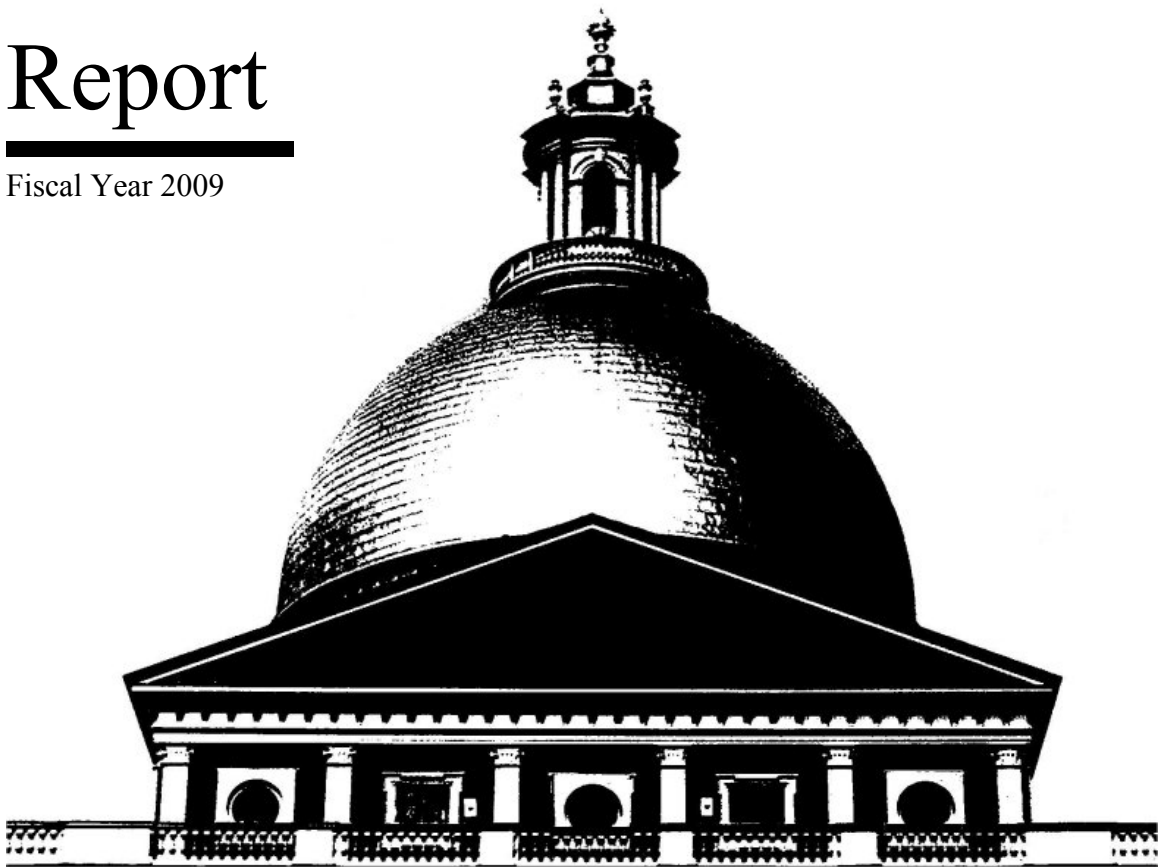


Office of the State Auditor

Annual Report

Fiscal Year 2009



A. Joseph DeNucci

Auditor of the Commonwealth



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

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November 2009

His Excellency Deval Patrick, Governor
Honorable Timothy P. Murray, Lt. Governor
Honorable Therese Murray, President of the Senate
Honorable Robert A. DeLeo, Speaker of the House of Representatives
Honorable Steven C. Panagiotakos, Chairman of the Senate Ways and Means Committee
Honorable Charles A. Murphy, 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, 2008 through June 30, 2009. During fiscal year 2009, the OSA issued 324 audit reports covering agencies, authorities, vendors, and various other state entities and activities. In addition, the OSA partnered with a private accounting firm, KPMG, to perform the Single Audit of the Commonwealth, a required comprehensive annual financial and compliance audit.

During this report period, my office's continuing Medicaid Audit Initiative resulted in fifteen audits, including a comprehensive review of the state's Personal Care Attendant Program and fiscal audits of MassHealth expenditures for services such as day health, MRI, and clinical services. The broad range of our other audit work included assessments of the Massachusetts School Building Authority; the MBTA's Automated Fare Collection System contract; and information technology activities, including data integrity protection, at the Criminal History Systems Board. Finally, audits of vendors that provide services under state contracts continued to identify substantial recoverable unallowable charges.

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 dark ink, reading "A. Joseph DeNucci". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

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 2009, the Office of the State Auditor issued 324 audit reports covering 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 71. 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 34 audits pertaining to education entities. These reports include audits of administrative controls and specific activities at several public institutions of higher education, including a privatization proposal by Springfield Technical Community College. 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.

Bridgewater State College

During an audit of Bridgewater State College's compliance with fiscal year 2006 year-end closing procedures for cash and revenue management, the OSA found potential irregularities in the College's deposit activity. A follow-up internal investigation confirmed that a series of deposits totaling over \$350,000 had not been credited to the College's bank account. Based on their investigation, College officials also terminated the employment of a bookkeeper suspected of diverting funds for her personal use. They then reported the missing funds to the OSA as required under Chapter 647 of the Acts of 1989, the state's Internal Control Statute, and notified the Attorney General's Office of the possible theft. The State Auditor, in conjunction with the Attorney General, undertook a joint audit and investigation with the OSA focusing on the internal control deficiencies that resulted in the loss of funds and on recommendations for strengthening the control environment.

- Bridgewater State College had inadequate internal controls over its revenue collection and deposit process, including an inadequate segregation of duties and insufficient supervisory oversight. As a result, a bookkeeper in the College's Fiscal Affairs Office was able to use her position to embezzle at least \$355,441 in College funds. The audit found, among significant deficiencies, that the bookkeeper was given more authority than her position warranted, including resolving discrepancies in bank deposit transactions, which should have been the responsibility of a supervisor. The OSA's examination also disclosed that the 471 deposits identified as manipulated and altered took substantially longer than other deposits to clear the bank. The continued discrepancies of the untimely deposits should have raised suspicion and been thoroughly investigated, especially since the bookkeeper, in violation of established procedures, was directly receiving and depositing admissions checks that should have been processed by the cashiers in the Fiscal Affairs Office. Because of this breakdown in fundamental internal control procedures, the bookkeeper was able to accumulate admissions checks that were used to cover up thefts of cash. Finally, the College did not keep deposit slips in secure areas or maintain an inventory of prenumbered deposit bags. After the bookkeeper was dismissed from employment, officials found blank bank deposit slips, blank cashiers' deposit bags, and four deposit bags that had been prepared and sealed by College cashiers, then subsequently opened and tampered with. The OSA recommended that the College fully document its internal controls and policies and procedures, properly segregate duties throughout the revenue collection and deposit process, ensure the adequacy and continuous supervision of activities by management, and provide staff with adequate training on revenue processing and internal controls.
- As a result of the joint audit and investigation conducted by the Offices of the State Auditor and the Attorney General, a Plymouth Superior Court grand jury indicted the bookkeeper referred to above on twelve counts of larceny. On April 7, 2009, this former employee was found guilty on all counts and sentenced to three years in State Prison, followed by five years of probation. She was also ordered to pay \$350,000 in restitution to Bridgewater State College.

Massachusetts Bay Community College

In accordance with the requirements of Chapter 647 of the Acts of 1989, the state's Internal Control Statute, Massachusetts Bay Community College (MassBay) reported to the OSA excessive electrical costs of approximately \$300,000 accrued by an adjacent tenant using an unauthorized connection to a MassBay electrical meter. The OSA, in response, examined the control environment in which the diversion of electricity occurred, as well as the ongoing payments of excessive electricity bills; identified internal control policies and procedures in need of modification; and made recommendations for corrective action, as detailed below. MassBay also referred this matter to the Office of the Attorney General.

- The OSA review determined that MassBay did not have adequate management and internal controls over utility bill expenditures at its satellite facility in Ashland. Specifically, inadequate supervision over employee activities resulted in the inappropriate facilitating of an unauthorized connection into the College's electrical service by an adjacent tenant. According to on-site College employees, the adjacent tenant, which could not meet its electrical needs without a substantial systems upgrade, asked to connect into the College's electrical meter, in return for which the tenant would pay the entire electric bill for the facility. The connection was completed without authorization from appropriate College officials, and the billing remained in MassBay's name. This led to the College's paying electrical charges of approximately \$300,000 above its customary costs for electricity for the period April 2004 through March 2007. The audit also noted that utility usage by location was not sufficiently monitored to verify that electrical billings were valid, a deficiency that prevented an earlier detection of the excessive electrical charges.
- The OSA recommended that the conditions and terms for agreement authorizations be clearly documented and communicated; that departmental management supervision be strengthened; and that all expenditures be reviewed for validity and proper authorization. The College concurred with the recommendations and stated that certain controls, which had been in place but were allowed to lapse during a reorganization, had been or were in the process of reimplementation. College management also stated that all metering and connection issues had been resolved as of December 2007, but that efforts to obtain repayment of the excess electrical charges from the tenant had been unsuccessful. At the close of the audit period, the issue of whether there had been a theft of electrical service remained under investigation by the Office of the Attorney General.

University of Massachusetts at Boston

The OSA conducted an audit of financial and management controls over operational activities at the University of Massachusetts (UMass) at Boston. The audit focused on payroll controls, contract administration, and the safeguarding of property and equipment. The report also reviewed a prior audit finding that UMass-Boston improperly diverted more than \$200,000 in parking garage revenue for unrelated purposes, while the garage was deteriorating due to a lack of maintenance and repairs. The current audit found that the University did take corrective action by establishing restrictions on the use of its Parking and Transportation Trust Fund. However, the parking garage was subsequently closed due to safety concerns, and plans to build

a new parking facility were deferred indefinitely. As summarized below, several new serious weaknesses in payroll and inventory procedures were identified.

- UMass-Boston had several deficiencies in payroll procedures and documentation. Most concerning, employees who work a set number of hours each pay period were not included on attendance reports unless there were exceptions to their regular work schedule. Without supervisory review of the entire payroll, there was inadequate assurance that attendance for all employees was accurately recorded and authorized, and, in fact, a former employee received \$34,273 in salary payments over a period of nine months after leaving UMass-Boston. Although this individual never reported the overpayments, after the error was discovered, the University was able to recover the net amount of \$26,721 paid after taxes and other deductions.
- UMass-Boston had not conducted a physical inventory of property and equipment since fiscal year 2000 and did not maintain complete and accurate inventory records. Audit tests of 119 property items found that eight computers valued at \$10,546 could not be located; 26 additional items had been removed from the campus, with no indication as to their new location or who removed them; and fifteen of 38 vehicles, valued at \$204,638, were no longer at UMass-Boston but had not been removed from the inventory listing. In addition, the University did not record and track its donated property, including art works, on its inventory listing. As a result of these inventory control deficiencies, fixed assets were vulnerable to loss, theft, and misuse. Furthermore, the total valuation of these fixed assets could not be readily determined or accurately recorded on financial statements.
- UMass-Boston did not report four instances of stolen funds totaling \$2,822 to the OSA as required under Chapter 647 of the Acts of 1989, the state's Internal Control Statute. As a result, the OSA was delayed in investigating the control environment and making recommendations for its improvement.

Springfield Technical Community College: Privatization Proposal

Chapter 7, Sections 52-55, of the Massachusetts General Laws, the state's Privatization Statute, established procedures that must be followed by agencies seeking to privatize a service currently being performed by state employees. These procedures, which apply to contracts of \$200,000 or more, include composing a detailed statement of services to be used in soliciting competitive bids, estimating the most cost-efficient method of providing those services with agency employees, and comparing the in-house cost with the cost of contract performance. Additional provisions address wages, benefits, and other vendor compliance issues. The proposal is then submitted to the State Auditor, who conducts an independent evaluation and, based upon the requirements of the law, accepts or rejects the contract.

In July 2008, Springfield Technical Community College submitted a proposal to privatize the operation of its campus bookstore. During the performance of the OSA review, the College made certain revisions to its previously submitted documentation, which were accepted as an integral part of the proposal. The following is a summary of the State Auditor's determination.

Based on the OSA's review, the Auditor concluded that Springfield Technical Community College had complied with the state's Privatization Statute and applicable OSA guidelines in awarding a contract to Follett Higher Education Group, Inc., to manage and operate its campus bookstore. The College had documented and certified that the quality of services to be provided by the contractor would be equal to or greater than the work currently being performed in-house, while the cost of operating the bookstore would be less, and revenues would substantially increase. The determination also noted that the contract addressed all statutory wage, benefit, and personnel requirements. Accordingly, the State Auditor approved the award of this contract.

Audits of Federal Student Assistance Programs

The OSA, in this audit period, completed six 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, 2008 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 substantially improved the management and monitoring of federal work-study student timesheets, correcting a deficiency noted in three prior audit reports. Current audit testing found that all timesheets contained student and supervisory signatures, were submitted on the required electronic or pre-printed forms, and reflected hours worked during the pay period.
- ***Bristol Community College*** needed to improve the management of student work-study timesheets. OSA testing disclosed timesheets not submitted on the required pre-printed form, timesheets lacking student signatures, timesheets submitted to the payroll department before students had worked the hours recorded, and stamped supervisor approvals. In addition, the College did not notify the National Student Loan Data System in a timely manner of student enrollment status changes for all recipients of federal student loans. 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. Finally, the College needed to update and consolidate its Internal Control Plan, particularly in the areas of risk assessment and risk response.
- ***Mount Wachusett Community College***, contrary to federal regulations, did not notify the National Student Loan Data System of enrollment status changes for all students receiving federal loans. Audit testing of 30 such students disclosed that student status changes had not been reported for eight students who had withdrawn from the College. Moreover, reported status changes for eleven additional students were not timely. As a result, for the period under review, the College could not verify all students' loan privileges or always assist in determining grace periods and repayment schedules. Subsequent to the audit date, the College began to submit student enrollment status changes on a monthly basis to help ensure compliance with federal regulations. The

audit also noted that the College needed to update and fully document its Internal Control Plan, particularly in the areas of risk assessment and risk response.

- ***North Shore Community College*** had satisfactorily resolved issues reported in a prior audit by improving Federal Work Study internal control and payroll procedures and by properly notifying the National Student Loan Data System when students receiving financial aid graduate or withdraw from school.
- ***Springfield Technical Community College*** had taken corrective action to resolve the issues identified in a prior audit. The current audit found that College officials had transferred to the State Treasurer's Unclaimed Check Fund student refund and other checks that remained uncashed for twelve months, strengthened internal controls over student work-study payrolls, and implemented an improved reporting schedule for notifying the National Student Loan Data System concerning student status changes.
- ***Westfield State College*** was not adequately maintaining, monitoring, and controlling its Federal Work Study program payroll records and files. Specifically, the audit found deficiencies in timesheet preparation, including missing student signatures and supervisory approvals, payments for work that was scheduled but not yet completed, and incorrect calculations of wages due. These weaknesses resulted in questionable payments totaling \$27,886. In addition, student enrollment status changes were not submitted as required. A sample test of 30 students in receipt of federal student loans disclosed that the College did not notify the National Student Loan Data System of student status changes for eleven students and did not report in a timely manner the status of an additional eight students who either graduated or withdrew. As a result, the College was unable to verify loan privileges or set repayment schedules for a significant number of student loan recipients. Furthermore, the College did not properly identify and retain program interest income earned on its Federal Perkins Loan funds, an oversight that officials moved quickly to correct by properly allocating to this account \$2,095 for fiscal year 2008. Finally, the College needed to update and fully document its Internal Control Plan to bring it into compliance with the requirements of the state's Internal Control Statute.

Charter Schools: Financial Status and Reporting

Charter schools are public schools that receive most of their funding from the state, but operate generally independent of local school districts. The OSA performed an audit, which included a follow-up review of its prior charter school audit report, as well as an assessment of each charter school's financial status. The audit found that, generally, Massachusetts charter schools have improved their financial reporting and bidding practices, and continue to be fiscally sound. Audit results are discussed below.

Education

- The state Department of Elementary and Secondary Education has adopted the prior audit's recommendation calling for consistent financial reporting by charter schools. As a result, the Department and oversight agencies are now able to make effective financial comparisons of charter schools. In addition, in fiscal year 2006, the Department began collecting detailed revenue and expenditure data from charter schools that are comparable to those used in public school districts. This will enable more accurate financial comparisons between public schools and charter schools. Finally, 55 of the 57 charter schools reviewed had developed policies and procedures for the procurement of goods and services.
- Based on net income and asset amounts, as well as other financial measures, such as a school's ability to meet its cash obligations, most charter schools continued to be financially sound. For fiscal year 2006, 46 of 57 charter schools had net income ranging from \$389 to \$2,317,947, with an average of \$365,053. On average, the net income realized by these 46 schools represented 8% of their total revenue.
- Although the majority of charter schools had surplus revenue in fiscal year 2006, eleven charter schools reported net losses. The losses ranged from \$12,391 to \$474,387, with an average of \$178,873.
- Cumulative net assets of the charter schools reviewed were \$91,499,434 as of June 30, 2007.

