



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better



2011 ANNUAL REPORT

July 1, 2010 – June 30, 2011

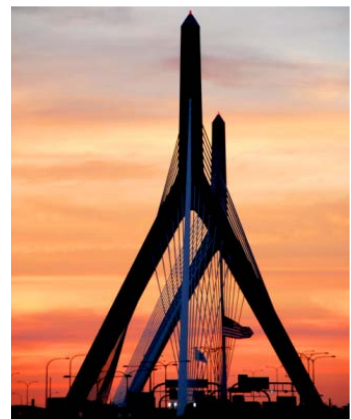


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DEDICATION

This annual report is dedicated to State Auditor A. Joseph DeNucci, the twenty-fourth Auditor of the Commonwealth who served from 1987 to 2011. Auditor DeNucci was the longest-serving State Auditor in Massachusetts history.



AUTHORITY AND RESPONSIBILITIES

The Office of the State Auditor (OSA) operates under the direction of the State Auditor, Suzanne M. Bump, an independently-elected statewide constitutional officer.

Auditor Bump began a four-year term of office on January 19, 2011. She is the first woman elected to serve as Auditor of the Commonwealth and is the 25th State Auditor in the Commonwealth's history.

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 (M.G.L.), 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 determines whether privatization initiatives are compliant with the law. Additionally, the OSA evaluates the financial qualifications of all private, post-secondary, non-degree granting occupational schools, and also reviews the financial records of charter schools in the state. More recently, the OSA has conducted audits of the various state entities that have received federal stimulus funds as part of the American Recovery and Reinvestment Act to ensure accountability and transparency.

The Auditor is also responsible, under M.G.L. Chapter 11, Section 6B for the Division of Local Mandates. Created in 1980 as part of the Proposition 2 ½ tax initiative, the division gives the State Auditor the responsibility for determining if a proposed or existing state mandates imposes any direct service or cost on a municipality. Elected legislative and municipal officials, appointed managers, school and educational collaborative officials may petition the division for an opinion and request a cost impact analysis on the effects of legislative or regulatory action concerning a particular municipality. Following the Auditor's determination, a petitioner has several options to resolve their

issue, including legislative and judicial action. The Division of Local Mandates may also review the municipal cost impact of any law or regulation.

Under provisions of Chapter 11, Section 17, the Auditor oversees the Bureau of Special Investigations. The Bureau works with law enforcement and a number of state, federal and local agencies to accomplish its mission of investigating complaints of public assistance fraud. Oversight of public assistance programs by the Bureau of Special Investigations leads to the discovery of millions of dollars in fraud each year.

The State Auditor is a member of several state boards and councils. Auditor Bump is the chairwoman of the Municipal Finance Oversight Board, the vice chair of the Public Employee Retirement Administration Commission, and a member of the Massachusetts Teachers' Retirement Board, the Health Care Quality and Cost Council, the School Building Assistance Advisory Board, the Witness Protection Board and the Inspector General's Council.

Office of the State Auditor at a Glance	
Issued audits FY 2011	189
Employees as of June 30, 2011	227 (214.6 FTE)
FY 2011 budget	\$17 million <ul style="list-style-type: none">• Audit operations \$13.9M• BSI \$1.8M• Medicaid audit \$898K• DLM \$380K
Office locations	Boston, Brockton, Chicopee, Marlborough
Enabling statute	M.G.L. Chapter 11

A NEW STATE AUDITOR

During fiscal year 2011 Suzanne Bump was elected and inaugurated as the first new State Auditor in 24 years. Auditor Bump sought the office with a determination to use the Office to make state government work better. With more than 30 years of experience and insights gleaned from both the public and private sectors, she believes that better government means government that is more effective, more efficient, more accountable and more transparent.

“The Auditor’s Office must model the behavior it expects from those it audits - if officials in government and private vendors are going to respect and heed our audit findings, and if the public is to have confidence that this office can be an effective watchdog and agent for change in government. Auditing’s ethical principles must be reflected in every audit activity, and I am pledged to uphold them as State Auditor.”

-State Auditor Suzanne M. Bump

A Look Forward – Excellence in Auditing

Achieving the highest standards of government auditing requires a deliberate and constant organizational commitment to accountability, professionalism, efficiency and effectiveness, and transparency. These are among the ethical principles which underlie the standards guiding every government auditing office and the standards by which each auditor is judged. They are promulgated by the U.S. Government Accountability Office (GAO) and known as Generally Accepted Government Auditing Standards (GAGAS) or, more colloquially, the “Yellow Book.” Every government auditor in the country must adhere to the Yellow Book.



Auditor Bump announces sweeping reforms to achieve
“Excellence in Auditing”

“We see no reason to suspect anything but professionalism in the new auditor's strategies.”

-Lowell Sun

Upon taking office Auditor Bump called on the National Association of State Auditors to conduct a peer review of the OSA. A peer review is a periodic review, performed by a team of auditors from other states, of an agency's quality control system in auditing. Peer reviews are intended to maintain and improve the quality of the auditing services performed by the agency.

Simultaneously, Auditor Bump developed and implemented a performance evaluation system for her entire audit staff.

The peer review found that the OSA was not meeting the standards set by GAGAS. Its report identified a number of specific areas in which the office's audit policies and procedures must be strengthened. In addition, the results of her staff evaluation clearly demonstrated that higher performance standards need to be put in place.

In response, one hundred days after she was sworn in, Auditor Bump implemented sweeping reforms in the Office and a new guiding set of principles under which OSA employees will work to achieve excellence in auditing.

Plan to Achieve Excellence in Auditing

The steps that Auditor Bump has taken, listed below will also foster excellence throughout the audit operation.

- **Create a new position**, Assistant Deputy Auditor for Audit Operations, to oversee Audit Policy and Quality Assurance and ensure all corrective measures are implemented. Auditor Bump recruited a professional from outside state government who is a CPA, a certified fraud examiner and is certified in financial forensics, and has ten years of experience with a “big four” accounting firm.
- **Develop a new Audit Manual** which includes all current policies and procedures required by government auditing standards. The new manual will not only comply with GAGAS, but will be an important tool in producing the highest quality audit reports possible.
- **Enhance technical capabilities**, improving the functionality of audit software to track GAGAS and new audit manual. The upgraded software will track audit procedure and documentation requirements to ensure all auditors comply with government auditing standards.

- **Strengthen existing Quality Assurance review function**, enabling the regular and uniform review of the quality of audit work and development of audit training based on the results of these reviews.
- **Elevate the professional level of audit staff**, including the completion of an immediate formal assessment of their capabilities, revising position descriptions that include specific educational and professional job requirements, and developing a new recruitment, hiring and promotion process for

audit staff. These steps will provide a broader and more diverse pool of highly competent auditors and ensure OSA is in full compliance with GAGAS.

- **Design a new performance management system** to regularly evaluate staff performance throughout the entire office.
- **Enhance internal training** and administration of continuing professional education requirements. All audit staff are now completely trained on current Yellow Book standards and OSA's new audit manual.

Measures to strengthen accountability, professionalism, efficiency and effectiveness and transparency.

- **Eliminate the IT Audit Division and the Housing Authority Audit Unit**, consolidating them into the overall Audit Operation to achieve efficiencies and free up resources to invest in audit staff and professional development.
- **Fairly and equally assess the skills and abilities of all audit staff** based upon standards of professionalism and

accountability. This has resulted in the termination or reassignment of 41 employees based upon their backgrounds, skills and abilities to achieve success in the new auditing environment.

- **Develop ongoing performance management system** that will continue to ensure that audit staff is consistently working to enhance skills and abilities.

Conclusion

The sweeping changes that are being made throughout the Office of the State Auditor will become the foundation upon which a stronger, more accountable, professional, efficient and effective office will emerge.

"I believe that lasting change must begin at the top and be interwoven throughout an organization until every employee is committed to a new mission. This commitment will help build an Auditor's Office that can take its place as a national leader in professional government auditing. And through our high-quality audit work, we will help make state government work better.

By serving as a shining example of accountability, professionalism, efficiency and effectiveness and transparency and by producing quality audits, we provide the motivation and tools state government can use to make meaningful improvements in their own agencies and programs. That is what taxpayers want and deserve from their state government."

-State Auditor Suzanne M. Bump

AUDIT RESULTS, RECOMMENDATIONS AND INITIATIVES

During fiscal year 2011, the Office of the State Auditor issued 189 audit reports covering state agencies, authorities, institutions of public higher education, human service entities, the judiciary, public safety agencies, vendors, and various other state activities. For a complete listing of audit reports, see the Appendix on page 69. In these reports the OSA disclosed \$80 million in waste, cost savings opportunities and lost revenue enhancements. In addition, the audit reports provided recommendations intended to make government work better through the protection of public resources and improved effectiveness and efficiency of operations.

