescription drugs appears excessive and, where appropriate, restricts the filling of prescriptions to one designated pharmacy. As patterns of abuse are established, BSI will initiate investigations of suspected abusers, including recipients, physicians, pharmacists, and healthcare facility personnel.
- The majority of BSI Food Stamp fraud referrals involve eligibility issues, such as unreported assets and income, and false identities. In addition, BSI investigates allegations of Food Stamp trafficking in which a recipient and a retailer conspire to convert Food Stamps into currency. Typically, the retailer pays the recipient substantially less than the value of the Food Stamp benefit in cash. This criminal activity not only defrauds the Food Stamp program, but also deprives needy children of food and increases their vulnerability to malnutrition and illness.
- BSI has experienced a significant increase in Personal Care Attendant (PCA) fraud referrals, cases in which falsified records enabled certain caregivers to receive payment for services that were not provided. As a result, BSI and the Attorney General's Office have joined in an initiative, the PCA Task Force, which also includes the federal Health and Human Services Office of the Inspector General, to investigate major PCA fraud cases. In addition to Task Force investigations, BSI continued to pursue additional allegations of PCA program abuse. One recently completed case, which involved the filing of false timesheets totaling \$193,000, was referred for prosecution and, as of the close of this report period, was awaiting Grand Jury action. In addition to focusing on investigations and prosecutions, BSI, both within and outside the Task Force, works to identify systemic programmatic weaknesses and to protect disabled persons.
- BSI continues to investigate allegations of fraud in publicly funded childcare programs throughout the Commonwealth. A completed case involving the intentional provision of false information to the Department of Early Education and Care is currently in management review and pending a precise calculation of fraudulently obtained benefits. Preliminary assessment indicates the illegal receipt of approximately \$100,000.

DIVISION OF LOCAL MANDATES

To ease some of the impact of property tax limits, Proposition 2 1/2 included provisions establishing the Local Mandate Law and the Division of Local Mandates (DLM) within the State Auditor's Office. With limited financial resources, cities and towns would find it increasingly difficult to support unfunded state mandates. Accordingly, the Local Mandate Law sets the general standard that post-1980 state laws and regulations that impose new costs on cities, towns, regional school districts, or educational collaboratives must either be fully funded by the Commonwealth, or subject to voluntary local acceptance. (See Chapter 29, Section 27C, of the General Laws.) DLM is responsible for determining the local financial impact of proposed or existing state mandates. Any community aggrieved by a law or regulation that is contrary to the standards of the Local Mandate Law may request an exemption from compliance in Superior Court, and submit DLM's fiscal impact determination as prima facie evidence of the amount of state funding necessary to sustain the mandate.

DLM maintains a Legislative Review Program to analyze pending legislation on mandate-related issues. To ensure that the General Court considers the local cost impact of legislation, DLM reviews significant bills, prepares preliminary cost studies where applicable, and contacts members of the Legislature to make them aware of the Auditor's concerns. In addition, DLM responds to requests for opinions and cost impact determinations from individual legislators, legislative committees, municipalities, state agencies, and governmental associations.

Chapter 126 of the Acts of 1984 expanded the Division's mission by authorizing DLM to examine any state law or regulation that has a significant local cost impact, regardless of whether it satisfies the more technical standards for a mandate determination. This statute is codified as Section 6B of Chapter 11 of the General Laws. Chapter 126 reviews include cost-benefit analyses and recommendations to the General Court.

Through these functions, DLM contributes to the development of state policy that is more sensitive to local revenue limits, so that cities and towns can maintain more autonomy in setting municipal budget priorities.

The following highlights examples of this work during the reporting period.

MANDATE DETERMINATIONS

The Uniform Statewide Polling Hours Law

DLM certified a total of \$1.57 million for distribution to the Commonwealth's cities and towns to cover expanded polling hours costs related to the 2008 September state primary and November elections. In addition, DLM determined the incremental expenses municipalities incurred due to statutory compliance for the February 2008 Presidential Primary to be \$786,324. In sum, DLM identified total compliance costs for cities and towns at \$2.36 million for the calendar year 2008 election cycle.

A state mandate, Chapter 503 of the Acts of 1983 requires municipalities to keep polling places open from 7 a.m. to 8 p.m. for all state and federal elections, resulting in an additional three hours of polling place operation expenses. Chapter 503 also directs DLM to determine the local financial impact of this mandate for each city and town. Communities must document any additional costs and submit them to DLM for certification. The Massachusetts Secretary of State then distributes the certified amounts to each municipality.