Charter School Review

State law requires that all charter schools file annual independent audits of their accounts with the Department of Elementary and Secondary 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 review 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 2008, the OSA sent all charter schools a notice reminding them that they are required to have an annual independent audit performed and to send a copy of the resulting report to the OSA, as well as to the Department of Elementary and Secondary Education, on or before January 1, in accordance with Chapter 71, Section 89 of the General Laws. During fiscal year 2009, the OSA conducted reviews of 61 charter school independent audit reports for the fiscal year ended June 30, 2008. Of the 61 schools reviewed, 51 complied with audit requirements for the areas tested. Ten reports were submitted after the required deadline.

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 requested 21 corrective action plans addressing issues noted in the audit reports and management letters that accompanied the charter school audits. As of the close of the report period, the OSA had received thirteen corrective action plans.

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 2009, the OSA issued 60 audits pertaining to health and human service agencies, providers, 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 developmentally disabled; 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 two audits of the state's Personal Care Attendant Program, an audit of MassHealth payments for durable medical equipment, and reviews of private vendors that provide services under state contracts.

Medicaid Program Audits

The OSA's Medicaid Audit Unit is continuing to issue audits relative to MassHealth's administration of the state's Medicaid program. Medicaid provides health care benefits to more than a million people and accounts for approximately 25% of total Commonwealth expenditures. In the first phase of this audit initiative, the OSA issued a comprehensive audit, which found that, as of October 2005, MassHealth did not have either the resources or internal controls to effectively deter Medicaid fraud. Based on the findings of this audit and the magnitude, importance, and cost ramifications of the program, Auditor DeNucci established the Medicaid Audit Unit within the OSA's Division of Audit Operations, which has primary responsibility for the ongoing Medicaid audit initiative.

Subsequent audits have addressed a wide variety of topics, including transportation and ambulance services, MassHealth's internal control and risk management plans, drug rebates from manufacturers due to the Commonwealth under federal law, and adult day care providers. During fiscal year 2009, the OSA completed fifteen additional Medicaid audits, including a comprehensive programmatic review of the state's Personal Care Attendant Program, fiscal audits of various MassHealth expenditures, and reviews of private companies that provide day health, MRI, and clinical services to Medicaid recipients. Major findings and recommendations from these audits are discussed below.

Durable Medical Equipment

MassHealth, in fiscal year 2007, paid \$42,308,030 for durable medical equipment items, such as wheel chairs, respiratory equipment, and personal response systems. The major audit finding in this OSA audit was that these expenditures included over \$12 million in excessive and questionable payments.

- MassHealth did not have an adequate system for requiring claims documentation or performing post-payment audits. Examining a statistically valid sample, the OSA found claims that lacked required certifications of medical necessity, as well as proof of delivery. Based on the extrapolated results of the value in the sample, as much as \$4.9 million was overpaid for medical equipment.
- MassHealth paid higher rates for medical equipment than those paid by the state of New York for the same products and services. In examining the reasonableness of Massachusetts's reimbursement rates, which are set by the Commonwealth's Division of Health Care Finance and Policy, the OSA found that MassHealth would have saved approximately \$6 million if it paid at the same rate as New York. Furthermore, the OSA found a number of the products for sale at retail outlets at a lower cost than the Massachusetts reimbursement rates, suggesting that retail providers were buying at lower rates than those established for Medicaid payments.

- MassHealth could save an additional \$1.3 million annually by changing the rental arrangements for personal emergency response systems, which are electronic devices that are attached to a telephone line to enable a recipient to get prompt medical attention in an emergency. The cost savings could be achieved by renting equipment on an annual rather than a monthly basis.

Personal Care Attendant Program

The OSA issued a comprehensive audit of the state's Medicaid-funded PCA program, which provides home services to 16,000 individuals with permanent or chronic disabilities. The report found that although Massachusetts pioneered consumer directed personal care services in the 1970s, the current program was hampered by operational inefficiencies and delays in authorizing services. In addition, the program, which has expanded in recent years to include frail elderly and cognitively limited populations, did not offer adequate protections to program participants. The audit also made several recommendations for program improvements that, if implemented, will enhance protections, increase program effectiveness, and enable eligible consumers to more promptly access the services they need to live independently in the community. The audit's principal findings and recommendations are summarized below.

- During the period of this audit, consumers had only limited access to background checks for prospective PCAs, had to pay for Criminal Offender Record Information (CORI) checks, and did not receive assistance in interpreting CORI reports. The OSA recommended that the program offer to provide, free of charge, background checks for prospective attendants. In order to make informed hiring decisions and receive maximum protections, consumers need background information that is timely, readable, and accurate.
- The system used to authorize services for consumers was inefficient, taking six to eight weeks to approve PCA services for new consumers, whereas similar programs in other states were making PCA services available within two weeks. The audit identified as problems impeding the PCA service authorization process, inadequate automated systems for tracking service requests, complicated and inconsistent submission requirements, and a lack of comprehensive uniform policies and procedures. Furthermore, the appeals process for those who were denied services or had service hours reduced was overly complicated, and MassHealth did not routinely take advantage of federal regulations that allow consumer service needs to be re-evaluated less frequently.
- PCA program staff were not regularly reviewing annual financial statements filed by the agencies that contract with the state to provide fiscal and program management. Better utilization of these reports could result in improved evaluation of staffing and services.
- The wages of Personal Care Attendants may be inadequate to ensure that a sufficient number of PCAs are available, particularly with the continuing growth of the program. Although the hourly wage rate is scheduled to gradually increase from \$10.84 to \$12.48, the wages and benefits for these workers have historically not kept pace with inflation and other benchmarks such as the state's median household income.

- Executive Office of Health and Human Services and MassHealth officials responded that they had begun to implement an expedited procedure for processing requests for PCA services, as well as improvements in prior authorization procedures.

Personal Care Attendant (PCA) Claims Payments

The OSA, in conjunction with the U.S. Department of Health and Human Services, Office of the Inspector General, conducted an audit of billings for personal care services performed at a time when consumers said to have received the services may have been residents of nursing facilities or hospitals. PCAs assist people with long-term disabilities to live at home independently by helping them with various activities of daily living. In fiscal year 2007, MassHealth paid \$302 million for PCA services. Under both federal and state regulations, any claims for payments for these services provided to individuals in inpatient facilities would be unallowable and potentially fraudulent.

- The OSA reviewed a sample of 200 periods of service selected by the U.S. Department of Health and Human Services Inspector General to focus on time periods when consumers may have been residents of inpatient facilities. Of the amounts paid in the sample, \$34,944, or 18.6 percent, represented improper payments. Based on the audit results, the federal agency projected overpayments in fiscal year 2005 of \$610,333 for PCA services claimed while consumers were in nursing facilities or hospitals.

The Massachusetts Rehabilitation Commission

The OSA, in conjunction with the Single Audit of the Commonwealth for the fiscal year ended June 30, 2008, conducted a review of the financial activities of the Massachusetts Rehabilitation Commission (MRC). The audit reviewed prior findings; assessed internal controls; and evaluated compliance with laws, regulations, and requirements governing federally funded agency programs. For fiscal year 2008, MRC received \$89.2 million in appropriations, \$78.5 million of which consisted of federal funds. The audit found that the agency had resolved inventory issues that had been cited in previous reviews by conducting an annual physical inventory of property and equipment and reconciling the results with its books and records, properly tagging equipment items, and reporting missing items to the OSA as required under the state's Internal Control Statute. However, subsequent issues relative to the agency's Vocational Rehabilitation Program were identified, as summarized below.

- The Massachusetts Rehabilitation Commission was not performing reconciliations between its records of Vocational Rehabilitation program income from the United States Social Security Administration and the Massachusetts Management Accounting and Reporting System (MMARS). As a result, substantial undetected variances occurred. Specifically, recording errors in MMARS led to an understatement of program income of \$174,682 and inaccurate financial status reports.

- The Massachusetts Rehabilitation Commission was not in full compliance with the regulatory requirement that eligibility determinations be performed within 60 days for individuals applying for Vocational Rehabilitation services. A review of the client database disclosed that eligibility was not determined within 60 days of the application date for 2,318 (25%) of the 9,429 cases received during the period of July 1, 2007 to April 30, 2008. In addition, as of June 30, 2008, eligibility had not yet been determined for 649 of the 2,318 cases noted above. Both federal and state regulations permit an extension of time beyond 60 days for exceptional circumstances beyond MRC's control, provided that the agency and applicant agree to the extension. However, in the cases noted above, there was no documentation on record that an extension of time was agreed to or even requested.

Little People's College, Inc.

The OSA conducted an audit of various administrative and operational activities of Little People's College, Inc., a Fairhaven-based for-profit organization that provides early care and education for children ages one month through twelve years. The Department of Early Education and Care licenses the organization's center-based operations and is also a major source of the entity's funding. As summarized below, the audit identified governance issues, unallowable expenses charged to state contracts, and reimbursements that exceeded maximum contract obligations.

- Little People's College's corporate management structure, which did not fully comply with the state's General Contract Conditions, did not provide adequate control over agency operations. Specifically, during the audit period, the entity's Board of Directors consisted of five individuals, four of whom were related to its Chief Executive Officer. Moreover, three of the four related individuals also held positions within the agency. As a result, the audit questioned the Board's ability to perform its responsibilities in an independent manner, including the setting of executive salaries. Moreover, the entity did not have a required formal policy relative to nepotism. In addition to the three Board members who were employed by Little People's College, eight other relatives were on the payroll, including six who were under the direct supervision of a family member.
- Little People's College charged over \$27,000 in unallowable expenses to state contracts. Included in this amount was \$4,194 in nonreimbursable credit card expenses, \$9,510 in unallowable petty cash expenditures, and approximately \$13,600 in undocumented or unallowable vehicle costs.
- Contrary to state regulations and the terms and conditions of its state contracts, Little People's College had not established adequate controls over the documentation and allocation of payroll expenses. Specifically, the entity did not require administrative staff members to document hours worked or functions benefited and also did not require its Chief of Maintenance to submit timesheets for payroll processing. As a result, the entity could not ensure that all reimbursements for payroll expenses were requested on the basis of accurate and complete documentation of time and attendance.

- Little People's College overcharged the Department of Early Education and Care by a total of more than \$21,000 during fiscal years 2005 and 2006 by exceeding the maximum obligation of its state contracts. When the Department became aware of the overbilling, it notified Little People's College that it could retain the money as "flexible pool" funding, which is provided to human service agencies to assist families with continuity-of-care or special transportation needs. However, the entity did not record this funding as flexible pool revenue but, instead, utilized the funds as general contract revenue.

LifeLinks, Inc.

The OSA completed an audit of LifeLinks, Inc., a not-for-profit vendor that provides a wide variety of programs and services for people with disabilities. The audit, which reviewed internal controls, business practices, and various compliance issues, identified \$286,661 in unallowable expenses that LifeLinks billed to its state-funded contracts. Audit findings are summarized below.

- LifeLinks, which leased two properties from related parties for the provision of residential services to clients, charged the state for rental costs that exceeded allowable amounts by at least \$90,794. In one instance, the provider leased space in a mill complex in North Chelmsford from a firm co-owned by a member of LifeLinks' Board of Directors. LifeLinks' lease payments over a three-year period exceeded actual listed costs by \$60,890. This amount represented an overcharge to state contracts since, under state regulations, no profit may be made on related-party transactions. In the second instance, LifeLinks' Chief Information Officer purchased property in Chelmsford, which she leased to LifeLinks to be used as a group home. In this case, the vendor's rental payment exceeded market value by \$29,904, which, as with the Chelmsford rental, represented an overcharge that should be addressed by the state's Operational Services Division.
- LifeLinks charged almost \$196,000 in unallowable employee bonuses to the Commonwealth during fiscal year 2007. The audit noted that the bonuses were nonreimbursable because LifeLinks did not comply with state regulations requiring that a vendor charging bonuses to state contracts must have a formal written policy that is consistently implemented and covers all employees.

L.P. College, Inc.

The OSA examined various administrative and operational activities of L.P. College, Inc., a New Bedford for-profit corporation that is licensed by the Department of Early Education and Care to provide childcare services for over 900 children. As detailed below, the audit found that the provider retained profits in excess of what was allowed under its state contracts, engaged in undisclosed and inappropriate related-party transactions, and gave certain employees substantial unallowable fringe benefits.

- L.P. College was authorized to build a commercial fee or profit into its state contract funding. However, the provider charged to its state contracts \$39,427 in excess of the amount authorized by the Commonwealth's Department of Early Education and Care.

- L.P. College conducted transactions totaling \$44,298 with two related parties, which were not disclosed on the provider's financial statements. The first transaction was with an affiliate corporation organized by L.P. College's Executive Director to provide professional services. The other involved the leasing of office space at a Florida home owned by the Executive Director. Because these related-party transactions were not properly disclosed, L.P. College violated state regulations, potentially subjecting the vendor to fines by the state's Operational Services Division. In a separate related-party transaction, the vendor paid more than \$57,000 to a company in which its Executive Director had a financial interest to lease space for a childcare program that was not yet operational. Since this program did not serve Commonwealth children for more than nine months after the vendor began paying rent and other costs, the portion of those expenses that L.P. College charged against its state contracts, \$14,277, was non-program-related and should be repaid to the Commonwealth.
- L.P. College charged the state \$29,374 for health insurance and other fringe benefits for selected employees, including its Executive Director. These charges were nonreimbursable because the benefits were not available to all employees, a requirement under state regulations.

Road to Responsibility, Inc.

In response to concerns raised by the Department of Mental Retardation (DMR), the OSA conducted an audit of Road to Responsibility, a private, nonprofit corporation that provides residential and day services to more than 1,000 disabled individuals in Southeastern Massachusetts. Road to Responsibility receives the majority of its revenues from contracts with DMR. During fiscal years 2005, 2006, and 2007, this contract funding totaled more than \$44 million. The audit identified significant governance deficiencies, which limited Board independence and oversight. These weaknesses, combined with inadequate procedural controls, allowed two executive staff members to receive hundreds of thousands of dollars in inappropriate state-funded salaries.

- During the period covered by the audit, the flawed structure of Road to Responsibility's Board of Directors severely limited its ability to meet its oversight responsibilities. Under the agency's corporate structure, its founders, a husband and wife who originally ran daily operations as president and vice-president of development, were empowered to control the size and composition of the Board, as well as the election and nomination of Board members. Furthermore, these two individuals had the authority to remove Board members from their position without cause. It was, therefore, impossible for the Board to independently monitor their work and compensation. Although the Board of Directors, in spite of these impediments and over the objection of the founders, voted at its December 2007 meeting to modify its corporate bylaws, the former structure was in effect during the audit period and contributed to the significant and costly irregularities detailed below.
- Road to Responsibility, between fiscal years 2002 and 2008, provided improper and excessive compensation totaling as much as \$621,847 to its President and his wife. Specifically, although a new Executive Director was appointed in January 2002 to manage agency operations, the President, whose responsibilities were significantly

reduced, continued to receive his full salary for six years. During this time, Road to Responsibility charged the state for \$519,532 in salary payments to the President, who, with his wife, had moved to New Hampshire in 2004. Furthermore, in 2007, in anticipation of the President's departure from the agency, his wife was promoted from Vice-President for Development to Chief Executive Officer, with a salary increase of more than 100 percent. The state was charged \$102,315 for her additional salary. These individuals did not provide documentation of time worked on state-funded Road to Responsibility activities and, according to staff, were rarely seen in the agency office. The OSA recommended that Road to Responsibility repay compensation expenses identified as unreasonable, beginning with refiling financial statements to reflect nonreimbursable expenses. If Road to Responsibility does not have sufficient non-state funds to repay the Commonwealth, DMR should take further steps to obtain recoupment and resolve this matter.

- Road to Responsibility's President noncompetitively awarded a \$1.6 million construction contract to the brother of a member of the agency's Board of Directors to renovate its corporate headquarters. As a result, Road to Responsibility violated state bidding and related-party regulations and also lacked assurance that it had obtained the best services at the lowest cost.
- Road to Responsibility selectively provided unallowable fringe benefits totaling \$26,299 to certain staff members. Under state regulations, fringe benefits can be charged to state contracts only if they are available to all employees under a formal, consistent agency policy.
- Road to Responsibility did not have the full-time equivalent staffing required under its state contracts for two of its residential programs. As a result of this understaffing, the agency paid overtime compensation that was 218% and 812% above what was approved by DMR for these two programs, and also hired relief staff to cover certain hours. This caused a program deficit of \$80,749, which was paid by DMR. Moreover, given that many program services were provided by overtime and relief staff, rather than through required levels of permanent staff, service quality may have been negatively impacted.
- Road to Responsibility officials responded that since its corporate restructuring, new management has taken several steps to address the problems identified in the audit. They cited governance reform; the adoption of comprehensive policies relative to personnel practices, fringe benefits, and internal controls; implementing competitive bidding requirements; and prohibiting related-party transactions. With respect to the excessive executive compensation payments, the agency contended that a portion of these payments was, in fact, allowable, but that any charges deemed by the Operational Services Division to be unreasonable would be repaid using non-Commonwealth sources as a contract offset.

INITIATIVES

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

Office of Medicaid (MassHealth): Advanced Imaging Review

The OSA is conducting an audit of oversight by MassHealth of Advanced Imaging centers, hospitals, and doctors that receive payment for performing Advanced Imaging 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 Advanced Imaging 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.

Office of Medicaid: Audits of Provider Claims

The OSA is continuing a series of audits focused on the submission of claims by selected providers of adult day care, durable medical equipment, home health care, and pediatric dental services. These audits will include, but not be limited to, a review of supporting 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.