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 advocate and catalyst for making government work better.

SPECIAL REPORTS

In an effort to expand and supplement the work of the office, Auditor Bump has initiated the use of non-audit special reports. Two special reports were issued in the second half of fiscal year 2011: a review of the Commonwealth's business tax expenditures and a survey of the implementation of the increased administrative probation fee at the state's district courts. In addition to improving the audit process, these reports also provide the public, stakeholders, legislators, government officials, and policymakers with insight and information on important issues that might have previously gone overlooked.

Initial Review of Business Tax Expenditures

Seeking to ensure that public resources are maximized, Auditor Bump completed the first phase of a multi-phase review of 91 business tax expenditures of the Commonwealth, collectively valued at \$2.2 billion. A tax expenditure is any vehicle – a deferral, incentive, deduction, exemption, or a credit – through which the state foregoes revenue. The report examined all corporate excise tax expenditures in the FY 2012 Tax Expenditure Budget, as well as personal income and sales tax exemptions with significant business ramifications.

“When state officials start talking about the need to analyze how well government is doing its job - using actual numbers - we have to sit up and listen.”

-Boston Herald

The report found that of the 91 business tax expenditures examined, 83 (valued at \$2.1 billion) do not have a sunset provision, which provides a termination date to a statute pending a legislative

review and renewal. Additionally, only 10 of the 91 expenditures (valued at \$100 million) have “clawback” provisions, which would allow the Commonwealth to reclaim tax benefits for any unmet obligations. It was also discovered that only 17 of the 91 expenditures had any special, identifiable oversight procedures. The report also noted that the state's Tax Expenditure Budget has grown at nearly double the rate of the state budget in the last five fiscal years. The Tax Expenditure Budget increased 26.7%, from \$19.8 billion in fiscal year 2008 to an estimated \$24.2 billion in fiscal year 2012, while the state budget increased 13.8%.

In testimony at an April hearing of the Joint Committee on Revenue, Auditor Bump emphasized the report's recommendation for the need for periodic legislative review of tax expenditures as well as greater transparency and accountability.

Following the release of the report, which garnered national press attention, steps were taken to investigate business tax expenditures further. The OSA commenced the second phase of its review by initiating an audit of the Department of Revenue and

"Our tax code lacks basic accountability and transparency. Once a tax break gets passed, it goes into a black box and seldom, if ever, does anyone look back and determine whether it is working as intended or whether there is a continued public benefit."

-State Auditor Suzanne Bump

its oversight of business tax expenditures. Additionally, in its fiscal year 2012 budget the Legislature established a Tax Expenditure Commission, with Auditor Bump as one of its 11 members, to review and evaluate the administrative efficiency and fiscal impact of tax expenditures. In making its determination, the commission is to evaluate policy objectives behind the granting of tax expenditures, metrics for the measurement of success in meeting the policy objectives, and any need for additional reporting, "sunset," or "clawback" provisions for the current set of tax expenditures in the Commonwealth.

Implementation of the Increased Administrative Probation Fee at District Courts

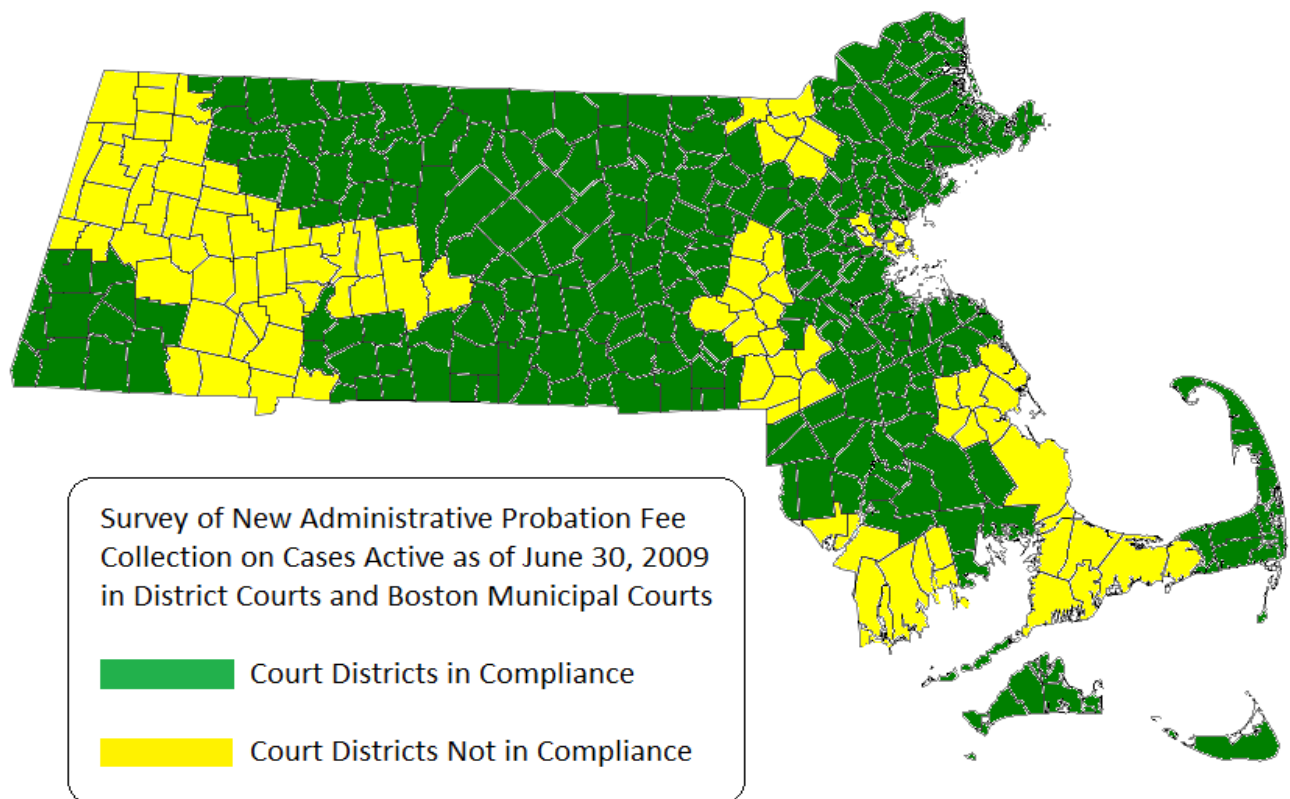
The results of an OSA survey showed that one in four district courts were not in compliance with the implementation of the increased administrative probation fee. After three of nine district court audits included findings about a lack of compliance, Auditor Bump commenced a survey of the increased fee. With the passage of Chapter 27, Sections 99 and 100, of the Acts of 2009, which amended M.G.L. Chapter 276, Section 87A, the monthly administrative probation fee increased from \$21 to \$50 for current and future probationers. Having completed recent audit work at nine district courts involving the fee, the survey included the state's other 61 district courts -- 53 district courts and eight divisions of the Boston Municipal Court.

The survey found that 18 of the 70 district courts did not properly charge the increased fee for existing cases, resulting in an estimated \$1,223,620 in unrealized potential revenue. Eleven of the 18 courts failed to charge the higher rate to any existing probationers, resulting in an estimated

\$802,199 of unrealized potential revenue. The remaining seven courts did not charge the higher rate to those probationers who had prepaid the full amount of their probation fees, resulting in an estimated loss of \$421,421 in unrealized potential revenue.

The lack of uniformity in the application of the law also resulted in an inequitable administration of justice. In some cases, probationers in neighboring towns could pay two different fees based solely on which district court had jurisdiction over their case. (See following illustration.) The survey recommended that the Office of the Commissioner of Probation consider modifying the language in the probation contract to clarify that future increases of probation fees are possible. Additionally, it was recommended that consideration be given to applying future fee increases to existing probationers.

Geographic Inequity of the Implementation of Chapter 27 of the Acts of 2009



HEALTH AND HUMAN SERVICES

Far and away, the largest portion of the state budget is consumed by health and human services, which accounted for \$14.3 billion of the state's \$28.2 billion fiscal year 2011 budget. Spending just for MassHealth, the state's Medicaid program, amounted to \$9.8 billion to provide health care to 1.3 million eligible residents, including people of low income, children, seniors, and the disabled.

Because of the number of people served and the size of the appropriation, the OSA maintains a dedicated Medicaid Audit Unit. This unit issued 15 audits focusing on the administration of dental services, home health services, and advanced medical imaging, which collectively accounted for nearly \$500 million in spending during the audit period.