The combined DLM-certified Chapter 503 amounts for the 2008 Presidential Primary and state fall elections ranged from \$240,360 for the City of Boston to \$99 for the small Town of Ashfield in the western part of the state. Since 1983, DLM has certified, and the Secretary of State has distributed, approximately \$18 million in state funding to assume the cost of this state mandate.

Enhanced 911 (E911) Emergency Telecommunications Systems

On behalf of cities and towns statewide, the Massachusetts Municipal Association requested a determination regarding the Local Mandate Law and Chapter 291 of the Acts of 1990. Chapter 291 established the enhanced 911 emergency telecommunications network across Massachusetts, so that operators of public safety answering points automatically know the address from which an emergency call is generated. With some of the revenue derived from monthly surcharges against subscribers to wire-line and wireless telephone services, the Commonwealth has provided equipment, training, and other support to participating cities and towns. Nonetheless, a number of communities have incurred significant additional compliance costs not covered by this level of assistance, including personnel overtime, and maintenance and housing of equipment.

Following a review of the petitioner's argument, input from relevant state agencies, and court precedent, DLM concluded that the Local Mandate Law does not apply in this case. This is because the expenses at issue are the result of a local option law, whereby cities and towns voted to assume these costs in exchange for access to the E911 system, equipment, training, and other services supplied by the Commonwealth. The state Supreme Judicial Court has recognized that a community may voluntarily accept the terms of an unfunded (or underfunded) state law, without creating financial obligations for the Commonwealth under the Local Mandate Law.

Nonetheless, DLM noted that legislative attention would soon turn to the E911 program, as the statutory funding mechanism was due to expire. Concerned that the integrity of the E911 system may be vulnerable to the revenue limits of Proposition 2 1/2, Auditor DeNucci expressed his support for legislation to ease the local fiscal impact of staffing and operating the E911 public safety answering points.

Update: With the subsequent passage of Chapter 223 of the Acts of 2008, the Legislature and the Governor reauthorized the E911 program, updating the funding mechanism, reorganizing the administrative structure, and providing local grants and incentives for regionalization of this public safety function. Among other things, this legislation also earmarks 5% of all surcharge revenues for training of public safety answering point personnel and 25% for communication center support grants. Support grants may also be utilized for other related costs, such as personnel expenses, HVAC equipment, furniture, and radio consoles. Combined, these earmarks could approximate \$16 million, an amount expected to substantially offset the costs to cities and towns that had not been covered under the prior law.

Cost of Programming Accessible Voting Equipment for Local Elections

At the request of the Massachusetts Town Clerks' Association, DLM examined costs associated with programming Automark voter assist terminals for local elections. Automark is the manufacturer of the direct read electronic voting machines selected by the Secretary of State to afford privacy and independence to disabled voters in Massachusetts. With federal funds made available under the Help America Vote Act, the Secretary paid for accessible voting terminals for each polling place in the Commonwealth, and for the cost of programming these machines for federal, state, and local elections. However, the Town Clerks' Association is concerned that the state has not committed to assuming these costs for future municipal elections. Depending upon the number of strictly local elections that might be conducted in a given year, information from the Secretary of State's Office indicates that the statewide cost impact on cities and towns could approximate \$1.7 million. After in-depth consideration of this inquiry, DLM determined that the petitioner had not identified a state law, regulation, or agency rule that could be reviewed under the Local Mandate Law. Following is a summary of factors that led to this conclusion.

As of January 1, 2006, Title III of the Help America Vote Act imposes various new requirements for conducting federal elections. Relevant to the question at issue, voting equipment used for the election of any federal officer must be "accessible" for individuals with disabilities, including nonvisual accessibility for the blind and visually impaired, in a manner that provides the same opportunity for access and participation (including privacy and independence) as for other voters." The law goes on to provide that states may achieve compliance by using "at least one direct read electronic voting system at each polling place." Sources at the United States Department of Justice, Civil Rights Division, confirm that these standards are limited to federal elections, and do not apply to non-federal elections.

After considerable research, including inquiries at the Office of the Secretary of State and the Massachusetts Office on Disability, DLM was unable to document that use of the Automark voter assist terminals or any other direct read voting system is, in fact, required at local elections where no candidate for federal office appears on the ballot. In general terms, the Local Mandate Law allows a city or town to seek a court-ordered exemption from complying with a costly state law or regulation that falls within the scope of the Mandate Law. In the case at hand, there is apparently no state law, regulation, or agency rule that requires use of this equipment at local elections, so there is nothing from which a court could grant a compliance exemption. Accordingly, there is no matter to warrant review under the Local Mandate Law.