Office of Medicaid: Home Health Services to Dual Eligible Recipients

The OSA has initiated an examination of payments made by MassHealth for home health services provided to recipients eligible for both Medicare and Medicaid. The audit will focus on determining whether Medicaid payments duplicate payments already reimbursed through a Medicare prospective payment system. The audit will cover payments made during federal fiscal years 2006 and 2007 and is being conducted jointly with the U.S. Department of Health and Human Services' Office of the Inspector General.

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 housing 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 determining whether adequate accounting and administrative controls are in place, and whether authorities are in compliance with laws and regulations governing eligibility, rents, inspections, tenant selection, and unit turnover.

During fiscal year 2009, the OSA issued 100 housing authority reports, a significant number of which followed up on prior findings of Sanitary Code violations and 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, are summarized in the section that follows.

Chicopee Housing Authority

The OSA conducted an audit of Chicopee Housing Authority in order to assess its management control system and its compliance with applicable laws and regulations. As summarized below, the audit identified a number of significant financial and programmatic issues, including noncompliance with the State Sanitary Code, that need to be addressed.

- The Authority had not corrected eighteen of twenty violations of the State Sanitary Code that had been identified during required unit inspections. Instances of noncompliance included damaged floor tiles, peeling paint, mold, a missing smoke detector, insect infestation, and faulty plumbing. Seventeen additional uncorrected lesser deficiencies were also noted. Moreover, these 35 deficiencies had been outstanding for periods ranging from three to ten months beyond state guidelines for repairs. As a result, the Authority was not meeting mandated standards for the provision of safe, decent, and sanitary housing for all tenants. In its response, the Authority cited limited budgets and late funding approvals, but also stated that steps were being taken to correct all deficiencies and, in the future, to comply with the required 30-day timeframe for rectifying problems.
- The Authority did not annually redetermine all tenants' monthly rents as required under state regulations. As a result, the Authority could not be assured that all rental charges were correct, and, in fact, a test review of ten of 25 late rent assessments found five instances in which tenants were either over- or undercharged for rent due to mathematical and verification errors. The Authority responded that immediate action had been taken to recertify the monthly rent for the 25 late cases identified by the audit and to correct the five cases in which errors were found.
- The Authority needed to strengthen its employee payroll controls. Specifically, employee timesheets were not consistently approved by a supervisor; such approvals help ensure that employee timesheets accurately reflect hours worked. In addition, five managerial employees, including the former Executive Director, received unauthorized compensatory time during the audit period. The OSA recommended that the Board of Directors either uphold its current personnel policy, which does not provide for this benefit, or formally amend its policy to authorize compensatory time as a general employee benefit.
- The Authority did not fill vacant apartments expeditiously. As a result, during the audit period, eligible low-income persons were deprived, at least temporarily, of needed housing; substantial potential rental income was lost; and the Authority had to request operating subsidies from the Department of Housing and Community Development (DHCD) to offset an operating deficit. Specifically, 285 units remained unoccupied for periods beyond DHCD's 21-day timeframe for filling vacant apartments. Consequently, the Authority may have lost the opportunity to earn over \$289,000 in potential rental income during the total of 30,738 days that these units were vacant during the audit period, and also required, over a two-year period, a \$257,248 supplementary subsidy.

- The Authority's former Executive Director, who retired on August 8, 2008, may have violated the state's Conflict-of-Interest Law in that he served on the Board of Trustees of the bank in which the Authority's certificates of deposit and money market and checking accounts were maintained. In addition, during calendar year 2006, the former Executive Director received compensation for his services on the Board that included \$19,292 in cash, as well as 4,136 shares of the bank's stock. The audit noted that this former employee did not disclose his financial relationship with the bank to the Authority's Board of Directors and did not seek a written opinion from the State Ethics Commission regarding his dual role. Because this case represents a potential conflict-of-interest situation, the State Auditor referred the matter to the State Ethics Commission for further review.

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, inadequate documentation of employee vacation and sick leave balances, excessive tenant accounts receivable balances, prolonged delays in renting vacant apartments, and inadequate Board oversight were identified as issues that needed to be addressed. Findings from selected audits are summarized below.

- ***Belchertown Housing Authority*** did not correctly calculate its Executive Director's personal time, sick leave, and vacation balances and did not approve her weekly timesheets. As a result, the Executive Director received \$3,463 in excessive vacation benefits and \$813 in excessive personal time payments during the audit period. At the same time, her sick leave benefits were understated by 48 hours. The audit also found that the Authority incorrectly redetermined monthly rents for some tenants, mainly due to a lack of required supporting documentation for rental deductions. The Authority responded that prompt corrective action to address all audit findings had been initiated.
- ***Hadley Housing Authority*** did not conduct a required annual inspection of its apartments in 2008. As a result, the Authority was in violation of state regulations intended to help ensure that maintenance issues are addressed and that apartments meet state standards for safe, decent, and sanitary housing. Furthermore, the Authority had not conducted a physical inventory of its property and equipment and did not maintain a complete and accurate inventory listing. As a result, the Authority could not be assured that its fixed assets were adequately safeguarded or properly reported on financial statements.

- ***Hull Housing Authority*** had adequately addressed several issues identified in a prior audit, including strengthening payroll controls; actively monitoring tenants' accounts receivable; and ensuring that cash disbursements are budgeted, allowable, documented, and approved. The Authority was also in the process of updating its tenant selection ledgers in order to better ensure that eligible applicants are selected in the proper order for housing. However, the audit identified two new issues. It disclosed prolonged delays in renting vacant units, which resulted in potential rental income losses of approximately \$16,529. It also found weaknesses in the management of rental collections, resulting in substantial increases in accounts receivable balances. These balances had increased by \$37,333 since the prior audit, going from \$12,977 to \$50,310.
- ***North Brookfield Housing Authority's*** tenant accounts receivable balances grew from \$55,495 in 2006 to \$62,596 as of June 2008. Of this amount, \$41,733 was due from eight tenants who had vacated their apartments, with the remaining balance due from thirteen active tenants. The Authority had not taken legal action to recover past-due tenant arrearages and had not moved to write off balances deemed to be uncollectible. The issue of reoccupying vacant units in a timely manner also remained unresolved, partially due to four family units that were in need of major rehabilitation. During the current audit period, the Authority lost the opportunity to earn \$44,401 in potential rental income because it did not fill vacated apartments in accordance with state guidelines. Finally, the OSA's review of 46 redeterminations conducted during the audit period found sixteen rent adjustments that lacked proper supporting documentation.
- ***Wareham Housing Authority's*** Board of Directors did not have a required state-appointed member; did not meet regularly; and did not exercise consistent oversight and approval of day-to-day operations, including cash disbursements. This lack of proper governance may have contributed to the numerous deficiencies in financial recordkeeping and reporting that were noted in the audit. The OSA found, for example, that the Authority did not maintain adequate records of cash receipts and disbursements, did not perform adequate reconciliations, misclassified transactions, and lacked supporting documentation for accounts receivable balances. As a result of these issues, the Authority had limited assurance that its financial resources were properly safeguarded and appropriately expended, was unable to provide auditors with detailed transaction information, and could not verify the accuracy of account balances reported on financial statements. Furthermore, an OSA inspection of two of the Authority's elderly housing developments found 62 instances of noncompliance with the state's Sanitary Code. These included rotting shingles and window frames, cracked sidewalks, entrance steps in disrepair, and deteriorating indoor flooring. In its response, the Authority indicated that it has initiated corrective action to improve its financial recordkeeping and reporting, and is working with the Department of Housing and Community Development to obtain the financing necessary to address all code deficiencies.

Special Audit Section

Health and Safety Problems at Public Housing Units

As part of an ongoing comprehensive review of physical conditions at state-aided public housing projects, the OSA issued 37 follow-up audits that assessed the degree to which mandated standards for the provision of safe, decent, and sanitary public housing were being met. This initiative began in 2007 with a statewide audit that found that chronic shortfalls in capital funding and state operating subsidies had led to severe deterioration of public housing units. Later in fiscal year 2007 and in fiscal year 2008, the OSA prepared 65 individual reports, based on site visits, which documented severe State Sanitary Code violations at housing authority apartments across the Commonwealth. 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 fiscal year 2009 audits found that a positive response by both the Department of Housing and Community Development (DHCD) and individual housing authorities to earlier findings of health and safety problems had resulted in generally improved conditions at many housing projects. The following summary includes recognition of these corrective actions, as well as the identification of issues at certain housing authorities that continued to jeopardize the health and safety of low-income and elderly tenants.

- While the great majority of housing authorities visited in fiscal years 2007 and 2008 had apartments with serious violations of the State Sanitary Code, site visits in fiscal year 2009 found substantial physical improvements. Utilizing increased and more timely DHCD subsidies, nineteen of the 37 housing authorities that were revisited had fully or largely corrected all Sanitary Code deficiencies. Fourteen additional authorities had partially addressed their code deficiencies, citing a lack of available funds for impeding progress in completing all necessary repairs. In some instances supplementary DHCD funding had been denied for what the agency considered to be maintenance issues, such as deteriorating kitchen counter tops, plumbing problems, peeling paint, and unsecured exterior doors. In other cases, however, funding had not been approved for major roofing problems, crumbling sidewalks, loose siding, exposed wiring, and water damage to walls and ceilings. The OSA recommended that housing authorities continue to work with DHCD, in some cases reapplying for funding, to resolve all instances of code noncompliance.

- Prior audits had found that the great majority of funding applications for modernization projects were delayed or denied by DHCD. As a result, poor physical conditions at many housing authorities were exacerbated, in some instances rendering whole buildings uninhabitable. In addition, because DHCD tended to reject applications from housing authorities with a high level of reserves, risk was increased that reserves would be drained and therefore unavailable to meet unforeseen emergencies. As of June 30, 2008, the close of the audit period for most of the 37 reports under review, grants and appropriations under a new housing bond authorization were beginning to alleviate this problem. Eleven of the 37 housing authorities reported that at least one capital modernization project request had been funded. Approved projects included new septic and boiler systems, water main replacement, roof replacements, and fire alarm and sprinkler upgrades and installations.
- Prior audits had found that many housing authorities did not comply with DHCD guidelines for reoccupying vacant units within 21 working days. Although some progress had been made in addressing this issue, with seven housing authorities improving their turnaround times, current audit work found that problems persisted. Specifically, very few housing authorities with previous deficiencies were preparing and filling vacated units in accordance with DHCD guidelines, and, in some cases, turnaround times had substantially increased. At one housing authority the average unit turnaround time increased from 38 to 74 days, while 410 applicants remained on the waiting list. In another case, turnaround time over the audit period averaged 127 days, and the waiting list numbered 239 applicants. As a result of delays in re-renting apartments, tens of thousands of dollars in potential rental income was lost, and eligible low-income individuals were deprived, at least temporarily, of needed housing. In response to this finding, housing authorities cited the need for extensive repairs and insufficient maintenance staff as the main reasons for units remaining vacant over an extended period of time. The 2008 housing bond authorization, discussed in the previous paragraph, should help 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 Developmental Services. 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, such as the Massachusetts School Building Authority, the Massachusetts Bay Transportation Authority (MBTA), and the Massachusetts Water Resources Authority provide and oversee essential public services. As summarized in the section that follows, the OSA, during the report period, issued thirteen audit reports regarding these and other independent entities, including a review of contract procurement and fiscal controls relative to the MBTA's implementation of a new automated fare system.

Massachusetts School Building Authority

The OSA conducted an audit of the Massachusetts School Building Authority (SBA), which, in 2004, replaced the School Building Assistance Program within the Department of Education and was charged with administering and funding school construction and renovation projects. The audit focused on internal controls over financial operations, oversight activities, and effectiveness in ensuring that municipalities adhere to regulations regarding bond refinancing, interest costs, and the maintenance of adequate documentation and project records. The audit also followed up on previously identified issues with substantial cost implications. As detailed below, the audit found that the Massachusetts School Building Authority has taken appropriate corrective action in addressing findings contained in the OSA's prior audit. These steps have resulted in stronger fiscal controls and monitoring over the billions of dollars awarded annually by the state to fund school building projects.

- The Massachusetts School Building Authority has implemented a new payment system, whereby grant payments are not made until an audit has been conducted to identify eligible final project costs and detailed documentation has been submitted as stipulated by state regulations. Previously, as noted in the prior audit, the SBA did not require communities receiving grant payments to adhere to regulations regarding the timely filing of final project cost documentation.
- The prior audit found that many communities were not in compliance with the state statute that required that they notify the SBA within 30 days of refinancing any bond for which the community will receive state reimbursement. Our current audit found that the law has been amended to require communities to notify the new Authority no later than fourteen days before refinancing any bond for which the community will receive reimbursement for interest costs.
- The Authority's Audit Guidelines and scope of final project costs to be reviewed have been enhanced to require identification of all types of income to be used to offset project costs. The OSA had previously found that the SBA did not properly collect or review this project offset-income information, resulting in overpayments, including one of \$1.5 million. The Authority has also made significant progress in addressing its own internal audit backlog. At the time it was created in 2004, there were 803 projects pending a final audit. As of April 2, 2008, the Authority had completed 653 final audits, and 61 were in progress.
- The prior OSA audit revealed that the SBA was not maintaining a comprehensive database on school construction projects, as well as information on all school buildings in the Commonwealth, as required by state law. The current audit found that the Authority has established and is maintaining a database on school construction projects and has obtained information on the condition of all school buildings within the state.
- With respect to overall policies and procedures, the Authority has strengthened controls over its financial and programmatic operations by documenting policies, procedures, and activities regarding cash, fund, and investment management; disbursements; audit process, programs, and guidelines; and new grant applications.

Massachusetts Bay Transportation Authority (MBTA): Automated Fare Collection System Contract

The OSA conducted an audit of contract procurement, controls, and oversight relative to a \$75 million contract awarded for the manufacture and delivery of an automated fare collection system. This system has replaced the MBTA's aging fare collection infrastructure with an automated stored-value ticketing system, known as the CharlieCard system. The MBTA cited as benefits of the new system increased reliability and flexibility, as well as increases in revenue by reducing fare evasion and collection costs. However, the OSA found that inadequate procurement procedures, planning, and oversight resulted in \$15.4 million in cost overruns, and that delays in implementing the new fare system cost the MBTA the opportunity to earn as much as \$2.9 million in potential fare revenue. Major audit findings are detailed below.

- The MBTA, due to inadequate oversight of its design engineer and improper contract planning, failed to incorporate all necessary work into the terms of its automated fare collection system contract. As a result, the Authority was unable to minimize costly change orders and control contract costs. From November 26, 2003 to April 30, 2008, the MBTA authorized fourteen change orders totaling over \$19.5 million for design and specification changes, additional equipment, spare parts, and equipment maintenance services. The audit determined that \$15.4 million, or over 78% of these added contract costs, could have been avoided if all necessary design and engineering work, as well as equipment maintenance services, was specified in the original contract. Change orders also delayed the implementation of the CharlieCard fare collection system for an entire year. By the MBTA's own estimate of revenue enhancement expected from reductions in fare evasions and theft, the Authority, due to the delay, lost the opportunity to realize approximately \$2.9 million in additional fare revenue.
- The MBTA's decision to reduce its contract performance bonding requirement from 100% to 50% of the cost of the automated fare contract exposed the Authority to undue risk. The purpose of the bond, which is secured by the successful bidder, is to guarantee that all work is completed in accordance with contract requirements. However, since the MBTA lowered the bonding requirement for its \$75,042,016 contract to \$37,521,008, it lacked coverage for \$37.5 million should the contractor default or, for other reasons, fail to successfully install the automated fare system at the contracted price.
- The MBTA, at the contractor's request, reduced the contracted warranty period for 1,200 fare boxes from one year to a range of one to six months. This contract change failed to protect the state's interests in that the MBTA, in 2008, paid approximately \$606,000 in labor and materials for repairs to fare boxes and gates, which would have been the responsibility of the contractor under the original terms of the automated fare system contract.

Massachusetts Water Resources Authority: Union Park Detention/Treatment Facility

The OSA reviewed Massachusetts Water Resources Authority (MWRA) contract management practices relative to the construction of the Union Park Detention/Treatment Facility in Boston, which collects and treats the combined storm water and sewage that previously was discharged into Fort Point Channel during rainstorms. The new facility, which is a part of a federally mandated water improvement program, was built on land at an existing pumping station owned and operated by the Boston Water and Sewer Commission. The contract for its design and construction also included major improvements to the pumping station, for which the Boston Water and Sewer Commission was financially responsible. The OSA audit found that although certain design errors and omissions resulted in change orders, the added cost to the MWRA for the corrections was satisfactorily recovered from the contractor. However, as summarized below, the audit found that lax billing and collection procedures contributed to payment delays by the Boston Water and Sewer Commission for its contract obligations.

- The MWRA was substantially late in billing the Boston Water and Sewer Commission for scheduled payments and other agreed-upon charges for repairs and improvements to the Commission's pumping station. The Commission, in turn, was delinquent on all of its 22 scheduled payments, ranging from six days to thirteen months beyond payment due dates. As a result, the MWRA lost the opportunity to earn at least \$26,000 in interest income. Furthermore, as of the audit completion date, the Authority had failed to collect an unpaid balance due from the Commission of \$68,384.