During fiscal year 2011, the OSA issued 27 health and human services audits pertaining to agencies, providers, and programs. Utilizing both agency and contract workers, these entities provide a broad array of services, including medical assistance; public health initiatives; mental health programs; family services; programs that serve the developmentally disabled; rehabilitation services, and child protection. Issued reports with significant findings are summarized in the section that follows.

Making Government Work Better: OSA Actions Result in Positive Change

Administration of Dental Claims at MassHealth

MassHealth paid out over \$300 million on 4.6 million dental claims in fiscal year 2009, with approximately 2,000 dentists participating in the program, according to figures reported in an OSA audit. Through enhanced skills in data mining and training on the Medicaid accounting system, auditors uncovered over \$5.5 million in overcharges to the Commonwealth by dental and orthodontic providers as well as over \$150,000 lost to inefficient billing practices. In addition, the audit revealed potentially fraudulent billings for services never provided, a systemic culture of providers billing to the system's maximum rather than actual patient needs, and the overexposure of children to radiation resulting from x-rays in excess of nationally accepted standards. The work of the OSA on these audits received national media attention.

MassHealth regulations state that the program will pay only for medically necessary dental radiographs taken as an integral part of diagnosis and treatment planning, with the intent of confining radiation exposure of members to the minimum necessary to achieve satisfactory

“My report raises serious concerns that MassHealth could be paying a significant amount in unnecessary and unallowable dental claims. Even worse, there appears to be a culture of using the system to maximize benefits to providers, which leads to reduced services for people in need and the waste of taxpayer funds.”

-Former Auditor A. Joseph DeNucci

diagnosis. However, the audit reported on 10 providers that had taken dental radiographs valued at least \$5,206,017 which violated these regulations. In nearly 85 percent of over 360,000 claims reviewed, the x-rays were administered as part of a routine exam instead of for a serious oral health condition as the regulation states. The excessive and unallowable use of these x-rays exposed children to radiation beyond U.S. Food

and Drug Administration guidelines. We also found that one of the providers we visited routinely billed and received payments from MassHealth for radiographic services that he had not performed for members.

The audit also reported that MassHealth’s contracted dental administrator, DentaQuest, did not have sufficient edits, or screening mechanisms, built into its software to prevent and detect this unallowable billing and payment to noncompliant providers. DentaQuest was also found to have made numerous duplicate payments for services.

The audit recommended strengthened IT controls at MassHealth’s contractor, cost recovery of over \$5 million, and prosecution of a provider who billed MassHealth and received \$320,000 for work never performed. MassHealth and the Office of the Attorney General both indicated that all of these measures are in progress.

The skills acquired by the staff will be invaluable going forward and have already resulted in significant audit work. Subsequent reports found that a dentist and an orthodontist had collectively billed and received payments for over \$300,000 in services that are unallowable by regulation. In neither case did DentaQuest identify the claims as unallowable.

MassHealth Home Health Services

The OSA reported on a number of shortcomings in billing, payment, and compliance with MassHealth's \$145 million Home Health Services program, thereby putting at risk the security of public funds and the delivery of services.

During the audit period, MassHealth processed 1.2 million home health services claims to contracted home health agencies and independent nurses for the care of approximately 18,000 MassHealth members. Home health services are designed to provide less costly, community-based services to reduce the higher costs of hospitalization and institutionalization while increasing quality of life for recipients.

Some examples cited included a nurse who billed for 44 consecutive hours of service without sleep, nurses who billed for continuous service to multiple patients without providing for travel time, and one nurse who billed for services provided when it was documented that she was participating in a national sporting event out of state.

As a result of a lack of internal controls and effective oversight activities, questionable and potentially fraudulent claims were paid by

MassHealth. The hours worked by self-employed nurses were not verified by the employer, the recipient of the services, or MassHealth, which created vulnerabilities in the system. Some examples cited included a nurse who billed for 44 consecutive hours of service without sleep, nurses who billed for continuous service to multiple patients without providing for travel time, and one nurse who billed for services provided when it was documented that she was participating in a national sporting event out of state.

MassHealth regulations limit nurses to 60 hours of service per week, but the audit found that total was surpassed regularly. MassHealth also did not follow its own cost-control regulations regarding appropriate staffing for the appropriate level of service.

The audit also reported on issues that could compromise the safety and quality of care of service recipients. These deficiencies included nurses who had not undergone criminal background checks, licensed practical nurses working without the required supervision of registered nurses, and poor medical recordkeeping.

MassHealth indicated in its response that it was working to implement OSA recommendations and was making referrals to investigatory agencies.

Significant Audit Summaries

MassHealth Advanced Imaging Review

MassHealth paid in excess of \$94 million on approximately 2.5 million claims to 660 providers for radiology services during the audit period. With a spike in the use of advanced imaging tests, which include MRIs, CT scans, and PET scans, the OSA reported on two findings to control costs and protect program integrity. As to the latter, the OSA highlighted the state's lack of a "self-referral" law, which is a prohibition on physicians referring patients to an imagining facility in which a financial interest is held. While a large majority of states have passed their own statutes to enhance a federal provision, Massachusetts has not, despite the recommendations of a special commission.

The audit also found that MassHealth lost the opportunity to save over \$8.5 million. MassHealth has increased its rates for reimbursement to providers for services while the federal government has lowered its rates for Medicare providers. By using the lower federal rate, MassHealth could have realized those savings.

The Disabled Persons Protection Commission (DPPC) failed in 87% of cases to complete investigations of abuse of disabled persons within the statutorily mandated 30-day timeframe. Over the three-year audit time period, approximately 5,300 cases of abuse were reported to DPPC.

Disabled Persons Protection Commission

The Disabled Persons Protection Commission (DPPC) failed in 87% of cases to complete investigations of abuse of disabled persons within the statutorily mandated 30-day timeframe. Over the three-year audit time period, approximately 5,300 cases of abuse were reported to DPPC.

The OSA recommended that DPPC strengthen its operational relationships with the Massachusetts Rehabilitation Commission, the Department of Mental Health and the Department of Developmental Services, the agencies that conduct about 90% of DPPC investigations, and that DPPC seek additional resources to meet its mandate.

Montachusett Opportunity Council, Inc.

Audit work discovered a potential theft of nearly \$30,000 in funds that were not deposited in the bank account of the agency, a nonprofit that serves low-income people in north central Massachusetts. The missing funds were income generated from child care services provided under contract from the Department of Early Education and Care and the Department of Elementary and Secondary Education.

The OSA reported this information to the agency's executive director, who suspended two employees, referred the matter to law enforcement officials, and took corrective action measures to prevent a repeat occurrence. The executive director also engaged the agency's private accounting firm, which revealed other missing funds and a lack of receipts.

Amego, Inc.

A nonprofit contractor that provides special education services in southeastern Massachusetts, Amego submitted at least \$26,025 in nonreimbursable expenses for undocumented credit card expenditures and an additional \$1,105 in charitable donations. In addition, the agency did not use an approved methodology for allocating over \$560,000 in administrative expenses to its programs and misreported over \$170,000 in expenses.

Other Agencies

An audit of the **Massachusetts Rehabilitation Commission** performed in conjunction with the Single Audit of the Commonwealth revealed that the agency made improvements with eligibility determinations, but had continued issues in financial reporting and supervising employee attendance

"I am pleased the Middlesex Human Service Agency quickly acted on our recommendations and has taken steps to strengthen fiscal controls so this won't happen in the future."

-State Auditor Suzanne Bump

records. The lack of supervisory approval on some timesheets called into question over \$120,000 of personnel costs. An additional IT audit called on the agency to strengthen its plans for business recovery and continuity in the wake of a disaster.

The **Middlesex Human Service Agency** operates a shelter and provides services for homeless individuals in the Waltham area under a contract with the Department of Transitional Assistance.

The agency was found to have charged nearly \$38,000 for payroll costs for two employees who did not work in this program.

The development of an internal control plan and a risk assessment were found to be needed at the **Monson Developmental Center**, a Department of Developmental Services individual care facility with a budget of \$28 million. The lack of an internal control plan was also cited at **Western Massachusetts Hospital**, a Department of Public Health facility with a \$16 million budget.

Travel authorization forms were not completed and credit card expenditures were not properly documented for out-of-state travel at the **Executive Office of Health and Human Services**, making the appropriateness and need for the travel questionable.

Initiatives

The following are topics on the fiscal year 2012 audit plan in the area of health and human services.