In discussions with the Massachusetts Office on Disability, however, DLM learned that the Office's position is that the Automark voter assist terminals must be used at local elections to satisfy protections guaranteed under the State Constitution and the Americans with Disabilities Act. Both essentially guarantee that disabled individuals be free from discrimination, and have access to and be allowed to benefit from all public programs and activities. In view of the fact that cities and towns are in possession of machines that enable disabled persons to vote independently, staff at the Office on Disability believe that a failure to program and use the machines at local elections would be tantamount to illegally excluding these individuals from election activities based solely upon their disabilities. It is DLM's opinion that the standards of the Local Mandate Law would not be applied to exempt cities and towns from complying with actions required of local governments by the State Constitution or by federal law.

Health Care Reform

In response to a petition from the Shrewsbury Board of Selectmen, DLM reviewed Chapter 58 of the Acts of 2006, the Health Care Reform Law. The primary purpose of this legislation is to increase access to affordable health insurance for the residents of Massachusetts. As part of this process, cities and towns, as well as private sector employers, are incurring the cost of complying with bookkeeping and other administrative requirements, as well as costs associated with the establishment of plans that allow employees to contribute to the cost of health insurance on a pre-tax basis. Additionally, during a meeting with DLM staff, Town officials explained the cumulative effect of these and other health insurance-related requirements that have been enacted over the years. Although the cumulative local financial effect of health insurance-related mandates has been substantial, DLM concluded, in keeping with court precedent, that the 2006 reform and the resulting compliance costs are not "mandates" within the meaning of the Local Mandate Law. This is primarily because Chapter 58 imposes obligations that are generally applicable to both public and private sector employers; the obligations are not directed particularly at cities and towns.

Dam Safety

The Town of Ashburnham requested an opinion regarding a 2002 amendment to state law governing the safety of dams on the waterways of Massachusetts. This amendment shifted the duty to obtain periodic inspections of these structures from the state Office of Dam Safety to the individual state agencies, municipalities, and private parties that own over 1,600 dams. The Office issued a series of inspection orders to owners of the potentially more hazardous dams, with follow-up orders for remedial repairs as warranted. The average cost of an inspection is approximately \$5,000, and repair estimates range from minor amounts to over \$1,000,000. Ashburnham owns four dams built at the turn of the 20th century that Office of Dam Safety has determined could cause significant property damage, and possibly loss of life, in the event of dam failure. Nonetheless, Town officials explained that there were no funds available to comply with the inspection requirements or with future orders to make repairs that may be deemed necessary as a result of the inspections.

Following a thorough review of the matter, DLM determined that the Local Mandate Law does not apply to the dam safety law and regulations at issue. As in the Health Care Reform issue described above, the dam safety law imposes obligations that apply generally across both the public and private sectors. Since this law regulates private and public owners of dams alike, it is not a mandate upon cities and towns as the state courts have interpreted the meaning of the Local Mandate Law.

However, Auditor DeNucci recognizes that the Town of Ashburnham has raised important issues of public safety and the financial ability of cities and towns to meet their responsibilities in this regard. DLM is currently reviewing the dam safety law under its Chapter 11, Section 6B, authority to review any law that has a significant impact on local spending, regardless of whether it meets the more technical standards of the Local Mandate Law. If warranted, this review will conclude with a report to the Legislature, quantifying local compliance costs and recommending means to ease the local financial impact of the dam safety law.

PRIVATE OCCUPATIONAL SCHOOLS

Chapters 75C, 75D, and 93 of the Massachusetts General Laws require the Office of the State Auditor and the Department of Education to respectively evaluate the financial and academic qualifications of all private, post-secondary, non-degree-granting occupational schools that charge more than \$250 tuition per year. Schools conducted by employers to train their own employees, or schools or colleges chartered or otherwise authorized by the Commonwealth, are exempt from the mandate of the statutes. These consumer protection statutes were enacted to ensure that private occupational schools are both financially and academically qualified to operate in Massachusetts.