Belchertown Economic Development Industrial Corporation

At the request of the Belchertown Board of Selectman, the OSA performed a special-scope audit of financial transactions and business practices of the Belchertown Economic Development Industrial Corporation, particularly as they relate to development of the former Belchertown State School property. The Corporation was established through a town meeting vote in 1992 to acquire this property, which had been a state institution for developmentally disabled individuals, and redevelop it in a manner beneficial to the Town of Belchertown. Although a town meeting-approved economic plan outlining the broad parameters of the activity mix planned for the campus was in place by 1993, the property, consisting of what is known as Parcels B, D, and E, was not conveyed by the state to the Corporation until 2002. Parcel B, the largest of the three, contained old buildings, other structures, and contaminants that would have to be removed. The other two parcels were undeveloped raw land. The Commonwealth transferred the three parcels to the Corporation for \$10, which was appraised as full and fair market value since cleanup costs, estimated at \$3 million, would be borne by the Corporation. The OSA identified various internal control deficiencies and questionable administrative decisions related to the Corporation's economic development projects. These findings are discussed below.

- The Belchertown Economic Development Industrial Corporation did not have adequate procedures in place for selecting a master developer or achieving contaminant cleanup. The Corporation, which had entered into its massive property development efforts with limited financing and experience, chose a Parcel B developer who failed to provide the second installment of \$100,000 owed to the Corporation and could not obtain the approximately \$100 million in funding needed for the development effort. As a result, Parcel B development was seriously delayed and had not yet begun as of the close of the audit period. As of September 2008, a team from the University of Massachusetts at Amherst was reviewing the status of the property in preparation for presenting the Corporation with new development plan recommendations. The OSA recommended that the Corporation work closely with the UMass group as well as other relevant public and private entities not only to determine the best uses for the property but also to help evaluate the financial soundness and viability of potential developers.
- The Belchertown Economic Development Industrial Corporation sold Parcel E for \$125,000, well below its appraised value of \$330,000, with provisions that the purchaser install 2,200 feet of water and sewer lines, install a sewer pumping station, conduct a traffic study, and install a traffic light. However, the developer did not fulfill most of the required obligations under the sales agreement, and the Corporation did not file suit or take other enforcement action. Furthermore, the developer realized a profit of approximately \$1.9 million through commercial development and the sale of subdivisions of the property. The OSA questioned the Corporation's decision to reduce property value in exchange for promised, though not legally covenanted, infrastructure improvements, noting that the Corporation had missed a substantial revenue opportunity, had not generated sufficient revenues to fund Parcel B cleanup efforts, and had not obtained all agreed-upon property improvements.
- The Belchertown Economic Development Industrial Corporation made consultant payments during the period July 1, 2006 to June 30, 2008 without benefit of a contract and with insufficient supporting documentation of work performed or the need for the services provided. As a result, the OSA questioned \$12,000 in consultant compensation.
- The Corporation, contrary to state law and the Massachusetts State Building Code, failed to adequately secure and maintain buildings on its Parcel B property, site of the former Belchertown State School. This has diminished the likelihood for building reuse and increased the potential for personal injury and resultant claims.
- The Corporation needed to strengthen internal controls over certain administrative operations, including accounting procedures and recordkeeping, maintenance of minutes of meetings, and compliance with audit and reporting requirements. The OSA also recommended that the Corporation develop a conflict-of-interest policy and consider supplementing its part-time volunteer board with other resources to aid in development work.

Merrimack Valley Regional Transit Authority

The OSA conducted a review of certain activities, including administrative and internal controls over receipts and expenditures, of the Merrimack Valley Regional Transit Authority. Although the audit found generally adequate management controls and compliance with applicable laws and regulations, one financial reconciliation issue was identified, as summarized below.

- The Merrimack Valley Regional Transit Authority's automated farebox readings were not in agreement with actual fare revenues collected for the entire 79-week period under audit. Collections for 49 weeks were less than the farebox readings by a total of \$24,887, while collections for 30 weeks were greater than the farebox readings by \$15,314. Authority management responded that the fareboxes were, on average, approximately six years old, which is apparently their maximum useful life. Officials hoped to replace all fareboxes, which cost between \$12,000 and \$15,000 each, over the next two years, subject to the availability of capital improvement funds. Although the OSA observed strong post-collection controls over revenues, such as sealed fareboxes, limited access to the money room, video surveillance, and armored care pick-up of collections, the overwhelming number of defective fareboxes and consequent variances limits the Authority's ability to reliably use its fareboxes as a check and balance in establishing potential revenue.

INITIATIVES

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

Massachusetts Bay Transportation Authority (MBTA): The Ride

The OSA is continuing 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: Automated Fare Collection System

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: Commuter Rail Operations

The OSA is conducting an audit of the \$1.07 billion five-year operating contract between the MBTA and the Massachusetts Bay Commuter Railroad Company, which will review and assess the MBTA’s contract controls and oversight, as well as evaluate the Company’s on-time performance, vehicle and track maintenance record, and adherence to safety standards. The audit will also obtain and review proposed contract specifications for the new contract awarded, and identify and evaluate any major contract changes that may shift costs or reduce accountability.

Massachusetts Turnpike Authority

The OSA is conducting an audit of the Massachusetts Turnpike Authority, focusing on financial and administrative controls, as well as compliance issues. The audit, which is being conducted in phases, will be issued as a series of reports. Among topics under review are the Turnpike Authority’s automobile use policies and consultant contracts. The first of these reports, an audit of Fast Lane Program overcharges, was issued in August 2009 and is available online or by calling (617) 727-6200.

AUDIT SUMMARIES

Judiciary/Law Enforcement

During fiscal year 2009, the OSA issued 66 audit reports of judiciary, law enforcement, and public safety entities. These reviews included audits of savings estimates relative to the use of civilian flaggers versus police details, financial administration activities at selected courts, and Homeland Security grants administered by the Department of Public Safety and Security. Significant findings are summarized in the section that follows.

Flagger and Police Detail Cost Savings Review

In response to a request by the legislative Joint Committee on Public Safety, the OSA reviewed the cost savings estimate that the Executive Office of Transportation and Public Works (EOTPW) prepared pursuant to a 2008 state law that permits the use of flaggers instead of police details on certain public works construction projects. The audit found that while cost savings can be achieved under the new law, EOTPW's projection of annual savings of \$5.7 to \$7.2 million was overstated. Furthermore, only eleven percent of the estimated savings would result from the substitution of flaggers for police details. Most of the reduced costs would come from a reduction of traffic control personnel in construction zones through the increased use of traffic control devices such as barriers and traffic signals.

- EOTPW's cost savings estimates were based on questionable assumptions and contained significant mathematical computation errors. Specifically, the agency created a "One Week Snapshot Summary Period," which was during the peak construction season, from which to examine and project savings over the course of a year. This alone would have resulted in overstated savings. Additionally, however, the audit found errors totaling \$18,980 in the "Snapshot" calculations. On an annualized basis, the \$18,980 in overstated cost savings ranged between \$685,000 and \$850,000 and reduces EOTPW's annual projected cost savings of between \$5.7 and \$7.2 million by twelve percent.
- EOTPW underestimated the total cost that would be paid to companies that employ civilian flaggers in that its cost savings estimate considers only the flagger's base wage rate plus certain fringe benefits included under the Massachusetts Prevailing Wage laws. The cost analysis does not include employer-paid taxes and insurance premiums, overhead expenses, or a profit margin for the contractor. These factors add costs of seven percent to 25 percent over the prevailing wage rates, and reduce or eliminate savings related to replacing police with flaggers.
- EOTPW did not consider certain safety factors, such as the proximity of schools, playgrounds, and high volume traffic, when analyzing projects and estimating cost savings. Under state regulations, these special circumstances may require additional personnel, including police details.
- Some mayors, police chiefs, and other officials raised public safety concerns that require further deliberation. The OSA estimated that under the new law there would be 885 fewer police officers per week on state-funded construction sites. Moreover, to achieve cost savings, police personnel would largely be replaced by traffic control devices, a change which has the potential to compromise public safety. The OSA recommended that administrative and legislative officials fully consider all pertinent ramifications when implementing changes under this legislation.

Charlestown Municipal Court

The OSA completed an audit that reviewed internal controls and compliance with applicable laws and regulations at the Charlestown Municipal Court. The audit focused on administrative and operational activities, including cash management, bail funds, and criminal and civil case activity for the period July 1, 2006 to June 30, 2007. Findings are summarized below.

- Charlestown Municipal Court needed to address two reconciliation issues, the first relative to its Probation Office and the other involving revenues transmitted to the Commonwealth. The audit found that the Court's Probation Office was not reconciling monthly bank statements with its cash journal. As a result, the Court could not be assured of the accuracy of its cash balances or detect errors or shortages in a timely manner. In addition, the Court had not attempted to reconcile its in-house records of revenues transmitted to the Commonwealth with the state's automated accounting records since July 2004, at which time the state upgraded its Massachusetts Management Accounting and Reporting System (MMARS) to the new MMARS, which was not compatible with Court equipment. As a result, there was inadequate assurance that revenue receipts were properly posted and appropriately credited to state revenue accounts. The OSA performed this reconciliation for fiscal year 2007 and found that over \$29,000 of fiscal year 2007 probation cash receipts were not processed by the Clerk-Magistrate's Office until fiscal year 2008. This resulted in an understatement of revenue on Commonwealth records and financial reports for fiscal year 2007. While the audit was in progress, the Court requested assistance from the Administrative Office of the Trial Court and initiated corrective action on both issues.
- Charlestown Municipal Court's Probation Office had on-hand \$9,196 that had been in default over 90 days and needed to be forwarded to the Clerk-Magistrate's Office, processed, and remitted to the State Treasurer's Office. The OSA also identified \$1,675 in Probation and Alcohol fees that had not been remitted, in a timely manner, to the State Treasurer's Office. Finally, the Probation Office was holding \$3,763 in court-ordered restitution that had been properly disbursed but returned because the recipients were not at the addresses of record. Since further attempts to find the victims had also been unsuccessful, this money, which had been unclaimed for more than a year, also needed to be remitted to the State Treasurer's Office as abandoned property. The Court's First Justice responded that the Probation Office accountant was working with an Administrative Office of the Trial Court auditor to establish procedures for properly remitting unclaimed and defaulted revenues to the State Treasurer.

- Charlestown Municipal Court needed to improve its management of bail funds. Bail in cash and other forms is the security given to a court by a defendant to help ensure 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. The OSA's review of Court bail funds found that, potentially, 235 bails totaling \$114,465, representing both abandoned and forfeited bail, should be remitted to the State Treasurer. Of these cases, eleven bails were over three years old and presumed to be abandoned, but notification had not been sent, as required, informing defendants or sureties that their bail was eligible for release. It is not clear whether these bails were rightfully due to defendants or to the State Treasurer. Three other cases had been in default for more than three years, but the Court had not issued the forfeiture orders that allow bail balances to be sent to the State Treasurer. When informed of these bail management problems, the Clerk-Magistrate, although administratively understaffed, took immediate action to properly process old bails. While the audit was in progress, the Clerk-Magistrate sent \$79,865 of bail forfeitures and \$3,085 of abandoned bail to the State Treasurer, reducing the bail trial balance to \$115,400.

Chelsea District Court

The OSA conducted an audit of financial and management controls at the Chelsea District Court for the period July 1, 2006 to March 31, 2008. During this period, the Court collected revenues totaling \$2,489,595, most of which were remitted to the Commonwealth as either general or specific state revenue. The audit focused on cash management; bail funds; case activity; and compliance with applicable state laws, rules, and regulations. Major findings are summarized below.

- Chelsea District Court had not developed an internal control plan in accordance with Chapter 647 of the Acts of 1989, the state's Internal Control Statute. The internal control document and related risk assessments are required in order to safeguard assets, maximize operational efficiency, and clarify the duties and responsibilities of employees.
- Chelsea District Court was not fully complying with time standards established by the Administrative Office of the Trial Court to promote the prompt and efficient disposition of civil cases. Although the Court was working to improve performance in this regard, as of September 2008, there were still 80 cases pending that did not comply with Trial Court timeframes. In addition, due to a lack of staffing, Chelsea District Court had not analyzed the 9,055 criminal cases filed during the audit period or maintained the statistical information necessary to determine Court compliance with criminal time standards.
- Chelsea District Court had not reconciled its in-house records of revenues it transmitted to the Commonwealth with the state's automated accounting records since July 2004, when the state upgraded its Massachusetts Management Accounting and Reporting System (MMARS) to the new MMARS, which was not compatible with Court equipment. As a result, there was insufficient assurance that revenues were properly

received and credited to the appropriate accounts, and, in fact, variances existed. For example, the audit found that revenue credited to the Court's accounts on the new MMARS was almost \$6,000 less than the amount Court records indicated was remitted to the Commonwealth during the audit period. The bookkeeper for the Clerk-Magistrate's Office stated that she was not aware of either the revenue reconciliation requirement or alternate reconciliation procedures provided to the courts by the Administrative Office of the Trial Court.

- The Court, through its Clerk-Magistrate's Office, issued refunds for overpayments, duplicate payments, and payments in error without following the prescribed practice of processing a "Request for Refund" form. The refunds were not properly documented, and the Clerk-Magistrate's bookkeeper performed all of the steps in the refund process, which does not comply with the state's internal control regulations. In addition, the audit noted that the Probation Department also needed to improve cash controls by better segregating its cashiering and bookkeeping functions.

Lynn District Court

The OSA conducted an audit of financial and management controls at Lynn District Court. The audit assessed the adequacy of the Court's internal controls over cash management, bail funds, and case activity, as well as compliance with applicable state laws, rules, and regulations. Findings are summarized below.

- Lynn District Court had not developed an internal control plan for its Probation Office or fully documented internal control plans for its Clerk-Magistrate's Office and Judge's Lobby. As a result, the Court was not fully compliant with the state's Internal Control Statute. The OSA recommended that the Court conduct annual risk assessments, as required, and update its internal control plans based on identified risks and plans for their mitigation.
- Lynn District Court did not maintain a Detail Account Trial Balance, which is a required monthly report that itemizes bail funds by case, or properly perform reconciliations between bail totals recorded in its cashbook and bank records. As a result, the Court had an unreconciled bail fund variance of \$3,285. The Court, in response, moved expeditiously to address this issue. The noted variances were researched and reduced. This action was followed, in December 2007, by installation of an automated bail system and additional training on developing and maintaining a Detail Account Trial Balance.

- The Lynn District Court's Probation Office was not making payments to victims in a timely manner and was not remitting to the State Treasurer, as required, funds that had not been claimed and checks that had not been cashed for over one year. As of June 30, 2007, 193 restitution accounts totaling \$96,589 had been held for one to more than ten years. When the OSA expressed concerns regarding the status of the restitution accounts, the Probation Office worked with the Clerk Magistrate's Office to update information, including the addresses of victims or, for cases in which the victim could not be located, to determine what amounts should be forwarded to the State Treasurer. Shortly before the conclusion of audit fieldwork, the Probation Office disbursed \$59,609 to the State Treasurer and \$5,547 to victims owed restitution.
- Lynn District Court had not attempted to reconcile its in-house records of revenues transmitted to the Commonwealth with the state's automated accounting records since July 2004, when the state upgraded its Massachusetts Management Accounting and Reporting System (MMARS) to the new MMARS, which was not compatible with Court equipment. As a result, there was inadequate assurance that revenues were properly received and credited to the appropriate state revenue account. When the Clerk-Magistrate's Office was informed of alternate reconciliation procedures provided by the Administrative Office of the Trial Court, its bookkeeper properly reconciled revenue totals as of June 30, 2007.

Suffolk Probate and Family Court

The OSA conducted an audit of the Suffolk Probate and Family Court, which focused on the activities and operations of the Court's Register of Probate's Office. The audit reviewed internal controls, compliance with applicable laws and regulations, and operational activities such as cash management, the collection and processing of revenue, and financial recordkeeping and reporting. Among other findings, the OSA disclosed that, in violation of the state's Internal Control Statute, Chapter 647 of the Acts of 1989, the Court failed to notify the State Auditor of cash shortages and indicators of possible malfeasance uncovered by Administrative Office of the Trial Court (AOTC) internal auditors. Major audit findings are summarized below.

- Suffolk Probate and Family Court's Register of Probate's Office did not notify the OSA of 210 suspicious electronic "voided" transactions resulting in missing receipts totaling \$12,885 that had been found by AOTC internal auditors. As a result, the OSA was precluded from carrying out its responsibilities under Chapter 647 of the Acts of 1989, which require that the State Auditor identify deficiencies that may have contributed to the loss or theft of funds, recommend appropriate corrective action, and notify appropriate law enforcement officials. The Register acknowledged that he was unfamiliar with the Chapter 647 reporting requirements, but had reported the shortages to the Suffolk County District Attorney's Office, which had concluded that there was insufficient evidence to prosecute. The Court's noncompliance with reporting provisions of Chapter 647 may have led to a delay in improvements in fund management and supervisory oversight, as noted in the discussion that follows.
- Suffolk Probate and Family Court needed to enhance its internal control plan, particularly with respect to its Register of Probate's Office. This Office needed appropriate

additional supervision as it worked to develop a department-wide risk assessment and fully document key internal control concepts such as segregation of duties, transaction authorization, controlled access to resources, and commitment to integrity.