MassHealth Application Process and Eligibility Verification

The purpose of this audit is to determine the adequacy and effectiveness of the MassHealth eligibility verification processes. This audit will determine whether the Office of Medicaid is effectively managing its application process and has established necessary checks and balances to ensure that only eligible applicants are receiving MassHealth benefits.

MassHealth Dental Program - Detailed Exams

This audit will review dentist billings for detailed exams, which are to be administered only to patients diagnosed with cancer who are actively receiving chemotherapy. Preliminary data mining indicates that dentists have billed and performed over 1,000 of these procedures over the past two years.

Health and Human Service Providers

As part of the OSA's ongoing efforts to monitor one of the more significant expenditures in the state's budget, the office will continue its efforts to audit selected health and human service providers funded through the Commonwealth's purchase of services system. For fiscal year 2012, our vendor agenda will be based on risk analysis performed on available databases.

Department of Developmental Services – Review of Limited Use Service Agreements

The Department of Developmental Services annually enters into agreements called Limited Use Service Agreements (LUSA) with its contracted human service providers. The purpose of the LUSA funding is primarily to provide vendors with a means of paying for unanticipated, emergency-type services for their consumers. Recent OSA audits have identified that LUSA funding may not be used for its intended purposes.

State Office of Pharmacy Services

The purpose of this audit will be to determine whether the state is realizing cost savings through pharmaceutical bulk purchasing. The audit will also review inventory controls and distribution procedures and determine whether state agencies that have a need to purchase drugs should purchase them through the State Office of Pharmacy Services. The audit will also review controls over the contract process.

EDUCATION

During fiscal year 2012, the OSA released 14 audits pertaining to education entities. These reports included an audit of the Department of Elementary and Secondary Education's (DESE) compliance with the anti-hazing law, audits of federal student assistance programs at eight public colleges, two audits investigating thefts or unaccounted variances reported in accordance with Chapter 647 of the Acts of 1989, and, as part of the Single Audit of the Commonwealth, a report on the Department of Early Education and Care. This section also includes a charter school review focused on compliance with mandated audit and financial reporting requirements by the state's 72 charter schools.

Anti-Hazing

The state's anti-hazing law was implemented after a much-publicized 1984 hazing incident that left a 19-year-old American International College freshman dead. A bill outlawing hazing at all Massachusetts colleges and high schools was signed into law on November 26, 1985. Hazing is defined by MGL Chapter 269, Section 17 as "any conduct or method of initiation into any student organization, whether on public or private property, which willfully or recklessly endangers the physical or mental health of any student or other person."

Intended to protect students from physical and emotional harm, reporting provisions of the state's anti-hazing law had been ignored. Only 22 of over 4,300 mandated anti-hazing compliance reports were filed over a four-year period.

The issue of hazing came to the forefront twice in November 2010, when multiple student-athletes at two Massachusetts high schools were suspended for hazing. More disturbing was the January 2010 suicide of a South Hadley student precipitated by bullying, similar in nature to the harassment and humiliation of hazing.

The State Auditor's Office issued an audit examining compliance with the anti-hazing law. The audit disclosed that DESE had not conducted any meaningful oversight of its anti-hazing law

responsibilities. Due to a lack of DESE guidance, a mixed level of understanding existed among school officials about their responsibilities under the law.

A significant requirement of the law is a mandate that schools file annual reports with DESE which certifying that students have been made aware of the law, that the school has approved a disciplinary policy regarding hazing, and that this policy has been communicated in a student handbook or other appropriate means. The audit found that secondary schools had filed only 22 mandated anti-hazing compliance reports over a four-year period, during which over 4,300 should have been filed. Further, DESE had not notified the Attorney General's Office of these instances of noncompliance with the reporting requirement.

Auditors also found that DESE possessed only 12 percent of schools' disciplinary policies, which also were to be filed, and had not maintained an accurate listing of the state's secondary public and private schools. Without such a list, it was impossible to verify compliance with the mandated anti-hazing reports.

Making Government Work Better: OSA Actions Result in Positive Change

As a result of the audit, DESE responded that it developed reporting, tracking, and communications systems for anti-hazing reporting compliance. DESE also stated that has updated its list of secondary schools.

Responding to the public dismay and outrage over the South Hadley student suicide, the Legislature passed the anti-bullying law, MGL Chapter 71, Section 37O. This legislation also created a special commission chaired by Attorney General M. Coakley to review the law and other related state laws in an effort to strengthen the measure.

Applying the findings and lessons learned from the anti-hazing audit, Auditor Bump recognized the need for the anti-bullying law to mandate reporting of bullying incidents to monitor the effectiveness of the law, and in so doing, better protect children. Auditor Bump appeared before the special commission on February 9, 2011 and testified that mandated reporting would:

- Give all stakeholders an accurate number of incidents to use as a basis for measurement and an indicator as to the overall effectiveness of the law;

- Allow school districts to tailor or modify their educational programs based on data reflecting the severity of the problem within the district; and
- Facilitate the identification and sharing of best practices in districts' bullying prevention and intervention plans, curriculum, and professional development.

Auditor Bump's recommendation was included in the special commission's final report to the Legislature on June 30, 2010. A reporting requirement was part of the bill filed, House 3584, which was in the legislative process as this report was published.

Additionally, an audit of the **Children's Trust Fund and Child Abuse Prevention Board** reported corrective action on three past audit findings. The agency established a unit to monitor contract compliance, strengthened its inventory process and improved internal controls.

The **Department of Early Education and Care** improved its competitive contract procurement and cash management, but still needed to address its accounts receivable.

Audits of Federal Student Assistance Programs

During fiscal year 2011, the Office of the State Auditor conducted eight audits of student financial assistance programs at state colleges and universities funded through the United States Department of Education. The audits were performed in conjunction with the Single Audit of the Commonwealth for the fiscal year ended June 30, 2010 to determine compliance with federal and state laws.

The colleges audited were **Westfield State University, Berkshire Community College, Cape Cod Community College, Massachusetts Bay Community College, Massasoit Community College, Greenfield Community College, Massachusetts Maritime Academy, and Massachusetts College of Art and Design.**

Among the findings was an increase in the value of outstanding checks at Massachusetts Bay Community College to over \$200,000. A prior audit had disclosed that the college had held 985

checks outstanding totaling \$169,099 for greater than six months. These checks represented student refunds for federal or state financial assistance as well as other college matters. The follow-up audit determined that although the number of checks held by the college had decreased to 672, the value of the checks actually increased to \$209,433. In response to the audit, the college stated that it will be implementing new processes to identify the funds and process outstanding checks to either their respective programs or, if needed, to the State Treasurer's Unpaid Check Fund.

Several of the eight audits contained common findings. These are:

- Six colleges had issues concerning their internal control plans, whereas one had resolved an internal control issue from a past audit.
- Six colleges had issues with the monitoring and updating of student status changes for federal student loan recipients.
- Four colleges had findings regarding their compliance with federal laws concerning the content and the timeliness of delivery of federal student loan notification letters. One college had resolved a student loan notification letter issue from a past audit.
- Four colleges had an issue with federal work study internal control procedures.

Audits of Chapter 647 Reports

Two audits stemming from Chapter 647 reports were conducted at the Massachusetts College of Art and Design (MassArt) and the Massachusetts Maritime Academy (MMA). Chapter 647 of the Acts of 1989, the so-called internal control law, requires state agencies to report any unaccounted for variances, losses or shortages as well as any thefts of funds or property to the State Auditor.

The MassArt audit revealed no findings, but the MMA audit reported three findings related to Chapter 647 reporting. Specifically, the



incidents concerned inadequate internal control procedures with cash receipts and disbursements, students being paid for hours not worked in the federal work study program, and the sale of test preparation and test-taking services by an MMA professor who worked for the testing company involved in obtaining certain marine radio licenses. The professor was believed to have conducted this service since 2004 and to have earned approximately \$50,000 as a result.

MMA ended its affiliation with the testing firm and hired a new firm. MMA referred the matter to the State Ethics Commission. MMA's internal investigation included recommendations to terminate the professor's employment and to recover funds in excess of the actual cost of the examination.

Charter School Review

State law requires that all charter schools file annual independent audits of their accounts with DESE 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.

All charter schools 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 DESE, on or before January 1, in accordance with Chapter 71, Section 89, of the General Laws. During fiscal year 2011, the OSA conducted reviews of 33 charter school independent audit reports for the fiscal year ended June 30, 2010. Those schools whose independent audit reports do not fully comply with audit requirements are notified of their deficiencies and are requested to take corrective action. Additionally, the OSA requests corrective action plans addressing issues noted in the audit reports and management letters that accompany the charter school audits.