Programs of study offered by licensed private occupational schools include automotive and appliance repair, bartending, broadcasting, business/secretarial skills, car audio/security system installation, computer technology, culinary arts, dental hygiene, dog grooming, electrical code and theory, fashion design, floral design, holistic health care, home health care/certified nurses' assistant training, HVAC/industrial technology, massage therapy, modeling, phlebotomy, photography, plumbing, and tractor trailer driving.

Prior to licensure by the Department of Education, all such non-degree granting business, trade, and correspondence schools are required to submit financial statements to the OSA. This information is evaluated to determine the solvency of each applicant. Those schools determined to be financially qualified for licensure must then secure tuition protection in the amount recommended by the OSA.

The Office of the State Auditor is further required to annually determine each school's appropriate protection level, which may take the form of a surety bond, an irrevocable letter of credit, or a term deposit account payable to the Commonwealth. This provision specifically addresses the issue of potential refunds due to students as a result of fraud, deceptive recruitment practices, or breach of contract by a private occupational school.

As of June 30, 2008, there were 194 private occupational schools on the OSA Proprietary School Active File, consisting of 138 private business schools, 50 private trade schools, five private correspondence schools, and one registered school. At fiscal year-end, the financial certification process was ongoing for twelve renewal applicants, while the process was completed for 182 schools that were found to be financially eligible to apply for occupational school licensure during the year. The 182 approvals by the OSA during fiscal year 2008 represented seventeen original applications and 165 renewals.

Appendix

AUDIT REPORTS ISSUED

EDUCATION AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
1.	Board of Library Commissioners	2006-0165-3S	10/10/07
2.	Bridgewater State College - Student Financial Assistance Programs	2008-0177-7S	4/3/08
3.	Cape Cod Community College	2007-0193-4T	2/26/08
4.	Faculty Workload at Selected Massachusetts Public Institutions of Higher Education (7 entities) <i>Bristol Community College</i> <i>Cape Cod Community College</i> <i>Fitchburg State College</i> <i>Massasoit Community College</i> <i>Mount Wachusett Community College</i> <i>Quinsigamond Community College</i> <i>Westfield State College</i>	2006-5123-3S	9/19/07
5.	Holyoke Community College - Student Financial Assistance Programs	2008-0195-7S	4/3/08
6.	Massachusetts College of Liberal Arts - Student Financial Assistance Programs	2008-0183-7S	4/3/08
7.	Massachusetts Estuaries Project (2 entities) <i>University of Massachusetts-Dartmouth</i> <i>Department of Environmental Protection</i>	2005-0210-3S2	12/11/07
8.	North Shore Community College - Student Financial Assistance Programs	2008-0202-16S	4/3/08
9.	Northern Essex Community College - Student Financial Assistance Programs	2008-0201-7S	4/3/08
10.	Quinsigamond Community College - Chapter 647 Review	2008-0203-12S	4/3/08
11.	Quinsigamond Community College - Student Financial Assistance Programs	2008-0203-16S	4/3/08
12.	Springfield Technical Community College-Chapter 647 Review	2006-0205-12S	7/12/07
13.	Springfield Technical Community College - Student Financial Assistance Programs	2008-0205-16S	4/3/08
14.	Student Financial Assistance Awareness Letter	2008-5135-17S	5/19/08

HEALTH AND HUMAN SERVICES AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
1.	Clarendon Family Day Care, Inc.	2007-4432-3C	12/13/07
2.	Department of Early Education and Care - Single Audit of the Commonwealth	2008-0837-16S	5/1/08
3.	Department of Mental Health – Central Office	2007-0236-3S	7/25/07
4.	Department of Mental Health – Central Massachusetts Area Office	2007-0238-3S	10/5/07
5.	Department of Mental Health – Metro Suburban Area Office	2007-0241-3S	10/5/07
6.	Department of Public Health - Childhood Lead Poisoning Prevention Program	2007-5128-7S1	12/18/07
7.	Department of Public Health - Drug Control Program	2006-0290-3S	10/24/07
8.	Department of Public Health - Lead Paint Education and Training Trust Account (2 entities) <i>Department of Public Health</i> <i>Division of Insurance</i>	2007-5128-7S2	12/18/07
9.	Department of Social Services - Single Audit of the Commonwealth	2008-1058-16S	4/8/08
10.	Disabled Persons Protection Commission	2007-0046-4T	12/21/07
11.	Frederic L. Chamberlain Center, Inc.	2006-4500-3C	3/18/08
12.	Kiddie Kampus, Inc.	2007-4504-3C	3/13/08
13.	Massachusetts Office on Disability	2008-1308-4T	12/7/07
14.	Massachusetts Rehabilitation Commission - Single Audit of the Commonwealth	2008-0054-16S	4/3/08
15.	Office of Medicaid (MassHealth) – Drug Rebate Accounting Management System (3 entities) <i>MassHealth</i> <i>Executive Office of Health and Human Services</i> <i>Affiliated Computer Services</i>	2007-1374-3S2	6/3/08
16.	Office of Medicaid (MassHealth) - Internal Control Plan Review	2007-1374-3S3	3/12/08
17.	Rainbow Child Development Center	2007-4186-3C	7/12/07
18.	Templeton Developmental Center	2007-1454-7O	7/13/07
19.	The Kids' Place, Inc.	2007-4507-3C	2/14/08