- Suffolk Probate and Family Court's Register of Probate's Office needed to substantially improve internal controls over funds management. The OSA noted that most transaction voids were still not executed in compliance with long-established document-validation procedures, including the requirement that the bookkeeper sign all voided receipts. In addition, cash receipts were often not deposited daily, which increased the risk of revenues being misplaced, lost, or stolen. Furthermore, bank statements were not properly retained; payment validation procedures were inadequate; rubber stamp signatures were inappropriately utilized; white-out was used to cover up incorrect entries; checks and balances were lacking during daily cash-closing procedures; and four cashiers used the same passwords when receipting funds electronically. These deficiencies indicated that supervision, monitoring, guidance, and training of staff were inadequate, placing funds at further risk of loss, theft, and misuse.
- Suffolk Probate and Family Court needed to improve contract management relative to the public use of photocopier machines. Specifically, neither the Court nor the Commonwealth received any commission income from the vendor who owned the photocopiers in use in the Register of Probate's Office. Moreover, although AOTC procurement provisions require courts to seek competitive bids for these types of services, the Court's arrangement was executed without the benefit of a competitive bid or a written contract. As a result, the Court may not have received the maximum potential benefit from this arrangement, including payment for space and utility usage.

Special Audit Section

Homeland Security Grant Funds

The OSA has issued 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. Six additional reports have been issued, including a 2009 review of the Executive Office of Public Safety and Security, which has primary responsibility for the Commonwealth's homeland security, and is responsible for overseeing a substantial majority of the Homeland Security grants awarded to Massachusetts. Significant audit findings are summarized below.

- The Executive Office of Public Safety and Security did not expend all grant funds before they expired in the fall of 2006, and did not request extensions of the deadlines for two grants with available balances of \$182,842 and \$1,570,012, respectively. As a result, federal funds totaling over \$1.75 million for these two grants may be unavailable to the Commonwealth for the reimbursement of expenses associated with planning, exercises, training, equipment, and administrative costs. The audit also noted that the state was at risk of losing considerably more money. As of December 31, 2006, the Executive Office had expended approximately \$121 million of the \$190 million awarded in Homeland Security and related grants, leaving \$69 million unspent. If these unexpended funds are not adequately tracked, monitored, and drawn down before the grants expire, they may revert to the federal government even if contracts have been signed and funds obligated. Public Safety and Security officials indicated that the majority of unspent funds had been awarded to the City of Boston, which was not timely in submitting requests for reimbursement or in requesting extensions. They also stated that they were working closely with Boston grant managers to improve the quality and timeliness of their submissions.
- The Executive Office of Public Safety and Security needed to improve internal controls over its federal grant management system to ensure compliance with federal requirements. Specifically, the Executive Office exceeded the amount of grant funds that were allowable for administrative costs by \$892,230 for two federal grants. As a result, the Commonwealth could be charged for these ineligible grant expenditures. Furthermore, federal funds on hand exceeded immediate cash needs by \$1.3 million. This could subject the Commonwealth to a variety of restrictions and penalties, including interest charges on cash prematurely drawn down.
- The Executive Office of Public Safety and Security needed to improve oversight of subrecipients' expenditures and financial reporting. Due to inadequate staffing, the Executive Office did not review the findings or recommended corrective actions in reviews by the federal Office of Management and Budget. Moreover, the Executive Office's subrecipient monitoring process did not hold subrecipients accountable for correcting noted deficiencies in a timely manner or for submitting required quarterly financial reports. Public Safety and Security officials responded that they were addressing these issues by hiring a grants coordinator to facilitate follow-up monitoring activities and oversight of report submissions, as well as by updating policies and procedures for improving subrecipient accountability.

INITIATIVES

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

County Sheriff Transfer

Pursuant to Chapter 61 of the Acts of 2009, An Act Transferring County Sheriffs to the Commonwealth, the OSA will review the transition to state jurisdiction of the seven remaining independent county sheriff's offices. The resulting audits will include, but not be limited to, an assessment of total assets and obligations, including an inventory of fixed assets; the status of the transfer of assets, liabilities, and critical functions to the Commonwealth; and an examination of internal controls over financial operations and programs. The seven county sheriff's offices affected by this transfer are Barnstable, Bristol, Dukes, Nantucket, Norfolk, Plymouth, and Suffolk.

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.

The Appeals Court

The OSA is conducting a detailed review of the functions and activities of the Appeals Court. The audit will examine financial and administrative operations, including internal controls over the assessment, collection, and accounting of all fees and other revenues. The audit will also review compliance with applicable laws, rules, and regulations, and evaluate the Court's case-management system to determine whether appeals are being managed, heard, and decided in a timely manner.

AUDIT SUMMARIES

Financial Management and Other Special Audits

During fiscal year 2009, the OSA issued 51 audit reports pertaining to financial management at various agencies, boards, commissions, and funds. Significant audits, findings from which are summarized in the section that follows, include the Massachusetts Cultural Council and the City of Revere's Department of Public Works. Also included are summaries of audits issued in conjunction with the Single Audit of the Commonwealth, including a report on the fiscal year 2008 Tax Cap Determination and reports on agency compliance with the Office of the State Comptroller's year-end closing instructions for Cash and Revenue Management and Encumbrance and Advance Fund Management.

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 2009, the OSA released 132 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, and assessments of compliance with year-end closing instructions for both cash and encumbrance management. 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, 2008 of \$21,009,085,497.69 were below allowable state tax revenues of \$23,410,733,895.91 by the amount of \$2,401,648,398.22. Therefore, no excess revenues, as defined in Chapter 62F, MGLs, existed for fiscal year 2008. The Tax Cap Law, enacted by referendum in 1986, prohibits the Commonwealth from retaining tax revenue collections that exceed the average three-year growth of Massachusetts wages and salaries. The State Auditor is required to independently review the Commissioner of Revenue's annual report and determine by the third Tuesday in September whether net state tax revenues for the preceding fiscal year have exceeded allowable growth. Tax collections exceeding the allowable increase are to be returned to the taxpayers in the form of a tax credit. However, this has happened only once, in fiscal year 1987.

Agency Compliance with the State Comptroller's Year-End Closing Instructions for Cash and Revenue Management

The OSA observed and reviewed procedures for handling cash receipts and reporting, as well as revenue deposits, at 26 state agencies. During audit work, which resulted in 26 individual reports, the OSA provided the Office of the State Comptroller with pertinent information, including the following findings, so that appropriate final adjustments could be made to the Commonwealth's records.

- Brookline District Court, Gloucester District Court, Dorchester Municipal Court, and the Department of Environmental Protection improperly accounted for some fiscal year 2008 revenue. Specifically, Brookline District Court, which did not properly close its electronic cash register on June 30, 2008, reported \$1,287 in fiscal year 2008 receipts as fiscal year 2009 revenue; Gloucester District Court did not include \$3,610 in mail receipts received on June 30, 2008 as part of its final fiscal year 2008 deposit; and Dorchester Municipal Court improperly recorded and reported \$5,754 in fiscal year 2008 receipts as fiscal year 2009 revenue. In addition, the Department of Environmental Protection did not deposit \$6,667 of June 30th receipts until July 2, 2008, thus incorrectly recording these funds as fiscal year 2009 revenue.
- Brookline District Court, Bunker Hill Community College, Dorchester Municipal Court, the Department of Environmental Protection, the Massachusetts Environmental Police, North Shore Community College, and the Department of Conservation's Walden Pond State Reservation were not depositing cash receipts on a daily basis. The daily depositing of cash is required in order to maximize interest income and reduce the risk of loss or theft of funds.

- Westborough District Court's Clerk-Magistrate's Office's primary cashier and bookkeeper duties continued to be performed by the same person. As a result, the Office's financial duties were still not adequately segregated, placing Court funds at an increased risk of loss or theft.

Agency Compliance with the State Comptroller's Year-End Closing Instructions for Encumbrance Management

The OSA reviewed encumbrance transactions at 95 state agencies to determine compliance with the requirement that goods and services purchased with fiscal year 2008 funds be received by June 30 and properly entered into the Massachusetts Management Accounting and Reporting System. Audit work, which resulted in 95 individual reports, also included advance fund management activities at selected state agencies in order to evaluate documentation supporting open encumbrance balances. Agency compliance was high, with most advance funds and encumbrance transactions reviewed in compliance with closing instructions. However, some year-end closing issues were identified, as noted below.

- The Berkshire Sheriff's Department, the Bristol District Attorney's Office, the Criminal History Systems Board, and the Department of Mental Retardation processed encumbrance transactions that did not comply with the State Comptroller's closing instructions. As a result, \$23,421 of fiscal year 2008 funds were used to pay fiscal year 2009 obligations.
- The Department of Conservation and Recreation, the Department of Industrial Accidents, and the Middlesex District Attorney's Office were late in processing certain vendor payments. Payment delays ranged from thirteen to 100 days beyond the time allotted under the Commonwealth's Bill Paying Policy for routine bill payments.

The Massachusetts Cultural Council

The OSA conducted an audit of the Massachusetts Cultural Council, which provides funding and other support services to eligible Commonwealth organizations that promote and increase access to the arts, humanities, and interpretive sciences. During fiscal year 2006, the Council distributed \$8,412,372 to entities such as schools, libraries, and non-profit cultural organizations. The audit found that the Council had addressed internal control issues noted in a prior audit by conducting a fixed asset inventory and maintaining a complete and accurate inventory listing, by improving the timeliness of its cash deposits, and by accurately classifying and adequately documenting travel expenses. However, as summarized below, the current audit identified new issues, including the improper retention of at least \$826,103 in state-appropriated funds.

Other Audits

- The Massachusetts Cultural Council did not appropriately manage a \$1.5 million Massachusetts Facilities Fund earmarked by the Legislature in fiscal year 1995 for loans and grants to non-profit cultural organizations for facility projects. The Council, at the time, entered into an agreement with two organizations to administer the fund. However, in 2003, citing budgetary cutbacks, the Council obtained a release from the agreement. At that time, the balance remaining in the fund should have been remitted to the Commonwealth. The Council, instead, entered into a further arrangement with one of the organizations to act as its fiscal agent and retain and invest the loan funds that had either been repaid or were in the process of being repaid by the cultural groups. As of May 31, 2006, the Fund, with a balance of \$826,103, ceased to operate. The Council subsequently used nearly \$500,000 of these earmarked funds to pay for discretionary expenses, including software improvements, a documentary film, and equipment purchases. As a result, in addition to retaining funds that should have been returned to the state, the Council violated statutory requirements for Fund expenditures.
- The Massachusetts Cultural Council non-competitively awarded two grants totaling \$471,397. As a result, the Commonwealth could not be assured that Council funding was administered in an equitable and cost-effective manner. Furthermore, the Council's Executive Director was a member of the Board of Directors of one of the two organizations that received this funding, and this grantee also functioned as the Council's fiscal agent. Consequently, a potential conflict-of-interest situation existed and should be reviewed by the State Ethics Commission. Finally, the Council needed to increase oversight of recipients' administration of grant funds and file a required Annual Report.

City of Revere Department of Public Works

In response to a request from the City of Revere, the OSA conducted an audit of certain activities of the city's Department of Public Works (DPW) for calendar years 2005 and 2006, with some audit testing beyond this period. As summarized below, the audit identified several areas of DPW operations that would benefit from increased oversight and stronger internal controls.

- Department of Public Works management did not adequately monitor the recording and depositing of fees collected in connection with the issuing of permits for activities such as curb cutting, street openings, and water and sewer work. The Department issued as many as 88 street opening permits and conducted at least an additional 465 transactions, which brought in a total of almost \$70,000 during calendar years 2005 and 2006. However, the lack of written policies and procedures governing this revenue and the absence of sequentially numbered invoices and cash receipt slips resulted in inadequate assurance that all fees were collected, properly recorded, and deposited with the city's Treasurer's Office.

- Department of Public Works controls over the use of gasoline by city employees were inadequate. Specifically, although the Department had installed a security system, termed Gasboy, to regulate the use of gasoline by city departments, city and DPW officials were not ensuring that this gasoline was utilized only for city-related activities. Most concerning, the Gasboy system's controls could be, and during the audit period frequently were, overridden. The audit found that over a two-year period the system was overridden 3,578 times, resulting in a total of 46,243 gallons of gasoline being pumped into vehicles by all city departments with no documented explanation of gas usage. DPW alone overrode the system a total of 1,381 times, pumping a total of 17,182 gallons of gasoline into vehicles. Furthermore, DPW staff did not routinely monitor gasoline usage by five employees allowed to use personal vehicles for city-related business. Of the five, three employees exceeded the ten gallons of gas per week maximum allowed for DPW gas for personal vehicles. Although one employee exceeded authorized amounts by more than 1,400 gallons, DPW staff failed to detect any excess usage. As a result of these procedural and oversight weaknesses, the city could not verify the appropriateness of city-provided gasoline usage and potentially incurred significant unnecessary costs.
- DPW allowed seven members of its staff to take home city vehicles in order to respond to emergency situations, such as sewer back-ups and snow removals. However, DPW did not have controls in place governing the use of these vehicles and did not monitor usage or assess whether it was necessary for all seven employees to have city vehicles at their residences. City officials responded that they have eliminated the use of city vehicles by two supervisors who were rarely called upon for emergency responses.

INITIATIVES

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

Federal Stimulus Funding Oversight

The OSA, at the request of Governor Patrick, has prioritized oversight of the Commonwealth's share of funding under the American Recovery and Reinvestment Act of 2009. Massachusetts has begun to receive this federal economic infusion, which is expected to total \$8.7 billion over 27 months, funding that must be strictly monitored in order to prevent wasteful spending, fraud, and abuse. In May 2009, Auditor DeNucci joined with the Attorney General, the Inspector General, and federal officials to form the Stimulus Oversight and Prevention (STOP) Fraud Task Force to assure coordinated and collaborative stimulus funding oversight. The Auditor also created a new audit division, which, under his direction and that of Deputy Auditors and senior staff, developed a work plan for recovery activities, beginning with the identification of all programs where funds are expected, the timing and specific flow of funding, the applicable compliance requirements, and possible areas of vulnerability. As an important aspect of providing guidance to agencies on preventive controls, the OSA will evaluate internal controls at designated agencies to assess whether they are capable of handling significantly increased expenditures; providing program performance and financial reporting; and mitigating risks of fraud, waste, and abuse. Auditors are also considering past relevant OSA findings, including Single Audit findings, and determining whether these have been adequately addressed. In addition to in-depth audit work at selected state programs, the OSA will examine a sample of municipalities, authorities, and private businesses that have received recovery funds. The OSA's major objective is to provide the guidance and, where appropriate, technical assistance, to enable program managers to comply with Recovery Act requirements and to effectively manage and expend stimulus funds. Based on risk analyses, preliminary surveys, and referrals, the OSA will also be monitoring stimulus fund expenditures through audits and conducting investigations in coordination with law enforcement agencies.

Single Audit of the Commonwealth

During fiscal year 2010, 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 Berkshire Community College, Bristol Community College, Massachusetts Bay Community College, Massasoit Community College, Massachusetts Maritime Academy, Mount Wachusett 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 Children and Families; and
- Federal grant programs at the Massachusetts Rehabilitation Commission.

Controls over Credit Card Purchases

The OSA is continuing 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 2009, the OSA's Information Technology (IT) Audit Division issued 24 audit reports detailing strengths and weaknesses of internal controls within IT-related areas.

The primary role of the IT Audit Division is to examine how well information technology is being controlled within state organizations and to make recommendations for enhancements that help ensure that control objectives are achieved and that risks to computer-based information systems and facilities are reduced. 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, data security, and data integrity. The following section highlights findings from this report period.

The Criminal History Systems Board

At the request of the Executive Office of Public Safety and Security, the OSA's IT Audit Division completed an audit of IT-related activities at the Criminal History Systems Board, including an assessment of the Criminal Justice Information System application, to determine whether it was adequately supporting the Board's mission. The Criminal History Systems Board is responsible for maintaining Criminal Offender Record Information (CORI) and other data for use by law enforcement and criminal justice agencies in Massachusetts and across the country. In addition to the criminal records, its automated system contains information on missing and wanted person files, drivers' license and motor vehicle information, and firearms licensing. The Board is supported by a budget of \$7.39 million and maintains approximately 3.4 million criminal history files for three million individuals within its criminal justice information system. As detailed below, the principal audit finding was that this automated system is outdated and unable to either provide law enforcement agencies with accurate criminal record information or ensure only authorized user access with a legitimate work purpose as required by law.

- The Criminal History Systems Board lacked the technology to meet its business and public safety objectives, including the maintenance and provision of accurate, complete, and up-to-date criminal record information. Its Criminal Justice Information System could not efficiently track criminal record histories, reconcile arrests with court dispositions, or use fingerprints to verify criminal history information. The audit noted that Massachusetts was one of only two states that did not use fingerprint verification of criminal record information. This deficiency increases the risk that criminal dispositions will be entered into the system for the wrong person, either through error or if an offender gives a false name. Audit testing also found numerous instances of inaccurate information in the criminal history database. Some of these errors could impact the outcomes of CORI checks for gun purchases and work-related background checks. Other errors, including 38,000 cases in which the criminal records of repeat serious offenders had not been updated to include more recent convictions, could affect the reliability of law enforcement decisions.
- The Criminal Justice Information System lacked controls to ensure the proper authentication of users or to actively monitor systems use. The audit found that some unauthorized users were accessing the system and that some users were unethically and illegally running checks, often on Massachusetts celebrities, for other than legitimate work-related purposes.
- The Secretary of the Executive Office of Public Safety and Security and the Executive Director of the Criminal History Systems Board accepted the audit findings, acknowledging shortcomings in their computerized criminal records system. They cited a lack of funding as the major reason systems improvements had not been made and stated that IT bond funding for a new enterprise-based public safety and justice information system had recently been approved. However, as of the close of the audit period, the Board had not obtained the initial \$8.6 million in first-year funding for development of the new system. Access to the funds had been delayed because of the current fiscal crisis. As a result, the public safety issues detailed in the audit remained a serious concern.