Initiatives

The following are topics on the fiscal year 2012 audit plan in the area of education.

Education Collaboratives

The OSA released three audits of education collaboratives early in fiscal year 2012 that revealed systemic problems in governance, accountability, educator licensing and oversight. Two additional collaborative audits were initiated late in the first quarter of fiscal year 2012. Education collaboratives are created through DESE-approved agreements between two or more school districts. Collaboratives conduct joint programs or provide services – often in the area of special education -- that complement and strengthen school programs of member districts.



Auditor Bump meets with students from UMass Lowell

Department of Higher Education – Optional Retirement Program

This performance audit of the Massachusetts Department of Higher Education's Optional Retirement Program (ORP) is reviewing whether ORP is being administered efficiently and effectively and in compliance with applicable laws, rules, and regulations. The audit is reviewing the department's oversight and monitoring of the ORP and examining administrative and overhead costs. The audit is also reviewing management fees paid to ORP plan providers and examining the process used to select ORP plan providers. The audit will then compare the ORP costs to those of the state retirement plan and the Commonwealth's deferred compensation program.

Review of Certain Activities at Massachusetts Colleges and Universities

The OSA plans to audit selected Massachusetts colleges and universities, focusing on such areas as food service contracts, student activity fees, trust fund spending and inventory control over valuable commodities.

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 as part of the Single Audit of the Commonwealth. Based on a risk assessment, the OSA will conduct nine student financial assistance audits.

PUBLIC SAFETY / JUDICIARY

Arguably the primary role of government is to establish order and safeguard people. Public safety agencies and the court system do this by providing protection from harm, natural disasters, and crime; by providing protection of our rights; and by administering justice under the law.

In fiscal year 2011, the Office of the State Auditor issued 24 audits in the area of public safety and the judiciary. Seventeen of these audits were of the court system; the others consisted of three sheriff's offices, the Department of Fire Services, the Massachusetts Emergency Management Agency, the State 911 Department, and the Sex Offender Registry Board. Of the reports conducted, three -- Barnstable Juvenile Court, Suffolk Superior Criminal Court and the State 911 Department -- were "clean" audits with adequate management controls and compliance for the areas and time periods tested.

Audits with the most significant findings are detailed further on the following pages.

Making Government Work Better: OSA Actions Result in Positive Change

The Sex Offender Registry Board

The Sex Offender Registry Board (SORB) is an agency of the Executive Office of Public Safety charged with registering and classifying all sex offenders, collecting registration fees, disseminating classification levels, and providing information and services to victims.

After a 2006 audit revealed multiple shortcomings at SORB, this follow-up audit reported that many of the audit recommendations had been implemented, which improved operations, and in turn, public safety.

Backlog reduction. SORB reduced its backlog of cases by 71% from 964 cases awaiting classification to 276. This was partly accomplished by streamlining the classification process

and increasing the number of hearing sites from 7 to 38. The classification process has been reduced from one year to 180 days.

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Classification of past offenders. The past audit reported that SORB had not reconciled the Department of Probation database for offenders going back to 1981, as required by law. The follow-up audit found that 9,778 files going back to 1981 had been added to SORB's database for registration and classification.

Increased compliance rate. This audit reported that the compliance rate for registration of Level 3 offenders, those considered most likely to reoffend, increased from 92% to 98.5%.

Improved collaboration with other agencies. The audit noted that work with local police departments had increased address verification of offenders. Police departments in only 17 of 180 communities with Level 3 sex offenders participated in the address verification program at the time of the 2006 audit. The follow-up audit reported that the participation rate increased to 100%. Additionally, SORB had improved its notification to the Registry of Motor Vehicles of non-registered offenders, as required by law, leading to the suspension of licenses. Auditors reported that SORB took an average of 163 days to report a non-registered offender; the OSA recommended, and SORB agreed, that the timeline should be reduced to 60 days.

Fee collection. After the prior audit reported that SORB had stopped billing and collecting the \$75 annual registration fee, SORB now properly bills for the fee. Collections still need to be improved, as 45% of billings tested in the audit were unpaid.

The following are other examples of improvements made to agency operations as a result of OSA audit recommendations.

- At **Franklin Sheriff's Office**, corrective action was taken on prior audit findings, including improved monitoring of gasoline usage, employee work time, and leave time and improved

recordkeeping of inmate cash transactions.

- **Lowell District Court** instituted an internal control plan and began conducting periodic risk assessments, two measures to help ensure the protection of public funds, the prevention of fraud, and the efficient and effective operation of the court.
- **Wareham District Court** developed a process for reconciling revenue transfers to the Office of the State Comptroller, which aids in protecting public funds and preventing fraud.
- **Taunton District Court** improved security controls over its computer equipment and network.

Common Findings

Probation Fee Waiver Requirements/Administrative Probation Fee Collections

A common issue of the courts examined in fiscal year 2011 was the need to improve compliance with probation fee waiver requirements and the collection of the increased Administrative Probation Fee.

Audits of **Barnstable, Plymouth, and Waltham District Courts** reported that the granting of fee waivers was not always documented as required by state law and regulation.

Audits of **Barnstable, Falmouth, and Natick District Courts** revealed that each did not consistently charge the increased administrative probation fee (raised from \$21 to \$50 in July 2009). Upon learning of these findings, Auditor Bump initiated a statewide survey of the implementation of the increased fee, which showed that one in four courts did not properly charge the new fee. This survey is discussed in further detail in the Special Reports section.

Processing of Court Unclaimed, Forfeited, and Abandoned Property

Another issue found in the audits of the state's courts was the need for improvements in processing unclaimed, forfeited, and abandoned bail as well as unclaimed and abandoned civil escrow funds.

Middlesex Superior Court; Boston Housing Court; and the District Courts of Malden, Natick, Orange, Plymouth, and Waltham did not submit to the State Treasurer as abandoned property bails that had gone unclaimed for three years. Some courts did not notify those who had posted bails that it was available for return.

Nearly \$750,000 worth of bails and civil escrow funds was found to not have been properly processed according to state laws and regulations. Values of improperly processed funds varied from a low of \$100 of abandoned property at Natick District Court that should have been transferred to the State Treasurer to a high of \$533,441 for a combined 53 bail and 20 civil escrow accounts at Middlesex Superior Court, eligible for transfer to the State Treasurer as abandoned property or for return to private parties.

The 14 court audits with findings had other common issues, including:

- The need for an accounts receivable system to be established,
- Improvements needed in streamlining the receipt and disbursement of court assessments and fees,
- Victim Witness fees not being allocated properly
- Improvements needed in revenue reconciliation.

Significant Audit Summaries

Boston Housing Court

The audit reported that revenue the court transmitted to the Commonwealth had not been reconciled since July 1, 2004. The audit also cited the need for internal control improvements for items held in trust by the court, over \$30,000 of which was eligible for return to a private party, transmittal to the Commonwealth, or transfer to the Treasurer as abandoned property.

The latter contributed to the Court's former First Assistant Clerk-Magistrate's ability to steal \$123,600 in funds held in trust by the court. The employee pled guilty and was ordered to pay restitution and forego payments due in addition to serving a term of probation.

Circumventing segregation of duties procedures, this individual made deposits, withdrew funds, received bank statements, and kept records for court-ordered deposits held in escrow pending the resolution of the case. The individual also operated without supervisory review. These actions are not in accordance with the Comptroller's Internal Control Guide.

In addition, the court had not been reconciling monthly escrow bank account statements, maintaining a civil escrow ledger or preparing periodic detailed account trial balances as required by the Trial Court's Fiscal Systems Manual. The court responded that it was taking corrective action.

Audits of the **Franklin and Hampden Sheriff's Offices** disclosed common recurring findings, areas where improvements were made, and areas that require further corrective action.

At both Franklin and Hampden, the need for legislative clarification regarding the operation of, and revenue from, civil process divisions, and also the revenue from inmate telephone commissions. The OSA had repeatedly found the need to standardize the legal standing of civil process divisions at sheriff's offices statewide. In some cases, these operations are part of the sheriff's office utilizing public employees. In some cases, civil process is operated by a related-party, for-profit organization. There are many other permutations in between. In addition, statutory language is conflicting as to whether proceeds from civil process should be deposited in the state's General Fund or remain with sheriff's offices as retained revenue. There is similar conflicting language as to the status of funds derived from inmate telephone commissions.

Findings cited at Franklin included strengthening its internal control plan and its inventory controls associated with Generally Accepted Accounting Principles.

Hampden had made progress, but further action was needed regarding its internal control plan, inmate account recordkeeping, reporting of thefts and variances, and cash management. The sheriff's office absorbed a formerly for-profit organization that handled civil process as a division of the office, but had not established formal written policies and procedures for its operation.