HOUSING AUTHORITY AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
1.	Abington Housing Authority	2008-0591-3A	12/4/07
2.	Agawam Housing Authority	2007-0595-3A	9/27/07
3.	Amesbury Housing Authority	2007-0596-4T	10/3/07
4.	Arlington Housing Authority	2008-0599-3A	2/11/08
5.	Ashland Housing Authority	2007-0601-3A	9/19/07
6.	Athol Housing Authority	2008-0602-3A	5/20/08
7.	Auburn Housing Authority	2008-0605-3A	6/19/08
8.	Avon Housing Authority	2008-0600-3A	2/25/08
9.	Barnstable Housing Authority – Site Inspection Report	2006-0606-3A	9/28/07
10.	Bedford Housing Authority – Site Inspection Report	2006-0608-3A	11/6/07
11.	Belmont Housing Authority	2007-0611-3A	8/22/07
12.	Berkshire County Regional Housing Authority	2007-0590-3A	10/4/07
13.	Bourne Housing Authority – Site Inspection Report	2006-0618-3A	9/24/07
14.	Brewster Housing Authority – Site Inspection Report	2006-0659-3A	9/19/07
15.	Brimfield Housing Authority	2008-0858-3A	11/21/07
16.	Burlington Housing Authority – Site Inspection Report	2006-0625-3A	11/6/07
17.	Cambridge Housing Authority – Site Inspection Report	2006-0626-3A	8/7/07
18.	Charlton Housing Authority	2008-1279-3A	11/1/07
19.	Chatham Housing Authority – Site Inspection Report	2006-0629-3A	8/7/07
20.	Chatham Housing Authority	2008-0629-3A	6/16/08
21.	Chelsea Housing Authority	2008-0631-3A	4/22/08
22.	Dalton Housing Authority	2007-0638-3A	8/29/07
23.	Dartmouth Housing Authority	2007-0640-3A	2/20/08
24.	Dennis Housing Authority	2006-0642-3A	9/5/07
25.	Department of Housing and Community Development - Single Audit of the Commonwealth	2008-0001-16S	4/3/08
26.	East Bridgewater Housing Authority – Site Inspection Report	2006-0645-3A	11/6/07
27.	Easthampton Housing Authority	2008-0646-3A	5/27/08
28.	Easton Housing Authority – Site Inspection Report	2006-0648-3A	9/24/07
29.	Essex Housing Authority	2008-0649-3A	6/11/08
30.	Fairhaven Housing Authority	2007-0651-3A	10/3/07
31.	Fall River Housing Authority – Site Inspection Report	2006-0652-3A	1/25/08
32.	Falmouth Housing Authority	2008-0654-3A	3/6/08