The Massachusetts Aeronautics Commission

The OSA's IT Audit Division completed a general controls examination of IT-related activities at the Massachusetts Aeronautics Commission, an agency under the Executive Office of Transportation. The Commission is responsible for development and improvement, safety and security, accident investigation, and aircraft registration at 37 Massachusetts public-use airports, as well as 184 private-use landing areas and two seaplane bases. (The Commission's jurisdiction does not extend to Logan International Airport or Hanscom Field, both of which are owned and operated by the Massachusetts Port Authority.) As summarized below, the major finding reported in the audit was that the Commission did not ensure that all civilian aircraft owned by state residents and businesses were properly registered, posing a potential risk to public safety.

- The Massachusetts Aeronautics Commission needed to strengthen oversight and computer controls relative to the registration of aircraft based in Massachusetts or temporarily located in Massachusetts for 60 or more cumulative days during a year. The OSA audit, which compared the information in the Commission's database with airport inventories, identified 689 aircraft that were not properly registered in calendar year 2007. This large number of unaccounted-for aircraft raised security issues and increased the potential for illegal activities. In addition, based on an average annual registration fee of \$165, the unregistered aircraft cost the state \$113,685 in potential revenue. The Commission responded promptly by reviewing the status and contacting the owners of the 689 aircraft reported as not registered and said that, as of the start of fiscal year 2009, the number of unregistered aircraft had been reduced to 216. The Commission has also developed a uniform spreadsheet for the airports to report the aircraft based at their facilities, which will help to ensure that reported aircraft inventories are accurate and complete.

Registry of Motor Vehicles

The OSA's IT Audit Division completed an audit of IT-related activities at the Registry of Motor Vehicles within the Executive Office of Transportation. The audit focused on the Registry's Automated Licensing and Registration System (ALARS), which is used to maintain all records for Massachusetts licensed drivers, including licenses, registrations, criminal and civil citations, inspection stickers, and various miscellaneous fees. In addition to examining general IT controls, the audit assessed Registry management of license suspensions and reinstatements, as well as controls in place to secure personally identifiable information. The most significant audit findings, including the determination that delays in the processing of criminal traffic violations were allowing a large number of serious violators to remain on the road long after their licenses should have been suspended or revoked, are detailed below.

- Based on a review of all new criminal citations for motor vehicle violations for 2005 and 2006, the OSA audit determined that 7,500 to 9,000 motorists, or three to four percent of those with criminal citation dispositions, were able to keep their licenses for one to three or more years after court adjudication. Although some cases of Registry processing delays were noted, these delays were primarily the result of tardiness by the courts in submitting their dispositions to the Registry. While recognizing the Registrar's frustration with delays in getting information from the courts, Auditor DeNucci

recommended that the Registry, as the primary agency responsible for the administration of the state's motor vehicle laws, take the lead in addressing the issue. In response, the Registrar stated that she would convene an executive working group in an attempt to resolve this problem and would continue to work with the court system to improve the timeliness of notification of license suspensions and revocations.

- The Registry was properly securing drivers' personally identifiable information for data maintained within the ALARS database. However, data transmitted to third parties, such as insurance companies and law enforcement agencies, was not encrypted, posing a risk of unauthorized access and unapproved use should personally identifiable information be intercepted during transmission. The OSA recommended that the Registry enhance data security by requiring the encryption of data by third-party users and restricting the downloading of information to remote computers.
- The Registry's untimely and inaccurate excise tax billings deprived the Commonwealth's cities and towns of significant excise tax income. Specifically, excise tax bills for 12,000 model year 2005 high-end luxury vehicles were delayed by as much as two years. As a result, over 4,600 excise tax invoices, totaling more than \$1.3 million, could not be collected because the taxed vehicles were no longer registered in Massachusetts. Furthermore, ALARS was not able to accurately identify vehicle values for certain trucks, buses, and luxury cars. Consequently, the Registry routinely assigned well below market valuations for thousands of vehicles, resulting in undervalued excise tax computations for cities and towns. The Registrar responded that the Registry has hired personnel with specialized knowledge to manage excise valuations and has begun a series of enhancements to ALARS to improve the accuracy of the valuation process.
- The Registry did not have a disaster and business continuity plan to provide for the timely restoration of mission-critical and essential business functions should systems be rendered inoperable or inaccessible. In addition, senior management had not developed a comprehensive strategy for contingency planning, off-site processing, or addressing potential security issues. As a result, Registry operations would be significantly impacted in the event of a prolonged disruption to ALARS processing and other business operations.

The University of Massachusetts (UMass) at Dartmouth

The OSA's IT Audit Division performed an audit of selected IT-related controls at UMass-Dartmouth in order to determine if these controls effectively supported the University's IT processing environment and safeguarded IT resources. The major audit finding, as detailed below, was that adequate controls were not in effect to accurately record or account for computer equipment valued in excess of \$10 million.

- UMass-Dartmouth did not perform an annual physical inventory and did not adequately review, reconcile, and maintain inventory records to ensure accuracy and completeness. Moreover, the University did not routinely record and account for new computer purchases. Specifically, the audit found that 566, or nearly half, of 1,148 hardware items purchased in fiscal years 2006 and 2007 were missing from the inventory listing. A further test of 45 items from the 566 purchases not included in the inventory records found that 28 items, or 62%, could not be located. In another sample of 73 listed items, the audit found that 58 were not at the location indicated in the inventory listing. Finally, UMass-Dartmouth could not provide a complete list of laptop computers because its inventory records did not distinguish laptops from other items of computer equipment and did not properly monitor or control the assignment and return of laptop computers. As a result of these deficiencies, the integrity of UMass-Dartmouth's inventory records could not be relied on, and its IT assets were exposed to an increased risk of loss, theft, and misuse. UMass-Dartmouth officials responded that they had initiated and would, as promptly as possible, fully implement a corrective action plan.
- UMass-Dartmouth, in noncompliance with provisions of Chapter 647 of the Acts of 1989, the State's Internal Control Statute, did not report to the Office of the State Auditor the thefts of twenty IT items valued at approximately \$38,175. As a result, the required immediate investigation by the OSA of the control environment did not take place; law enforcement review and recovery of the equipment may have been impeded; and steps to prevent the recurrence of computer thefts may have been delayed, creating a significant potential for additional losses.
- UMass-Dartmouth did not have a formal disaster recovery and business continuity plan for the timely restoration of processing functions in the event that automated systems were rendered inoperable or inaccessible. Without adequate, tested recovery strategies, including specific arrangements for alternate site processing, the College's administrative and academic activities would be seriously disrupted should automated systems be lost for an extended time.

Department of Youth Services

The OSA's IT Audit Division performed an audit at the Department of Youth Services (DYS) within the Executive Office of Health and Human Services. The Department's mission is to protect the public and prevent crime by promoting constructive changes in the lives of youth placed in its custody by juvenile courts throughout the state. The Department received a state appropriation of \$160.5 million for fiscal year 2008 and \$163.1 million for fiscal year 2009. In addition to assessing selected IT-related controls, the audit reviewed the operation of the Youth Services Information System, a data entry system for processing mission-critical information, such as client histories, committed offenses, admissions, and discharges. Audit results are summarized below.

- The Department of Youth Services' automated system application, Youth Services Information System, did not have the capability to properly track clients or provide staff with medical assessments and other information critical to treatment and programming for individuals. The audit found that the automated system lacked accurate and up-to-date information regarding client location, medical history, facility vacancies, and warrants. As a result, staff was delayed in accessing critical information needed to conduct suicide assessments and provide special needs and other services. Many case managers were using paper forms and spreadsheets, as well as faxing and mailing information between offices, to access data that the automated system had been installed to provide. Furthermore, the application system had serious security flaws, as it did not provide management with an audit trail of changes to records or other data. Agency officials responded that they were working to obtain funding to acquire and implement a new application system.
- The Department of Youth Services needed to improve controls in several IT-related areas. Specifically, management had not established a mandatory timeframe for changing passwords for access to the Youth Services Application System, and passwords were not changed on a regular basis. Furthermore, thirteen out of 720 persons who were assigned user accounts could not be identified on the March 2008 official personnel record. These weaknesses in password administration increased the risk of unauthorized access to sensitive DYS data. In addition, the audit found significant inventory control deficiencies, including inaccurate and incomplete inventory records and failure to conduct annual physical inventories and reconciliations. As a result, the Department could not be assured that its fixed assets were adequately safeguarded and, in fact, a number of items could not be located. The audit also noted that DYS had not notified the OSA, as required by law, of the theft of computer equipment valued at \$24,820. Finally, the Department did not have a formal, tested disaster recovery and business continuity plan or adequate controls over off-site storage of backup copies of systems and data files. Without sufficient recovery plans, essential DYS administrative and other activities would be adversely impacted should its automated capabilities be significantly disrupted or lost. The Commissioner of DYS indicated agreement with these findings and stated that corrective action had begun in accordance with OSA recommendations.

Special Audit Section:

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 IT Audit Division issued eleven reports during fiscal year 2009 that specifically assessed the extent to which various agencies had addressed business continuity planning for essential operations supported by technology, and had in place adequate on-site and off-site storage of backup copies of magnetic media. These audits were part of a major IT audit initiative focused on assessing compliance with state requirements that all agencies develop Continuity of Operations (COOP) plans and designate alternate processing sites. The audit also evaluated the extent to which COOP plans have helped agencies implement comprehensive, effective, disaster recovery and business continuity plans. An additional eleven audits, also issued during this report period, contained findings of disaster recovery and business continuity weaknesses, indicating that for most agencies, issues surrounding recovery and business continuity strategies still needed to be addressed.

- All eleven agencies reviewed as part of the Business Continuity Initiative had strategies for recovering IT capabilities should a disaster render automated systems inoperable or inaccessible. In this regard, most of the agencies had continuity of operations (COOP) plans as required by Executive Order 490 of 2007. While these COOP plans contained many elements of formal disaster recovery and business continuity plans, they tended to focus on response to emergencies by high level officials and, for the most part, lacked detailed procedures for mission-critical activity recovery. Thus, in spite of maintaining COOP plans, none of the agencies reviewed had a comprehensive, approved, and tested formal disaster recovery and business continuity plan. As a result, the agencies were not in complete compliance with Executive Order 490, provisions of which require annual testing of approved recovery plans. Moreover, although these agencies would probably be able to resume business operations should a disaster occur, most would not be likely to do so within an acceptable time period.
- All of the agencies reviewed were aware of the importance of on-site and off-site system backups, as well as secure storage of magnetic media. Furthermore, the majority of these agencies, to the extent possible, had made sufficient alternate processing arrangements. However, most of these agencies had additional applications residing at the Massachusetts Information Technology Center in Chelsea. At the time of the audit, there was no state-owned alternate processing facility for application systems, such as the Department of Children and Families' mission-critical Family Net System, supported at the Chelsea Center. At the close of the audit period, however, the Commonwealth's Information Technology Division was working on establishing a data center in western Massachusetts to be used as an alternate processing and backup site.

- For both those agencies that were part of the Business Continuity Initiative and others with significant recovery weaknesses, the OSA recommended that criticality evaluations and risk assessments be conducted. Each agency should then develop, test, and implement a detailed, formal disaster recovery and business continuity plan that addresses various disaster scenarios and identifies activities necessary to assist in timely restoration of mission-critical and essential business operations should automated capabilities be disrupted or lost. Once implemented, plans should be periodically reviewed, updated, and retested for changing conditions.

INITIATIVES

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

Data Integrity

The Office of the State Auditor is continuing an initiative relative to reviewing and evaluating 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. This audit initiative, which is resulting in a series of reports and management letters, also involves analyzing 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 has initiated 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 the degree to which Executive Branch agencies are addressing the requirements of Executive Order 504, a directive on the protection of personal information. In addition to further reviewing selected entities in order to assess the adequacy of their controls over Personally Identifiable Information, IT Audit will make recommendations for preventing unauthorized disclosure of confidential data, which could lead to 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. This initiative, which resulted in eleven individual audits in fiscal year 2009, includes reviews of the extent to which COOP plans have been developed by state entities and assessments of whether the development of COOP plans has helped agencies develop more comprehensive recovery and business continuity plans. The audit is also assessing the availability of alternate processing sites across the Commonwealth to support disaster recovery and business continuity strategies.

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 2009, BSI identified nearly \$3.7 million in public assistance fraud, including \$2.9 million in Medicaid fraud, \$483,000 in financial assistance fraud and \$281,000 in Food Stamp fraud.
- BSI completed 2,223 cases during fiscal year 2009. Of these, 245 investigations resulted in identified fraud and were referred to the appropriate agency for civil recovery or prosecution.
 - Civil Recoupments: BSI sent 176 cases back to the Department of Transitional Assistance (DTA) for collection. For 130 of these cases, DTA established collection accounts. As of June 30, 2009, \$167,371 had been repaid to the Commonwealth, with an additional \$316,347 scheduled for collection. Further, DTA will collect \$226,816 with the establishment of collection accounts for the remaining 46 cases. BSI has also initiated a pilot project with MassHealth to establish a Medicaid fraud recoupment function. Thus far, BSI has referred six cases, representing \$50,000 in fraudulent activity, to MassHealth staff, who will begin the recoupment process. In six other cases, BSI completed voluntary repayment agreements with individuals who committed Medicaid fraud by not disclosing \$153,782 in assets at the time of application for nursing home benefits.
 - Court Actions: BSI brought ten completed cases involving \$214,826 in fraud to the criminal justice system for prosecution. Fully adjudicated cases resulted in court orders for \$96,374 of this amount to be repaid to the Commonwealth. The ten 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.
- Over the past year, BSI continued to work 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-one of these cases were adjudicated in fiscal year 2009, resulting in court-ordered restitution of \$59,164. Over two years the warrant initiative has resulted in repayments of \$166,895.

- 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 a claim of 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 healthcare and Food Stamp fraud. In one such case, BSI examiners found that an employed individual whose annual earnings ranged between \$62,000 and \$82,000 and who resided with his family, illegally received \$116,000 in financial assistance, healthcare, and Food Stamp benefits.
- 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 one recently completed drug diversion case, an individual convinced numerous hospital emergency room doctors to write prescriptions for the painkiller Percocet; at the same time he was receiving prescriptions for the drug from a primary care physician. All of the prescriptions were filled using his MassHealth card. The investigation uncovered 45 instances, involving a total of \$4,873, in which prescription drugs were fraudulently obtained. 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. As patterns of abuse are established, BSI initiates investigations of suspected abusers, including recipients, pharmacists, physicians, 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. Several Food Stamp Trafficking cases are currently under investigation.

- BSI is continuing to investigate Personal Care Attendant (PCA) fraud referrals, cases in which falsified records enabled certain caregivers to receive payment for services that were not provided. In certain cases, neglect and abuse of disabled individuals have also been uncovered and addressed. The PCA Task Force, which includes BSI, the Attorney General's Office, and the federal Health and Human Services' Office of the Inspector General, continued to investigate major PCA fraud cases. Among the Task Force Unit cases completed in the report period and pending indictment are six cases involving over \$100,000 in identified fraud. In one of these cases, a PCA billed \$287,000 for services that were not rendered and also faces allegations of neglect and abuse of a consumer. In another case, a PCA and consumer who resided full-time in Florida maintained a residence in Massachusetts, which they used to illegally obtain MassHealth benefits. The investigation uncovered both residence and income eligibility fraud totaling \$318,000. Apart from Task Force investigations, BSI pursued additional allegations of PCA program abuse. Moreover, 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 continued to investigate allegations of fraud in publicly funded childcare programs throughout the Commonwealth. In a case adjudicated in September 2009, a woman about to go on trial for fraudulently obtaining thousands of dollars in childcare while owning properties and a business pleaded guilty to two counts of larceny over \$250. She was placed on probation for two years and ordered to repay \$26,645 to the state.

DIVISION OF LOCAL MANDATES

To ease some of the impact of property tax limits, Proposition 2½ 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 reports include estimates of the local financial effect of the law or regulation under review, 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.

Highlights of DLM Activities and Accomplishments

Greyhound Dog Racing Ban

At the request of Revere Mayor Thomas Ambrosino, DLM reviewed a law enacted by initiative petition at the November 2008 elections. Effective January 1, 2010, “Question 3” will ban betting on dog races in the Commonwealth. As a collateral result, the City of Revere faces the loss of a long-standing source of revenue to support public services.

Since the early 1980s, state law has provided that communities that host certain racing events share in a small percentage (0.35% in recent years) of the proceeds of wagers placed at the tracks within their boundaries. This small percentage, however, has resulted in significant unrestricted revenue for Revere – over three-quarters of a million dollars in the last five years. The Mayor asked whether this new law and the resulting revenue loss amount to an unfunded state mandate, and for a determination of the three-year financial impact on the city.

In reply, DLM explained its opinion that the Local Mandate Law does not apply in this case, primarily because the dog racing ban was enacted directly by the voters as provided by the State Constitution. Court precedent has established that the Local Mandate Law does not apply to enactments over which the Legislature has no control, such as court decisions and federal law. In an earlier session, the Legislature rejected a similar proposal to ban betting on dog races. Supporters responded by obtaining the necessary signatures to have Question 3 placed on the ballot. The ban was enacted by the voters notwithstanding the objection of the Legislature and is, therefore, not subject to the provisions of the Local Mandate Law.