The **Massachusetts Emergency Management Agency** (MEMA) is responsible for coordinating federal, state, local, and private resources and developing an effective response to protect the public

during disasters and emergencies. In consideration of this mission, auditors found that MEMA needs to institute a formal disaster recovery plan and business continuity plan.

Documented contingency plans will ensure MEMA's access to mission-critical IT applications in the event of a natural catastrophe (e.g., tornado, flood, wind damage, hurricane, fire), man-made disaster (e.g., terrorism, blackouts), or technology-based event (e.g., cyber attack). The audit also reported that MEMA needs to strengthen its controls over IT inventory, particularly over wireless devices.

Initiatives

The following are topics on the fiscal year 2012 audit plan in the area of public safety.

Trial Court Departments

As part of its ongoing efforts to review significant expenditures at the Commonwealth's trial courts the OSA will continue to audit selected trial courts.

Committee for Public Counsel Services (CPCS)

The purpose of this audit is to examine CPCS's management of indigent counsel services and to examine court probation department procedures for determining a person's eligibility for indigent counsel services.

Office of the Jury Commissioner

This audit will review and evaluate controls over selected IT operations and activities. The audit will consist of identification and evaluation of the general IT controls in place to support the agency's mission-critical and essential application systems, including controls over personally identifiable information.

INDEPENDENT AUTHORITIES

Independent authorities in Massachusetts are agencies that operate independent of the legislative and executive branches of government and are not principally dependent on state funds for their operation. The first independent state authority was established in 1895. Currently, 39 independent authorities operate in the Commonwealth of Massachusetts providing a variety of services including transportation, economic development, and health care assistance. These 39 authorities generate annual revenue of over \$8.5 billion.

The Office of the State Auditor conducts audits of independent authorities to review compliance with laws, rules, and regulations in a variety of areas to ensure that an authority is fundamentally operating efficiently and effectively. Common objectives for audits of independent authorities include determining whether an authority has proper internal controls, proper oversight policies and procedures, sound financial operations, and procurement processes that are in compliance with sound business practices.

During fiscal year 2011, the OSA issued eight audit reports on independent authorities. The most common findings concerned procurement of goods and services. An audit of the **Commonwealth Health Insurance Connector Authority** disclosed that in four competitive bids totaling over \$3.4 million, the Requests for Proposals lacked evidence of approval by senior management in violation of the Authority's policy. At the **Massachusetts Life Sciences Center**, an audit reported a lack of documentation in the process to select providers of legal and executive search services worth \$265,000. In both cases, the agencies replied that audit recommendations had been implemented or were being implemented.

Audits with the most significant findings are detailed further on the following pages.

Making Government Work Better: OSA Actions Result in Positive Change

As a result of OSA recommendations, the Fall River Line Pier, Inc. has made significant improvements to its operations. Fall River Line Pier, Inc. was established in 1945 to operate and maintain a pier for the shipment of freight and merchandise. Previously, it had been found that the

company had not transferred its net profits of \$368,065 to the Commonwealth, as required by its lease with the Department of Conservation and Recreation. The current audit discovered that the issue had been resolved, due to a modification in the lease. As a result, Fall River Line Pier now transfers its net profits to two stabilization accounts, one to offset future losses (currently fully funded at \$50,000), and the other to fund capital improvements, repairs, and purchases of equipment (currently funded at \$301,375).

Significant Audit Summaries

MBTA Commuter Rail Operations

The Massachusetts Bay Commuter Railroad Company (MBCR) operates the commuter rail under a contract with the MBTA. The audit found that the MBCR, due to an amendment in its service contract with the MBTA, had double-billed the Authority \$11.2 million during fiscal years

Contract amendments favorable to the vendor cost the MBTA \$66.6 million in potential revenue from its commuter rail operations.

2004 through 2008 (with an additional \$30 million projected for fiscal years 2009 through 2011) for labor costs that were included in the original contract.

Auditors also found that as part of the original operating agreement, the MBCR had been granted questionable payments totaling \$2.5 million from surcharges on purchases that could

have been made by the MBTA and incentives allotted when ridership increased. In response to the finding, the MBTA has agreed to monitor MBCR's classification of materials purchases and to require that all materials purchases be subject to only a 2% mark-up in its next operating agreement. The audit also found that the MBTA Board, through contract amendments, lessened the penalties it could impose upon MBCR for delayed trains and other areas of underperformance. The MBTA fined the MBCR \$6.7 million, which is \$42.9 million less than the \$49.6 million it could have charged but for the contract amendments.

Massachusetts Development Finance Agency

MassDevelopment issues tax-exempt bonds, makes direct loans, and provides credit in an effort to stimulate economic growth, support health care and housing facilities, and assist in the redevelopment of depressed and underdeveloped properties.

Two prior audits found that 21 severance payments totaling \$309,778 were made without approval of the Board of Directors and without a written severance policy governing the appropriateness, fairness, and consistency of the separation payments. MassDevelopment, on advice of outside legal counsel, did not concur with creating a written policy because it would be subject to federal regulation, but the agency stated it would seek board approval.

The follow-up audit found that three severance packages totaling \$44,278 were awarded without board approval, due to what the chief executive officer termed an oversight. MassDevelopment stated that its policy is to seek board approval for severance packages.

Massachusetts Technology Development Corporation

MTDC provides venture capital to early-stage technology companies in Massachusetts. Auditors found that when MTDC reported its job creation figures, it included out-of-state jobs, which accounted for 22 percent of the total, giving a false impression on the economic impact to Massachusetts. MTDC agreed with the audit finding and replied that only data on jobs created in Massachusetts would be included when reporting such data.

Initiatives

The following are topics on the fiscal year 2012 audit plan in the area of independent authority audits.

MBTA Automated Fare Collection System

The OSA is completing its review and evaluation of the MBTA's automated fare collection system in order to assess the adequacy of the MBTA's internal controls and to determine whether the system is operating efficiently and effectively. The audit includes a review of 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 Station Modernization Program

The purpose of this audit is to determine whether the MBTA is effectively and efficiently administering the \$377 million Station Modernization Program, the capital investment project dedicated to station renovations. The audit will review the bidding process; the associated planning, award, and construction process; and systems and controls surrounding cost overruns.

Massachusetts State College Building Authority/University of Massachusetts Building Authority

This audit will review how projects initiated by these authorities are being managed, how costs are being controlled, how procurement is conducted, and how contracts are administered.

Massachusetts Port Authority

The OSA is conducting an audit of Massport, with particular emphasis on administrative expenses, property management and income, and homeland security activities and expenditures. The audit will also review Massport's automobile use policies and practices to assess their cost effectiveness and to determine whether oversight is adequate.

Massachusetts Convention Center Authority

The purpose of this current audit is to determine whether the Massachusetts Convention Center Authority (MCCA) is efficiently and effectively managing its operations. This includes a review of MCCA's administrative costs and expenses such as travel, consultant payments, and credit card use; the bidding, awarding, monitoring, and management of contracts; and performance measures of facility usage.

Independent/Quasi-Public Agencies in Massachusetts

Berkshire Regional Transit Authority - Brockton Area Transit Authority - Cape Ann Transportation Authority
Cape Cod Regional Transit Authority - Commonwealth Zoo Corporation - Commonwealth Corporation
Commonwealth Health Insurance Connector Authority - Community Economic Development Assistance Corporation
Franklin Regional Transit Authority - Greater Attleboro Taunton RTA - Lowell Regional Transit Authority
Martha's Vineyard Transit Authority - Massachusetts Bay Transportation Authority - Massachusetts Clean Energy Center
Massachusetts Convention Center Authority – MassDevelopment – MassDOT - Massachusetts Educational Financing
Authority - Mass Growth Capital Corporation - Massachusetts Housing Finance Agency (MassHousing)
Massachusetts Life Sciences Center - Massachusetts Port Authority - Massachusetts School Building Authority
Massachusetts State College Building Authority - Massachusetts Teachers' Retirement System - Massachusetts Technology
Collaborative - Massachusetts Technology Development Corporation - Massachusetts Water Resources Authority - Merrimack
Valley RTA - MetroWest Regional Transit Authority - Montachusett Regional Transit Authority - Nantucket Regional Transit
Authority - Pension Reserves Investment Management Board - Pioneer Valley Regional Transit Authority
Southeastern Regional Transit Authority - Steamship Authority - University of Massachusetts Building Authority
Water Pollution Abatement Trust - Worcester Regional Transit Authority

HOUSING AUTHORITIES

The OSA issued 50 housing authority reports in fiscal year 2011, three of which focused solely on American Recovery and Reinvestment Act (ARRA) funds. Two reports examined both ARRA funds and authority operations.