HOUSING AUTHORITY AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
33.	Fitchburg Housing Authority – Site Inspection Report	2006-0655-3A	9/24/07
34.	Foxboro Housing Authority	2008-0657-3A	12/13/07
35.	Franklin County Housing Authority – Site Inspection Report	2006-0869-3A2	9/5/07
36.	Georgetown Housing Authority	2007-0664-4T	10/3/07
37.	Greenfield Housing Authority – Site Inspection Report	2006-0669-3A	9/24/07
38.	Groveland Housing Authority	2008-0929-3A	1/23/08
39.	Halifax Housing Authority	2007-1287-3A	9/19/07
40.	Hanson Housing Authority	2008-0902-3A	6/16/08
41.	Harwich Housing Authority	2008-0679-3A	5/19/08
42.	Haverhill Housing Authority – Site Inspection Report	2006-0673-3A	1/2/08
43.	Hingham Housing Authority	2007-0674-3A	1/23/08
44.	Holbrook Housing Authority – Site Inspection Report	2006-0675-3A	10/10/07
45.	Holden Housing Authority	2008-0676-3A	12/13/07
46.	Hopkinton Housing Authority	2007-0681-3A	8/22/07
47.	Hudson Housing Authority	2008-0682-3A	4/22/08
48.	Lee Housing Authority – Site Inspection Report	2006-0690-3A	9/28/07
49.	Mansfield Housing Authority	2007-0704-3A	8/24/07
50.	Mattapoisett Housing Authority	2007-0709-3A	10/5/07
51.	Maynard Housing Authority	2008-0710-3A	3/6/08
52.	Medfield Housing Authority	2008-0711-3A	12/17/07
53.	Medford Housing Authority	2008-0712-3A	2/4/08
54.	Melrose Housing Authority – Site Inspection Report	2006-0715-3A	11/8/07
55.	Merrimac Housing Authority	2008-0717-3A	1/29/08
56.	Methuen Housing Authority – Site Inspection Report	2006-0718-3A	7/13/07
57.	Middleborough Housing Authority – Site Inspection Report	2006-0720-3A2	2/14/08
58.	Middleborough Housing Authority	2008-0720-3A	6/16/08
59.	Middleton Housing Authority	2008-0721-3A	6/10/08
60.	Millbury Housing Authority – Site Inspection Report	2006-0724-3A	7/30/07
61.	Milford Housing Authority	2008-0722-3A	6/10/08
62.	Milton Housing Authority	2007-1044-3A	7/2/07
63.	Nahant Housing Authority	2007-0728-3A	8/28/07
64.	Natick Housing Authority	2008-0729-3A	3/12/08

HOUSING AUTHORITY AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
65.	New Bedford Housing Authority – Site Inspection Report	2006-0732-3A	1/25/08
66.	Newburyport Housing Authority	2008-0734-3A	5/8/08
67.	Newton Housing Authority	2008-0736-8F	12/3/07
68.	North Adams Housing Authority	2007-0738-3A	8/22/07
69.	North Andover Housing Authority	2007-0742-3A	8/24/07
70.	North Reading Housing Authority	2007-0746-3A	7/25/07
71.	Norwood Housing Authority	2008-0748-3A	10/15/07
72.	Orange Housing Authority	2008-0749-3A	4/4/08
73.	Pembroke Housing Authority	2008-0756-3A	1/17/08
74.	Plainville Housing Authority	2007-0759-3A	9/24/07
75.	Provincetown Housing Authority	2008-1049-3A	1/2/08
76.	Quincy Housing Authority – Site Inspection Report	2006-0762-3A	8/9/07
77.	Quincy Housing Authority	2008-0762-7T	6/23/08
78.	Raynham Housing Authority	2007-0903-3A	1/17/08
79.	Reading Housing Authority	2008-0764-3A	1/10/08
80.	Revere Housing Authority	2008-0765-3A	1/17/08
81.	Review on the Handling of Federal Disaster Funds Received by the Commonwealth on behalf of Local Housing Authorities (26 entities: DHCD, MEMA, 24 LHAs)	2007-5129-3A	3/24/08
82.	Salem Housing Authority – Site Inspection Report	2006-0769-3A	10/15/07
83.	Saugus Housing Authority – Site Inspection Report	2006-0772-3A2	7/25/07
84.	Scituate Housing Authority – Site Inspection Report	2006-0773-3A	7/12/07
85.	Shrewsbury Housing Authority	2008-0776-3A	4/22/08
86.	Somerset Housing Authority – Site Inspection Report	2006-0777-3A	7/13/07
87.	Somerset Housing Authority	2008-0777-3A	5/7/08
88.	Southborough Housing Authority	2007-0875-3A	7/13/07
89.	Southwick Housing Authority – Site Inspection Report	2006-0783-3A	11/6/07
90.	Spencer Housing Authority – Site Inspection Report	2006-0784-3A	7/12/07
91.	Statewide Review of Income Eligibility Determination Procedures by Local Housing Authorities (13 Local Housing Authorities)	2008-5131-3A	6/11/08
92.	Stockbridge Housing Authority	2006-0415-3A	8/29/07
93.	Stow Housing Authority	2008-1336-3A	4/28/08
94.	Swampscott Housing Authority – Site Inspection Report	2006-0792-3A	8/7/07