Nonetheless, this ban will result in significant revenue loss to Revere. DLM obtained from the Racing Commission the history of payments to the city from Wonderland Park. Due to a decline in wagering at the track, the numbers show a downward trend in distributions to the city. Presuming that the total amount wagered at Wonderland would decline at the rate of eight to nine percent seen in recent years, DLM projected an estimated \$250,000 revenue loss for Revere over the next three years.

Regional School Budget Impasse

The Board of Selectmen of the towns of Gill and Montague requested an opinion regarding provisions of state law that call for one-twelfth budgets in instances where the members of a regional school district do not agree on an operating budget. Among other things, the law authorizes the Commissioner of the Massachusetts Department of Elementary and Secondary Education to determine the amount “sufficient for the operation of the district” and to order the member communities to appropriate one-twelfth of their apportioned shares each month until an accord is reached. If no agreement is approved by December first of the school year, the Department must assume operation of the district. The petitioning towns reported that the Department had issued one-twelfth budget orders, and expressed concern that these orders would result in annualized increases in the amounts payable to the Gill-Montague Regional School District that exceeded all of the new revenues available that fiscal year.

Following an in-depth review of the arguments, information from the Department, and court precedent, DLM concluded that the Local Mandate Law does not apply in this case. This is primarily because the costs at issue were the result of a local option law. The Supreme Judicial Court has ruled that under the Local Mandate Law, communities may voluntarily accept the terms of an unfunded (or underfunded) state law, without creating financial obligations for the Commonwealth. The state law authorizing the establishment of regional school districts is explicitly a local option law, effective only in cities and towns that vote to accept it. Because the voters in both towns agreed to form and support the regional school district in compliance with relevant state law, the costs at issue were not “mandated” by the Commonwealth.

Moreover, DLM noted that prior to the enactment of Proposition 2½ in 1980, local and regional school committees had the “fiscal autonomy” to require cities and towns to provide any amounts deemed necessary for the support of the public schools; and cities and towns were obligated to appropriate those amounts. In the case at hand, the amounts ordered by the Department of Elementary and Secondary Education to sustain the district through the period of budget impasse were less than the amounts originally requested by the Gill-Montague Regional School District and rejected by the towns. Under the pre-Proposition 2½ rule of school committee fiscal autonomy, the towns would have been obliged to appropriate the greater amount originally requested. Accordingly, apart from the issue discussed above, DLM concluded that the facts in this case did not support a finding that the current law imposes a greater financial obligation upon the towns than pre-1981 law.

Trench Safety

Over the course of a number of months, DLM received separate petitions from the towns of Southwick, Whately, and South Springfield regarding Department of Public Safety regulations governing excavation and trench safety. The Department promulgated these regulations in November 2007, as required by a state statute, “Jackie’s Law,” which was enacted after a trench collapsed and killed a four-year-old Bridgewater girl who was playing in it. The purpose of this law is to protect the general public from the hazards of construction-related trenches left unattended at the end of a work period. To this end, the law requires that public agencies, including cities and towns, designate a trench permitting authority and enforce the safety requirements to be established more specifically by regulation. The petitioners emphasized that their inquiries dealt with the question of state responsibility for the program’s funding, and not with the merits of the trench safety statute.

During a meeting with Southwick officials, DLM identified three distinct types of costs municipalities may incur as a result of this regulation. The first is the expense of meeting permit requirements and complying with the standards for securing unattended trenches at municipal work sites. Second, there is the administrative expense of reviewing applications and issuing permits. The third is the cost of enforcing permit compliance, and in the case of violations, conducting hearings on permit suspension or revocation, and re-inspecting a work site for compliance to allow work to resume. After review, however, DLM reached the conclusion that the Local Mandate Law does not apply to these regulations because the safety standards set for unattended trenches apply generally across the public and private sectors, and the costs of issuing and enforcing permits may be recovered from permit holders. This decision is further detailed below.

Division of Local Mandates

The Local Mandate Law does not shield cities and towns from every type of state requirement that may result in additional local spending. The courts have ruled that its provisions apply only to state laws and regulations adopted after 1980 that impose cost obligations particularly upon cities and towns; they do not apply to generally applicable state requirements that govern public and private sector activities alike. Because the standards for securing unattended trenches apply across the board to private and public excavators, these compliance costs are beyond the scope of the Local Mandate Law.

As for the administrative expenses of reviewing permit applications and issuing permits, both the law and regulations allow that “the local permitting authority may charge a reasonable fee to cover the administrative costs incurred in connection with the review and processing of permits.” Additionally, as long as certain minimum requirements are satisfied, the law provides that each permitting authority may determine the specific content for the trench permit to be used within its territory. Among other things, the Department of Public Safety’s model permit form contains text that would require a permit holder to agree to reimburse a community for “any and all costs and expenses incurred” in connection with the permit and any enforcement actions or remedial measures deemed necessary. Because communities have the option to recover permitting and enforcement costs from permit holders, DLM concluded that the regulations do not impose administrative or enforcement costs upon municipalities.

Minimum School Spending

At the request of a member of the Raynham Board of Selectmen, DLM examined elements of the state elementary and secondary school finance law that determine a city or town’s minimum required local contribution to the support of public schools each year. The concern in this case was that the methodologies of the law, Chapter 70, result in significantly greater obligations to the regional and vocational schools than would result from traditional calculations and apportionments.

Even though the Local Mandate Law establishes the general standard that the state must pay for mandated costs, the State Supreme Judicial Court has ruled that the Legislature is free to supercede or override the Local Mandate Law with regard to any specific enactment. Provisions regarding minimum local contributions, as well as the whole of Chapter 70, apply “to all cities, towns, and regional school districts, notwithstanding [the Local Mandate Law], and without regard to any acceptance or appropriation by a city, town or regional school district or to any appropriation by the general court.” As a result, the Commonwealth is not responsible for increases in local obligations resulting from Chapter 70 calculations.

Special Commission on Municipal Relief

At the request of the Chairmen of the Legislature's Special Commission on Municipal Relief, Auditor DeNucci offered recommendations for providing relief to cities and towns struggling to maintain essential public services in light of the state fiscal crisis. There were numerous proposals already before the Commission, ranging from local option sales and use taxes to expanding management prerogatives in shaping local employee benefit plans. In an effort to bring something different to the table, the Auditor recommended amendments to clarify and strengthen the scope of municipal protection from unfunded state mandates, an ongoing source of fiscal stress at the local level. He referred specifically to legislation that he has sponsored that would extend local mandate protections to cover costly amendments to local option laws, when such amendments are enacted after the initial local vote. He also referred the Commission members to a DLM report that included recommendations to relieve cities and towns of the cost of providing property tax abatements for senior citizens, and to equalize these benefits across communities.

PRIVATE OCCUPATIONAL SCHOOLS

Chapters 75C, 75D, and 93 of the Massachusetts General Laws require the Office of the State Auditor and the Department of Elementary and Secondary 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 Elementary and Secondary 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, 2009, there were 200 private occupational schools on the OSA Proprietary School Active File, consisting of 139 private business schools, 56 private trade schools, and five private correspondence schools. At fiscal year-end, licensure was ongoing at either the OSA or the Department of Elementary and Secondary Education for nineteen schools, while the process was completed for 181 schools that were found to be financially eligible for occupational school licensure during the year. The 181 approvals by the OSA during fiscal year 2009 represented 23 original applications and 158 renewals.

Appendix

AUDIT REPORTS ISSUED

EDUCATION AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
1.	Berkshire Community College - Fiscal Year End 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0190-16S	3/12/09
2.	Bridgewater State College - Chapter 647	2006-0177-12S	6/1/09
3.	Bridgewater State College - Student Financial Assistance Program	2009-0177-7S	4/7/09
4.	Bristol Community College - Student Financial Assistance Program	2009-0191-16S	4/7/09
5.	Bunker Hill Community College - Fiscal Year End 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0192-16S1	11/20/08
6.	Bunker Hill Community College - Fiscal Year 2008 Year End Cash and Revenue Management	2008-0192-16S2	3/23/09
7.	Charter School Financial Accounting and Reporting	2008-5132-17C	2/18/09
8.	Department of Elementary and Secondary Education - Fiscal Year End 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0157-16S	11/7/08
9.	Greenfield Community College - Fiscal Year End 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0194-16S1	11/20/08
10.	Greenfield Community College - Fiscal Year 2008 Year End Cash and Revenue Management	2008-0194-16S2	10/31/08
11.	Holyoke Community College - Fiscal Year End 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0195-16S1	11/7/08
12.	Massachusetts Bay Community College - Fiscal Year 2008 Year End Cash and Revenue Management	2008-0196-16S2	11/20/08
13.	Massachusetts Bay Community College	2008-0196-12S	10/28/08
14.	Massachusetts Bay Community College - Fiscal Year End 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0196-161	2/11/09
15.	Massachusetts College of Art - Fiscal Year End 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0181-16S	11/20/08
16.	Massachusetts State College Building Authority	2008-0209-3A	7/18/08
17.	Massasoit Community College - Fiscal Year 2008 Year End Cash and Revenue Management	2008-0197-16S	10/31/08
18.	Middlesex Community College - Fiscal Year 2008 Year End Cash and Revenue Management	2008-0199-16S2	10/31/08

EDUCATION AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
19.	Middlesex Community College - Fiscal Year End 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0199-16S1	2/11/09
20.	Mount Wachusett Community College - Student Financial Assistance Program	2009-0200-16S	4/7/09
21.	North Shore Community College - Fiscal Year 2008 Year End Cash and Revenue Management	2008-0202-16S1	12/29/08
22.	North Shore Community College - Student Financial Assistance Program	2009-0202-7S	4/7/09
23.	Salem State College - Fiscal Year End 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0184-16S	11/7/08
24.	Springfield Technical Community College - Fiscal Year End 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0205-16S1	11/20/08
25.	Springfield Technical Community College - Privatization of Campus Bookstore	2009-0205-13O	9/9/08
26.	Springfield Technical Community College - Student Financial Assistance Program	2009-0205-7S	4/7/09
27.	University of Massachusetts Building Authority	2009-0215-3A	1/27/09
28.	University of Massachusetts at Boston	2007-0214-3S	6/29/09
29.	University of Massachusetts at Dartmouth	2008-0210-4T	5/14/09
30.	University of Massachusetts System - Fiscal Year End 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1421-16S	3/12/09
31.	Westfield State College - Fiscal Year 2008 Year End Cash & Revenue Management	2008-0185-16S2	10/31/08
32.	Westfield State College - Fiscal Year End 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0185-16S1	11/20/08
33.	Westfield State College - Student Financial Assistance Program	2009-0185-16S	4/7/09
34.	Worcester State College	2008-0186-4T	2/10/09

HEALTH AND HUMAN SERVICES AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
1.	Active Day of New Bedford Center	2008-4512-3C	1/5/09
2.	ATG Massachusetts, Inc.	2009-4516-16C	2/13/09
3.	Brockton Regional MRI Center	2009-4524-3C	6/26/09
4.	Capeway Adult Day Health Center	2008-4510-3C	11/25/08
5.	Catastrophic Illness In Relief Fund Commission - Department of Public Health	2008-0292-3S	10/31/08
6.	Cheshire Adult Day Care, Inc.	2008-4513-3C	10/6/08
7.	Department of Early Education and Care - Fiscal Year End 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0837-16S1	11/7/08
8.	Department of Early Education and Care - Single Audit of the Commonwealth	2009-0837-16S	4/7/09
9.	Department of Mental Health - Business Continuity Planning	2008-0236-4T	12/3/08
10.	Department of Mental Health - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0236-16S	11/17/08
11.	Department of Mental Health - Metro Boston Area Office	2008-0242-4T	12/23/08
12.	Department of Mental Health - Southeastern Mass Area Office	2008-0243-4T	6/3/09
13.	Department of Mental Retardation – Business Continuity Planning	2008-0234-4T	1/27/09
14.	Department of Mental Retardation - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0234-16S	4/28/09
15.	Department of Mental Retardation - Northeast Region - Hogan Regional Center	2006-0247-7T	12/3/08
16.	Department of Public Health - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0290-16S	11/17/08
17.	Department of Social Services - Single Audit of the Commonwealth	2009-1058-16S	4/7/09
18.	Department of Social Services - Business Continuity Planning	2008-1058-4T	12/24/08
19.	Department of Social Services - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1058-16S1	11/7/08
20.	Department of Transitional Assistance- Business Continuity Planning	2008-0310-4T	6/16/09

HEALTH AND HUMAN SERVICES AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
21.	Department of Transitional Assistance - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0310-16S	11/17/08
22.	Department of Veterans Services - Business Continuity Planning	2008-0018-4T	5/14/09
23.	Department of Veterans Services - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0018-16S	11/7/08
24.	Department of Youth Services	2008-0512-4T	11/10/08
25.	Department of Youth Services - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0512-16S	11/7/08
26.	Division of Health Care Finance and Policy – Business Continuity Planning	2008-0034-4T	5/27/09
27.	Division of Health Care Finance and Policy - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0034-16S	11/7/08
28.	ENOS Home Oxygen and Medical Supply, Inc.	2009-4518-16C	2/20/09
29.	Executive Office of Elder Affairs - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0004-16S	11/17/08
30.	Executive Office of Elder Affairs - Business Continuity Planning	2008-0004-4T	3/11/09
31.	Executive Office of Elder Affairs - Personal Care Attendant Program	2006-5124-3C	6/10/09
32.	Executive Office of Health & Human Services - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0006-16S	2/11/09
33.	Human Resources Division - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0373-16S	11/17/08
34.	Human Resources Unlimited	2007-4284-3C	12/2/08
35.	L.P. College, Inc.	2007-4506-3C	3/11/09
36.	LifeLinks, Inc.	2008-4509-3C	10/15/08
37.	Little People’s College, Inc.	2007-4505-3C	8/19/08
38.	Massachusetts Commission for the Blind - Business Continuity Planning	2008-0051-4T	12/5/08
39.	Massachusetts Commission for the Blind - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0051-16S	11/7/08

HEALTH AND HUMAN SERVICES AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
40.	Massachusetts Commission for the Deaf and Hard of Hearing - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0302-16S	11/7/08
41.	Massachusetts Commission for the Deaf and Hard of Hearing	2008-0302-3S	7/18/08
42.	Massachusetts Commission for the Deaf and Hard of Hearing - Business Continuity Planning	2008-0302-4T	2/27/09
43.	Massachusetts Hospital School	2008-0301-3S	5/11/09
44.	Massachusetts Office for Victim Assistance - Fiscal 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0074-16S	11/7/08
45.	Massachusetts Rehabilitation Commission - Single Audit of the Commonwealth	2009-0054-16S	4/7/09
46.	Massachusetts Rehabilitation Commission - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0054-16S1	11/17/08
47.	Massachusetts Rehabilitation Commission - Head Injury Treatment Services Trust Fund	2007-0054-3C	2/10/09
48.	Medical Resources Home Health Corporation	2009-4519-3C	3/25/09
49.	Northeast Clinical Services, Inc.	2009-4522-3C	5/11/09
50.	Office for Refugees & Immigrants - Review of Credit Card Purchases	2008-1370-3O	8/21/08
51.	Office for Refugees and Immigrants - Fiscal 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1370-16S	11/7/08
52.	Office of Medicaid (MassHealth) - Durable Medical Equipment	2007-1374-3S1	11/25/08
53.	Office of Medicaid (MassHealth) - Personal Care Services	2008-1374-3S2	10/28/08
54.	Office of Refugees and Immigrants - Business Continuity Planning	2008-1370-4T	12/23/08
55.	Old Colony Adult Day Health Care, Inc.	2008-4511-3C	10/15/08
56.	Personal Touch Home Care of MA, Inc.	2009-4520-3C	1/16/09
57.	Road to Responsibility, Inc.	2008-4317-3C	1/30/09
58.	Soldiers Home Holyoke - Fiscal 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0064-16S	11/7/08
59.	Thayercare, Inc.	2008-4514-3C	10/29/08
60.	TMED Holdings, Inc. (Charm Medical Supply)	2009-4517-16C1	2/13/09

HOUSING AUTHORITY AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
1.	Acton Housing Authority	2009-1011-3A	9/25/08
2.	Amherst Housing Authority	2008-0597-3A	11/21/08
3.	Andover Housing Authority	2009-0598-3A	12/2/08
4.	Ayer Housing Authority	2009-1037-3A	1/12/09
5.	Barnstable Housing Authority	2008-0606-3A	1/23/09
6.	Barre Housing Authority	2009-0607-3A	2/9/09
7.	Belchertown Housing Authority	2007-0609-3A	7/16/08
8.	Beverly Housing Authority	2008-0612-3A	9/22/08
9.	Billerica Housing Authority	2008-0614-3A	10/2/08
10.	Boston Housing Authority	2006-0616-3A	9/22/08
11.	Bourne Housing Authority	2008-0618-3A	11/21/08
12.	Braintree Housing Authority	2009-0619-3A	1/13/09
13.	Brewster Housing Authority	2008-0659-3A	9/22/08
14.	Bridgewater Housing Authority	2009-0620-3A	2/20/09
15.	Brookfield Housing Authority	2009-1075-3A	2/19/09
16.	Brookline Housing Authority	2009-0623-3A	6/10/09
17.	Burlington Housing Authority	2008-0625-3A	1/13/09
18.	Carver Housing Authority	2008-1285-3A	12/2/08
19.	Chelmsford Housing Authority	2008-0630-3A	7/14/08
20.	Chicopee Housing Authority	2008-0633-3A	1/21/09
21.	Clinton Housing Authority	2008-0635-3A	12/17/08
22.	Cohasset Housing Authority	2008-0636-3A	11/3/08
23.	Concord Housing Authority	2009-0637-3A	2/11/09
24.	Danvers Housing Authority	2009-0639-3A	1/23/09
25.	Dedham Housing Authority	2009-0641-3A	3/9/09
26.	Department of Housing and Community Development - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0001-16S1	11/17/08
27.	Department of Housing and Community Development - Single Audit of the Commonwealth	2009-0001-16S	4/7/09
28.	Dighton Housing Authority	2009-0643-3A	2/9/09
29.	Dudley Housing Authority	2008-0970-3A	9/8/08
30.	Duxbury Housing Authority	2009-0644-3A	6/30/09