Of the 47 audits that examined operations, 38 reports (81%) resulted in no more than one reportable finding for the areas and time period tested. Sixty percent (28 reports) were “clean” audits with adequate management controls and compliance for the areas and time period tested.

In all, 19 of the 47 reports that examined operations had findings. Common findings included:

- Excessive vacant unit turnaround time;
- Management plans in need of updating;
- Deficiencies in governance, oversight, and monitoring;
- Inadequate inventory controls; and
- Weaknesses in controls over tenant accounts receivable.

Audits with the most significant findings are summarized on the following pages.

OSA housing authority audits review compliance with laws, rules and regulations in a variety of areas to ensure that an authority is efficiently and effectively serving its purpose of providing safe and clean public housing to eligible families, senior citizens and people with disabilities. Some of the areas regularly reviewed include: budgeting, revenue, expenditures, capital improvements, compliance with sanitary codes, cash management, vacant unit turnaround time, general management and oversight responsibilities and board governance.

Massachusetts public housing is managed under the direction of the Department of Housing and Community Development. Its Division of Public Housing and Rental Assistance oversees the operation of 247 local housing authorities.

Of 19 housing authority audits with operational findings, 15 reports found corrective action had taken place to address prior cited problems, improving management and residents' quality of life.

Of the 19 housing authority audits with operational findings, 15 reports found authorities had implemented OSA recommendations for corrective action to resolve past deficiencies, improving both management and the residents' quality of life.

Some examples of improvements include:

- Brockton Housing Authority addressed 118 of 121 prior instances of noncompliance with the State Sanitary Code, including fixing windows, correcting electrical problems, addressing lead paint and mold issues and fixing damaged pavement. The Authority also renovated 11 condemned family units, obtained funding for capital projects and added security.
- Hanson Housing Authority addressed prior issues of noncompliance by ensuring that a quorum was present at the Authority's meetings of the Board of Directors and that proper meeting minutes were documented, both essential aspects in exercising proper oversight of the operation of the Authority.
- Westborough Housing Authority addressed two instances of noncompliance with the State Sanitary Code, by repaving a parking lot in an elderly housing development and replacing deficient siding in an additional development. The Authority also made significant improvements in the time taken to reoccupy vacant units, with special attention paid to unit rehabilitation.
- Wareham Housing Authority addressed an instance of noncompliance with regard to board meeting attendance by ensuring that a required state-appointed member was assigned to the Authority's Board of Directors. The Authority also resolved issues with its financial recordkeeping and accounting practices, placing the Authority in full compliance with DHCD regulations. The Authority also made improvements to the interiors of developments, which are now in full compliance with the State Sanitary Code.

Brockton Housing Authority addressed 118 of 121 prior instances of noncompliance with the State Sanitary Code, including fixing windows, correcting electrical problems, addressing lead paint and mold issues and fixing damaged pavement.

- Hull Housing Authority addressed several areas of noncompliance, including properly updating its master ledger and waiting list and making payment-in-lieu-of-taxes payments on a current basis. The Authority also made slight improvements in reoccupying its vacant units, and made significant improvements in collecting its outstanding accounts receivable, decreasing the amount outstanding from \$50,310 to \$9,660.

Outreach

The OSA has expanded upon its working relationships with housing authority stakeholders. Auditor Bump has been in regular contact with the Massachusetts Chapter of the National Association of Housing and Redevelopment Officials about issues found in audits and how to best address them. Auditor Bump has recognized that recurrent audit findings such as failure to meet the vacant unit turnaround standard or a lack of capital improvements cannot be solved by housing authorities alone and are often the result of funding deficiencies or inefficient bureaucratic procedures. In that regard, Auditor Bump has also engaged the Department of Housing and Community Development to discuss solutions to chronic problems.



Auditor Bump speaks to the Massachusetts Chapter of the National Association of Housing and Redevelopment Officials

Significant Audit Summaries

Attleboro Housing Authority

The audit found that the Authority lost the opportunity to earn \$46,825 in potential rental income, taking up to 187 days to turn around vacant units for occupancy, exceeding DHCD's 21-day recommended timeframe. Auditors also found that the Authority lacked sufficient internal controls over \$57,133 in credit card expenditures, noting that some expenses were charged for

purposes unrelated to Authority business. The authority responded that it adopted new requirements for documenting its expenditures. A review of payroll and attendance records revealed that, contrary to DHCD guidelines prohibiting housing authority Executive Directors from collecting compensatory time after business hours, the Authority's Executive Director collected 284 hours of compensatory time in addition to normal working hours. Weaknesses were also found in controls over Authority

Auditors also found that the Attleboro Housing Authority lacked sufficient internal controls over \$57,133 in credit card expenditures, noting that some expenses were charged for purposes unrelated to Authority business.

tenant accounts receivable, due to the non-existence of a cash management plan or collection policy, which helped to lead the Authority to accrue an accounts receivable balance of \$131,040. In response to the findings, the Authority implemented a formal cash management policy.

Dennis Housing Authority

The audit found the Authority defaulted on a construction loan of \$400,000 for property development, which led to a lawsuit with the lender for nonpayment and the return of control of the property in question to the Town of Dennis. Auditors also found that the operating reserves for the Authority were well below the minimum allowable level of \$72,000, preventing the Authority from performing preventative maintenance as needed. Auditors found that the Authority took an average of 112 days to turnaround vacant units, well above DHCD's recommended 21 days, resulting in the loss of \$6,653 in potential rental income. A review of internal controls over furniture and equipment revealed the Authority had not established a proper listing of its equipment and also did not conduct an annual inventory, putting the accuracy of the \$153,325 furniture and equipment account balance reflected in the Authority's financial statements in question.

Mattapoisett Housing Authority

The audit found multiple issues regarding payroll at the Authority, including incomplete time sheets; untimely postings of vacation and sick time accruals; unauthorized, undocumented and questionable salary payments for the Executive Director in the amount of \$81,545; inconsistent working hours for the Executive Director; and unallowable overtime for the Authority's maintenance employee in the amount of \$2,853. Auditors found the Authority took an average of 152 days to turnaround vacant units for occupancy, well above DHCD's recommended 21 days,

resulting in the loss of \$33,884 in potential rental income. A review of the operating income revealed it was much below the recommended level due to the approval of questionable salary and overtime payments, which could render the Authority unable to fund emergency situations, or maintain the current level of services provided. In response to the audit's finding that the

The audit found that the Randolph Housing Authority's former Leasing and Occupancy Coordinator, who took leave and never returned, is currently being charged by the Norfolk County District Attorney for stealing \$7,250 in cash from the Authority.

Authority's management plan had not been revised since 1994, the Authority stated that it is updating the plan, pending the board's approval.

Randolph Housing Authority

The audit found that the Authority's former Leasing and Occupancy Coordinator, who took leave and never returned, is currently being charged by the Norfolk County District Attorney for stealing \$7,250 in cash from the Authority. This employee replaced another employee who

faced theft charges. Auditors also found financial records had been altered, deleted and falsified, which led to disagreement between individual tenant ledger account records, rent receipt books, and daily cash receipt reports; differences among original cash receipt reports and following cash receipt reports; and questionable rental receipts paid in cash not matching up with the Authority's financial records. The audit also discovered an inadequate segregation of duties at the Authority, which allowed for only one individual to have oversight over many critical duties at the agency, including the execution of individual leases, intake of rental payments from tenants and screening of applicants, all of which resulted in a breakdown of internal administration controls. As a result of the audit, the Authority has agreed to implement new procedures.

The following are topics on the fiscal year 2012 audit plan in the area of housing.

Review of Application Process and Eligibility Verification

This statewide audit is reviewing the application and eligibility verification process utilized by the Commonwealth's local housing authorities (LHAs). The audit is reviewing the adequacy of management controls and the sufficiency of documentation maintained by LHAs to ensure that applicants have been provided housing and are paying required amounts in accordance with applicable laws, rules, and regulations, and that eligible applicants have not been denied housing. The audit is also examining whether annual rent determinations and eligibility for continued occupancy are being performed timely and accurately.

Review of Purchasing Practices of Local Housing Authorities

This audit will examine the purchasing practices of selected LHAs to determine whether these authorities are purchasing from state contracts and pursuing collective purchasing opportunities. The audit will also examine DHCD oversight of the process and LHA compliance with state procurement rules and regulations.