HOUSING AUTHORITY AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
95.	Tewksbury Housing Authority	2008-0796-3A	12/13/07
96.	Topsfield Housing Authority	2008-0859-3A	5/19/08
97.	Tyngsboro Housing Authority	2007-1072-3A	2/7/08
98.	Uxbridge Housing Authority	2008-0798-3A	11/1/07
99.	Wakefield Housing Authority	2008-0799-3A	5/19/08
100.	Ware Housing Authority	2008-0802-3A	1/7/08
101.	Warren Housing Authority	2008-0905-3A	10/10/07
102.	Watertown Housing Authority – Site Inspection Report	2006-0804-3A	6/20/08
103.	Wellesley Housing Authority – Site Inspection Report	2006-0808-3A	11/21/07
104.	Westborough Housing Authority	2008-0809-3A	6/24/08
105.	West Newbury Housing Authority	2008-1295-3A	10/10/07
106.	Westfield Housing Authority	2008-0811-3A	1/7/08
107.	Westford Housing Authority	2008-0812-3A	6/19/08
108.	Westport Housing Authority – Site Inspection Report	2006-0813-3A	11/6/07
109.	Weymouth Housing Authority – Site Inspection Report	2006-0815-3A	3/19/08
110.	Williamstown Housing Authority	2008-0998-3A	4/22/08
111.	Wilmington Housing Authority – Site Inspection Report	2006-0819-3A	6/10/08
112.	Winchendon Housing Authority	2007-0855-3A	10/10/07
113.	Winchester Housing Authority	2008-0821-3A	11/1/07
114.	Woburn Housing Authority– Site Inspection Report	2006-0823-3A	11/14/07
115.	Worcester Housing Authority – Site Inspection Report	2006-0825-3A	10/16/07
116.	Wrentham Housing Authority	2008-0827-3A	10/15/07
117.	Yarmouth Housing Authority – Site Inspection Report	2006-0828-3A	8/9/07

INDEPENDENT AUTHORITY AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
1.	Berkshire Regional Planning Commission	2008-0573-3A	10/23/07
2.	Brockton Redevelopment Authority	2008-0622-8F	5/27/08
3.	Cape Ann Regional Transit Authority	2008-0395-3A	4/16/08
4.	Cape Cod Regional Transit Authority	2007-1008-3A	11/7/07
5.	Central Artery/Tunnel Project - Outstanding Funding Issue with the Massachusetts Port Authority (2 entities)	2007-0510-3C2	6/10/08
6.	Central Artery/Tunnel Project - Water Leak and Ceiling Collapse Cost and Management Issues	2007-0510-3C1	7/30/07
7.	Fall River Line Pier, Inc.	2007-0504-3A	5/7/08
8.	Massachusetts Bay Transportation Authority – Debt Management Practices and Disposal of Surplus Vehicles and Equipment	2004-0583-3A2	1/29/08
9.	Massachusetts Community Development Finance Corporation	2007-1022-3A	3/26/08
10.	Massachusetts Water Resources Authority – Monitoring the Operations of the Residuals Pelletizing Plant	2007-1323-3C	6/30/08
11.	Montachusett Regional Planning Commission	2008-1299-6A	8/24/07
12.	Nantucket Regional Transit Authority	2007-0883-6A	8/29/07
13.	Pioneer Valley Planning Commission	2008-0575-3A	8/24/07
14.	Pioneer Valley Regional Transit Authority	2007-0877-3A	9/20/07
15.	Schooner Ernestina Commission	2008-1404-3A	4/4/08