HOUSING AUTHORITY AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
31.	East Bridgewater Housing Authority	2008-0645-3A	9/30/08
32.	East Longmeadow Housing Authority	2008-0647-3A	9/8/08
33.	Easton Housing Authority	2008-0648-3A	10/28/08
34.	Fairhaven Housing Authority	2008-0651-11A	9/5/08
35.	Framingham Housing Authority	2008-0658-3A	9/25/08
36.	Gardner Housing Authority	2008-0662-3A	7/16/08
37.	Gloucester Housing Authority	2008-0665-3A	2/11/09
38.	Grafton Housing Authority	2009-0666-3A	12/3/08
39.	Granby Housing Authority	2009-0667-3A	1/23/09
40.	Groton Housing Authority	2009-1325-3A	2/11/09
41.	Hadley Housing Authority	2009-0670-3A	6/18/09
42.	Hamilton Housing Authority	2009-0671-3A	6/30/09
43.	Hingham Housing Authority	2009-0674-3A	6/16/09
44.	Hopedale Housing Authority	2009-0680-3A	3/31/09
45.	Hull Housing Authority	2008-0683-3A	12/17/08
46.	Ipswich Housing Authority	2008-0685-3A	9/30/08
47.	Kingston Housing Authority	2008-0686-3A	9/22/08
48.	Leicester Housing Authority	2008-0691-3A	7/11/08
49.	Lexington Housing Authority	2009-0694-3A	5/27/09
50.	Lynn Housing Authority	2009-0699-3A	6/10/09
51.	Marshfield Housing Authority	2009-0708-3A	2/9/09
52.	Mashpee Housing Authority	2009-0707-3A	2/19/09
53.	Medway Housing Authority	2008-0714-3A	9/24/08
54.	Melrose Housing Authority	2009-0715-3A	12/17/08
55.	Mendon Housing Authority	2008-0716-3A	9/5/08
56.	Millbury Housing Authority	2008-0724-3A	8/21/08
57.	Millis Housing Authority	2009-0725-3A	6/11/09
58.	New Bedford Housing Authority	2009-0732-3A	4/14/09
59.	Newton Housing Authority	2009-0736-8F	10/31/08
60.	Norfolk Housing Authority	2009-0841-3A	12/17/08
61.	North Brookfield Housing Authority	2009-0901-3A	2/19/09
62.	Northampton Housing Authority	2009-0740-3A	12/3/08

HOUSING AUTHORITY AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
63.	Northborough Housing Authority	2009-0774-3A	11/19/08
64.	Norton Housing Authority	2009-0747-3A	6/16/09
65.	Orleans Housing Authority	2009-0750-3A	2/2/09
66.	Oxford Housing Authority	2009-0751-3A	3/19/09
67.	Peabody Housing Authority	2009-0754-3A	3/31/09
68.	Pepperell Housing Authority	2008-1071-3A	9/5/08
69.	Plymouth Housing Authority	2009-0760-3A	12/11/08
70.	Randolph Housing Authority	2008-0763-3A	1/12/09
71.	Salem Housing Authority	2008-0769-3A	9/16/08
72.	Salisbury Housing Authority	2009-0834-3A	5/13/09
73.	Sandwich Housing Authority	2008-0771-3A	9/24/08
74.	Saugus Housing Authority	2009-0772-3A	1/12/09
75.	Scituate Housing Authority	2008-0773-3A	11/19/08
76.	Seekonk Housing Authority	2009-0774-3A	4/23/09
77.	Sharon Housing Authority	2008-0775-3A	7/21/08
78.	Southbridge Housing Authority	2008-0780-3A	9/5/08
79.	Spencer Housing Authority	2008-0784-3A	7/29/08
80.	Stoneham Housing Authority	2009-0788-3A	5/13/09
81.	Stoughton Housing Authority	2009-0789-3A	6/11/09
82.	Sudbury Housing Authority	2009-0830-3A	11/3/08
83.	Sutton Housing Authority	2009-0791-3A	3/6/09
84.	Swampscott Housing Authority	2008-0792-3A	11/21/08
85.	Swansea Housing Authority	2009-0793-3A	6/2/09
86.	Taunton Housing Authority	2009-0794-3A	2/27/09
87.	Templeton Housing Authority	2009-0872-3A	1/7/09
88.	Upton Housing Authority	2009-0797-3A	1/23/09
89.	Wareham Housing Authority	2008-0803-3A	1/23/09
90.	Wayland Housing Authority	2008-0806-3A	9/9/08
91.	Webster Housing Authority	2008-0807-3A	9/16/08
92.	Wellesley Housing Authority	2008-0808-3A	12/3/08
93.	Wenham Housing Authority	2009-0832-3A	1/23/09
94.	West Boylston Housing Authority	2009-1278-3A	12/11/08

HOUSING AUTHORITY AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
95.	West Bridgewater Housing Authority	2008-0810-3A	10/21/08
96.	West Brookfield Housing Authority	2009-1294-3A	9/24/08
97.	Westport Housing Authority	2008-0813-3A	9/25/08
98.	Woburn Housing Authority	2009-0823-3A	3/19/09
99.	Worcester Housing Authority	2008-0825-3A	1/30/09
100.	Yarmouth Housing Authority	2008-0828-3A	12/23/08

INDEPENDENT AUTHORITY AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
1.	Belchertown Economic Development Industrial Corporation	2008-1468-3O	4/7/09
2.	Bourne Recreation Authority	2009-0844-3A	6/9/09
3.	Commonwealth Corporation	2009-1326-3A	6/30/09
4.	Community Economic Development Assistance Corporation	2008-1009-3A	10/23/08
5.	Massachusetts Bay Transportation Authority- Automated Fare Collection System	2005-0583-3A	2/24/09
6.	Massachusetts Health & Education Facility Authority	2009-0041-3A	6/30/09
7.	Massachusetts Housing Finance Agency	2009-0141-4T	6/29/09
8.	Massachusetts School Building Authority	2008-1461-3A	8/7/08
9.	Massachusetts Water Resources Authority - Review of Construction Management Over the Union Park Detention /Treatment Facility	2008-1323-3C	2/11/09
10.	Merrimac Valley Regional Transit Authority	2008-0496-3A	8/19/08
11.	Metropolitan Area Planning Council	2009-0056-3A	2/10/09
12.	Southeastern Regional Planning and Economic Development District	2008-1296-3A	7/16/08
13.	Woods Hole, Martha's Vineyard and Nantucket Steamship Authority	2008-0587-3A	7/29/08

JUDICIARY/PUBLIC SAFETY AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
1.	Barnstable Superior Court	2008-1118-3O	11/25/08
2.	Berkshire Sheriff's Department - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1437-16S	4/28/09
3.	Bristol County District Attorney's Office - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1264-16S	6/10/09
4.	Bristol County Superior Court - Fiscal Year 2008 Year End Cash and Revenue Management	2008-1119-16S	11/20/08
5.	Brookline District Court - Fiscal Year 2008 Year End Cash and Revenue Management	2008-1164-16S	12/11/08
6.	Cape and Islands District Attorney - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1263-16S	11/17/08
7.	Cape and Islands District Attorney	2008-1263-3S	10/29/08
8.	Chelsea District Court	2008-1133-3O	2/27/09
9.	Charlestown Municipal Court	2008-1132-3O	10/29/08
10.	Chelsea District Court - Fiscal Year 2008 Year End Cash and Revenue Management	2008-1133-16S	10/31/08
11.	Committee for Public Council Services - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1104-16S	11/7/08
12.	Committee for Public Counsel Services - Review of Credit Card Purchases	2009-1104-3O	3/11/09
13.	Criminal History Systems Board	2008-0857-4T	5/5/09
14.	Criminal History Systems Board - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0857-16S	4/28/08
15.	Department of Correction	2008-0145-11S	7/11/08
16.	Department of Correction - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0145-16S	2/11/09
17.	Department of State Police - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1338-16S	11/17/08
18.	Dorchester Municipal Court - Fiscal Year 2008 Year End Cash and Revenue Management	2008-1134-16S	1/5/09
19.	Eastern District Attorney (Essex County) - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1257-16S	11/7/08

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	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
20.	Essex Probate & Family Court	2009-1223-3O	6/23/09
21.	Executive Office of Public Safety and Homeland Security	2006-0008-3S	8/28/08
22.	Executive Office of Public Safety and Homeland Security - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0008-16S	11/17/08
23.	Executive Office of Transportation and Public Works - Police Details	2009-0009-17O	3/24/09
24.	Franklin Sheriff's Department - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1430-16S	11/7/08
25.	Gloucester District Court - Fiscal Year 2008 Year End Cash and Revenue Management	2008-1155-16S	1/5/09
26.	Hampden County District Attorney - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1259-16S	2/11/09
27.	Hampden Sheriff's Department - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1434-16S	11/7/08
28.	Hampshire Sheriff's Department - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1436-16S	11/17/08
29.	Haverhill District - Fiscal Year 2008 Year End Cash and Revenue Management	2008-1152-16S	10/31/08
30.	Holyoke District Court - Fiscal Year 2008 Year End Cash and Revenue Management	2008-1168-16S	10/31/08
31.	Lynn District Court	2008-1157-3O	10/31/08
32.	Massachusetts Emergency Management Agency - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0016-16S	3/12/09
33.	Massachusetts Emergency Management Agency - Review of Credit Card Purchases	2008-0016-3O	11/6/08
34.	Middlesex County District Attorney - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1256-16S	4/28/08
35.	Middlesex County Probate Family Court	2009-1222-11O	3/31/09
36.	Middlesex Sheriff's Department - Fiscal Year 2008 Year End Cash and Revenue Management	2008-1431-16S2	12/29/08
37.	Middlesex Sheriff's Department - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1431-16S1	11/7/08

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	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
38.	Military Division (Massachusetts National Guard)	2008-0057-3S	1/27/09
39.	Military Division (Massachusetts National Guard) - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0057-16S	11/7/08
40.	Municipal Police Training Committee - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0053-16S	3/12/09
41.	Norfolk County District Attorney - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1258-16S	11/7/08
42.	Northwestern District Attorney (Hampshire/Franklin County) - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1260-16S	2/11/09
43.	Office of the Chief Administrative Justice of the Trial Court - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1106-16S	11/17/08
44.	Office of the Chief Administrative Justice of the Trial Court (MassCourts)	2007-1106-7T	7/22/08
45.	Office of the Chief Medical Examiner	2007-1309-3S	5/12/09
46.	Office of the Chief Medical Examiner - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1309-16S	11/20/08
47.	Office of Environmental Law Enforcement - Fiscal Year 2008 Year End Cash and Revenue Management	2008-0281-16S	5/15/09
48.	Parole Board - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0154-16S	11/17/08
49.	Parole Board - Review of Credit Card Purchases	2009-0154-3O	3/13/09
50.	Plymouth County District Attorney - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1265-16S	11/7/08
51.	Plymouth Probate and Family Court - Fiscal Year 2008 Year End Cash and Revenue Management	2008-1234-16S	10/31/08
52.	Registry of Motor Vehicles	2007-0511-4T	7/9/08
53.	Registry of Motor Vehicles - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0511-16S1	11/7/08
54.	Registry of Motor Vehicles - Quincy - Fiscal Year 2008 Year End Cash and Revenue Management	2008-0511-16S2	10/31/08

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	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
55.	Sex Offender Registry Board - Safety - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1408-16S	11/20/08
56.	Sheriff's Departments Association - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1447-16S	11/7/08
57.	South Berkshire District Court - Fiscal Year 2008 Year End Cash and Revenue Management	2008-1175-16S	10/31/08
58.	Suffolk County District Attorney	2008-1255-3S	10/6/08
59.	Suffolk County District Attorney - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1255-16S	11/17/08
60.	Suffolk County Probate and Family Court	2008-1221-3O	8/19/08
61.	Technical Assistance to Worcester County District Attorney's Office - Adventure Kids, Inc.	2005-6036-9O	10/15/08
62.	West Roxbury Municipal Court	2009-1138-3O	6/19/09
63.	Westborough District Court - Fiscal Year 2008 Year End Cash and Revenue Management	2008-1184-16S	2/19/09
64.	Worcester County District Attorney - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1262-16S	11/7/08
65.	Worcester District Court - Fiscal Year 2008 Year End Cash and Revenue Management	2008-1178-16S	10/31/08
66.	Worcester Sheriff's Department - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1432-16S	11/17/08

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1.	Board of Registration in Medicine	2008-0117-4T	3/31/09
2.	Bureau of State Office Buildings - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0026-16S	3/12/09
3.	Chapter 555 - Review of Tax Revenues	2009-5555-16S	9/16/08
4.	City of Revere - Public Works Department	2008-2107-3C	11/18/08
5.	City of Springfield - Investment Practices	2008-2106-17O	7/8/08
6.	Commission on the Status of Women - Review of Credit Card Purchases	2008-1458-3O	4/3/09
7.	Department of Agricultural Resources - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0091-16S	11/17/08
8.	Department of Business and Technology - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0007-16S	11/17/08
9.	Department of Conservation and Recreation - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0276-16S1	5/18/09
10.	Department of Conservation and Recreation's Harold Parker State Forest - Fiscal Year 2008 Year End Cash and Revenue Management	2008-0276-16S2	11/20/08
11.	Department of Conservation and Recreation's Walden Pond Reservation - Fiscal Year 2008 Year End Cash and Revenue Management	2008-0276-16S3	2/11/09
12.	Department of Environmental Protection - Fiscal Year 2008 Year End Cash and Revenue Management	2008-0456-16S2	3/23/09
13.	Department of Environmental Protection - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0456-16S1	11/17/08
14.	Department of Fire Services - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0012-16S	11/20/08
15.	Department of Fish and Game - Fiscal Year 2008 Year End Cash and Revenue Management	2008-0432-16S2	5/15/09
16.	Department of Fish and Game - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0432-16S1	11/7/08
17.	Department of Industrial Accidents - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0222-16S	6/11/09

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18.	Department of Labor - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0217-16S	11/20/08
19.	Department of Public Utilities - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0307-16S	11/7/08
20.	Department of Revenue - Fiscal Year 2008 Year End Cash and Revenue Management	2008-0142-16S2	10/31/08
21.	Department of Revenue - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0142-16S1	11/17/08
22.	Department of Telecommunications and Cable	2008-0308-3S	10/14/08
23.	Department of Telecommunications and Cable - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0308-16S	11/7/08
24.	Department of Workforce Development - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1464-16S	11/7/08
25.	Division of Apprentice Training	2009-1324-7T	4/16/09
26.	Division of Banks and Loan Agencies - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0100-16S	11/7/08
27.	Division of Capital Asset Management - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0025-16S	11/17/08
28.	Division of Information Technology - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0884-16S	11/17/08
29.	Division of Professional Licensure	2008-0105-4T	10/16/08
30.	Division of Professional Licensure - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0105-16S	11/7/08
31.	Executive Office for Administration and Finance - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0027-16S	3/12/09
32.	Executive Office of Environmental Affairs - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0005-16S	11/17/08

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33.	Executive Office of Transportation & Public Works - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0009-16S	11/17/08
34.	Governor's Development Office - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0933-16S	11/20/08
35.	Group Insurance Commission - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0040-16S	11/17/08
36.	Massachusetts Aeronautics Commission	2008-1263-16S	11/17/08
37.	Massachusetts Aeronautics Commission - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0044-16S	11/7/08
38.	Massachusetts Commission Against Discrimination - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0045-16S	3/12/09
39.	Massachusetts Cultural Council	2007-1328-3C	10/17/08
40.	Massachusetts Cultural Council - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1328-16S	3/12/09
41.	Massachusetts Highway Department - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0506-16S	11/17/08
42.	Massachusetts Office of Business Development	2008-0133-3S	8/26/08
43.	Massachusetts State Lottery Commission - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0089-16S	11/17/08
44.	Merit Rating Board - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0906-16S	11/7/08
45.	Office of the Secretary of the Commonwealth – Corporations Division	2008-0076-3S	6/15/09
46.	Office of the Secretary of the Commonwealth - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0076-16S	11/17/08
47.	Office of the State Comptroller - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0028-16S	11/17/08

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48.	Office of the State Treasurer and Receiver General - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0085-16S1	11/7/08
49.	Operational Services Division - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-1414-16S	11/7/08
50.	State Library of Massachusetts (George Fingold Library) - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0037-16S	11/7/08
51.	State Reclamation Board and Mosquito Control Board - Fiscal Year 2008 Year End Closing Instructions for Encumbrances and Advance Fund Management	2008-0099-16S	11/7/08