JUDICIARY/LAW ENFORCEMENT AUDITS

<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
1. Berkshire County District Attorney's Office	2007-1261-3S	7/12/07
2. Berkshire Juvenile Court	2007-1245-3O	3/12/08
3. Bristol County District Attorney's Office	2007-1264-11S	2/20/08
4. Chicopee District Court	2008-1167-3O	1/10/08
5. Committee for Public Counsel Services	2006-1104-3A	10/17/07
6. Dedham District Court	2008-1160-3O	4/4/08
7. Department of Correction	2008-0145-11S	4/3/08
8. Department of Correction – Technology Services Unit	2007-0145-7T	3/12/08
9. Department of Public Health – Homeland Security Bioterrorism Grants (28 entities: DPH, MEMA, 6 Emergency Preparedness Regions, 5 Emergency Medical Service Councils, 15 Regional Health Coalitions)	2005-0290-3S2	3/24/08
10. Essex County Superior Court	2007-1111-3O	11/1/07
11. Fall River District Court	2007-1193-3O	8/7/07
12. Falmouth District Court	2007-1201-3O	10/3/07
13. Hampden County Juvenile Court	2007-1244-3O	12/11/07
14. Hingham District Court	2007-1199-3O	7/13/07
15. Ipswich District Court	2007-1154-3O	11/19/07
16. Lawrence District Court	2007-1156-3O	7/13/07
17. Lowell District Court	2007-1141-3O	11/8/07
18. Middlesex County Juvenile Court	2007-1242-3O	8/7/07
19. New Bedford District Court	2008-1192-3O	1/23/08
20. Newburyport District Court	2007-1158-3O	7/25/07
21. Norfolk County District Attorney's Office	2007-1258-3S	9/5/07
22. Northwestern District Attorney's Office (Hampshire/Franklin County)	2007-1260-3S	7/12/07
23. Office of Environmental Law Enforcement	2008-0281-3S	5/12/08
24. Office of the Jury Commissioner	2007-1216-3O	4/17/08
25. Parole Board	2007-0154-4T	7/11/07
26. Quincy District Court	2007-1161-3O	9/13/07
27. South Berkshire District Court	2008-1175-3O	5/20/08
28. Taunton District Court	2008-1191-3O	4/22/08
29. Technical Assistance to the Worcester County D.A. Office - Lithuanian War Veterans' Organization, Inc.	2007-6040-9O	11/7/07

JUDICIARY/LAW ENFORCEMENT AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
30.	Western Housing Court	2007-1212-3O	4/22/08
31.	Westfield District Court	2008-1170-3O	6/20/08
32.	Worcester County District Attorney's Office	2008-1262-3S	2/25/08
33.	Worcester Housing Court	2007-1313-3O	8/28/07

OTHER AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
1.	Alcoholic Beverages Control Commission	2007-0011-4T	4/25/08
2.	Architectural Access Board	2008-0023-3A	5/20/08
3.	Chapter 555 - Review of Tax Revenues, FY 2007 (7 entities) <i>Department of Revenue</i> <i>Division of Insurance</i> <i>Division of Unemployment Assistance</i> <i>Office of the Secretary of State</i> <i>State Boxing Commission</i> <i>State Racing Commission</i> <i>State Lottery Commission</i>	2008-5555-16S	9/18/07
4.	City of Fall River	2008-2105-11S	6/13/08
5.	City of Springfield	2007-2104-17O	8/23/07
6.	Compliance with the Watershed Agreement (2 entities) <i>Department of Conservation & Recreation</i> <i>Massachusetts Water Resources Authority</i>		
7.	Department of Agricultural Resources - Pesticide Bureau	2007-0091-7A	8/9/07
8.	Department of Environmental Protection	2006-0456-4T	9/13/07
9.	Department of Fish and Game	2006-0432-12S	1/7/08
10.	Department of Industrial Accidents (2 entities) <i>DIA</i> <i>Information Technology Division</i>	2008-0222-4T	6/30/08
11.	Division of Banks & Loan Agencies	2007-0100-4T	11/27/07
12.	Division of Marine Fisheries - Red Tide Disaster Relief	2008-0282-16F	11/5/07
13.	Information Technology Division - Cost/Benefit Analysis of Open Document Standard	2006-0884-4T	9/20/07
14.	Massachusetts Commission Against Discrimination (2 entities) <i>MCAD</i> <i>Information Technology Division</i>	2007-0045-4T	6/30/08
15.	Massachusetts Office of Travel & Tourism/Department of Business and Technology (2 entities)	2007-0140-3C	6/30/08
16.	Office of Inspector General (Payroll Activities)	2008-1052-3S	3/31/08
17.	Operational Services Division – Credit Card Services	2008-1414-3O	6/25/08
18.	Operational Services Division – Data Center Review (2 entities) <i>OSD</i> <i>Information Technology Division</i>	2008-1414-4T	6/30/08

OTHER AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
19.	State Election Campaign Fund (4 entities) <i>Office of Campaign & Political Finance</i> <i>Office of the State Treasurer</i> <i>Office of the State Comptroller</i> <i>Department of Revenue</i>	2007-0969-3S	6/30/08
20.	Statewide Review of Check Endorsements	2007-5130-17S	6/9/08
21.	State Office of Minority & Women Business Assistance	2007-0158-4T	12/4/07
22.	Victims of Drunk Driving Trust Fund	2005-5118-3S	6/30/08