Compatibility of Tenant Placement

This audit will examine certain LHAs practices for placing elderly and non-elderly tenants (so-called "mixed housing"). The audit will determine whether LHAs are complying with state and federal placement policies and whether required background checks are being performed on tenants selected for placement.

Department of Housing and Community Development (DHCD)

This audit will examine the current status of homelessness in the Commonwealth and the efficacy of current remedies to the problem. The Emergency Assistance program was recently transferred from the Department of Transitional Assistance to DHCD, and this audit will determine the impact of that transfer, if any, in alleviating homelessness. The audit will include a review of the two major services offered by the Emergency Assistance Program, temporary emergency shelter placements and housing assistance program services.

This audit will also review DHCD's policies and procedures for tracking and oversight of off-line units at LHAs. The audit will attempt to determine the costs to renovate these units and also analyze the most efficient use of resources between renovation and new construction as well as rental vouchers and emergency shelters.

AMERICAN RECOVERY AND REINVESTMENT ACT FUNDS

The American Recovery and Reinvestment Act (ARRA), signed into law by President Barack Obama on February 17, 2009, provided \$787 billion nationally for economic recovery and growth.

As of June 30, 2011, Massachusetts had received over \$7.4 billion and expended approximately \$6.5 billion on various initiatives to create and maintain jobs, rebuild infrastructure and assist those in greatest need. The Office of the State Auditor (OSA) has been a full partner in state government's oversight of ARRA funds, coordinating and collaborating with the Governor's Recovery Office and serving as a member of the Stimulus Oversight and Prevention (STOP) Fraud Task Force with the State's Attorney General, Comptroller and Inspector General.

Because of ARRA's size and impact, the OSA has received federal funds for oversight and has accordingly dedicated significant resources, issuing 29 ARRA audits in fiscal year 2011. These audits centered on housing, education, transportation and human service agencies that received ARRA funds.

Significant Audit Summaries

Framingham State University

The OSA found that Framingham State University (FSU) extended need-based financial aid funded by \$500,000 in ARRA funding to students who did not meet eligibility guidelines.

Contrary to the Office of the State Comptroller (OSC) and ARRA guidelines, FSU lacked formal, written eligibility criteria or policies and procedures for the administration of the financial aid. In addition, FSU officials did not adequately document why the requirements were waived for some students.

Auburn Housing Authority

This audit found that the Authority did not comply with the prevailing wage requirements of an ARRA grant for capital improvements. The Authority's solicitation for quotes for sidewalk repairs

and paving did not include language requiring that the vendor comply with statutory prevailing wage requirements. The Authority signed the contractors' bid quotations authorizing the work.

Clinton Housing Authority

The Clinton Housing Authority over-reported its jobs created and maintained by 10.5 positions when submitting quarterly expenditure reports for ARRA grants relative to capital improvements. In addition, the Authority under-reported its ARRA expenses by nearly \$20,000.

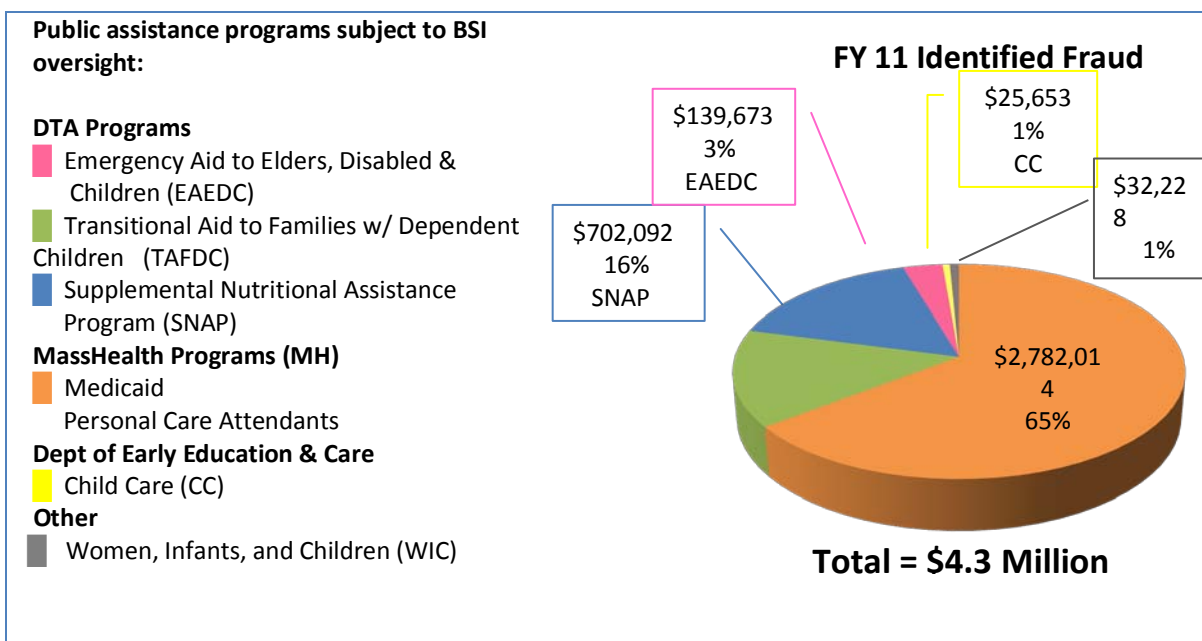
Other Audits

A review of **Worcester Regional Transit Authority** found that its spending was understated by up to \$30,000 for three reporting periods. Neither **Winchendon Housing Authority** nor **MetroWest Regional Transit Authority** complied with the ARRA requirement that funds be expended within three days after drawing them down. The **Montachusett Regional Transit Authority** had not established the proper controls to allocate expenditures during the renovation of an existing building and the construction of an addition to be used as a storage building. An audit of the **Executive Office of Labor and Workforce Development** questioned job creation numbers in its summer youth and job program because some individuals left their position after a short time, yet were included in the reporting.

BUREAU OF SPECIAL INVESTIGATIONS

The Bureau of Special Investigations (BSI) serves an important function in the State Auditor's Office -- protecting public assistance programs from fraud and recovering taxpayer dollars from those who try to cheat the system, thereby maximizing resources for people truly in need of services. During challenging fiscal times, BSI investigations take on even greater importance as agencies and assistance programs struggle to stretch limited resources to help those in need.

BSI oversight identifies millions of dollars in fraud every year. For each of the last two fiscal years, BSI detected fraudulently-gained payments of over \$4 million. Investigations also act as a deterrent to criminals and help agencies and vendors better manage public assistance programs as part of Auditor Bump's mission to help government work better.



Working under the provisions of Chapter 11, Section 17, BSI examiners operate from five offices across the state, investigating referrals from the Department of Transitional Assistance (DTA), MassHealth, law enforcement agencies, and the general public. BSI works closely with other agencies at the federal, state, and local levels. BSI examiners 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 U.S. Food and Drug Administration (FDA), the U.S. Health and Human Services' Office of the Inspector General (HHS OIG), the U.S.

Attorney's Office, the state Office of the Attorney General (OAG), the State Police, District Attorneys' Offices, local police, and administering agencies.

BSI's case tracking application and its business intelligence software continue to be valuable investigation management tools for examiners and other staff. Using this technology, which electronically collects investigative data, performs analytical tasks, and helps to prioritize casework, examiners have been able to expedite fraud investigations, accelerate cases for recoveries, and gather information to enhance prevention activities. Specifically, in the past year, the case tracking system and business intelligence software have assisted examiners in the disposition of cases involving outstanding warrants, in developing specialized investigative plans for cases involving non-custodial parents, as well as cases of unreported employment that could be fast tracked for civil recovery to the Department of Transitional Assistance.

Making Government Work Better: OSA Actions Result in Positive Change

BSI plays a major role in making sure that MassHealth's Personal Care Attendant Program is able to serve disabled and elderly citizens of the Commonwealth who are in need of assistance with daily life activities. The PCA program expends approximately \$400 million annually to serve 20,000 residents, helping them to remain in their homes and live with independence and dignity. BSI has identified millions of dollars in fraudulent activity, referred cases for prosecution and uncovered PCAs stealing from or abusing the individual they have been hired to assist. BSI is an active member of the PCA Task Force, which also includes the OAG and the HHS OIG. These actions not only protect and enhance program integrity and public funds but also serve as a deterrent to potential perpetrators.

In one case, BSI examiners, working with the OAG and other law enforcement agencies, were able to establish that a participant had forged the daily activity forms which provide a record of services and are used for payment. She used the names and social security number of her deceased mother, other family members, and unidentified persons, to submit false daily activity logs that resulted in the fraudulent payment of PCA services. BSI's further investigation established the individual received and cashed all the payroll checks totaling \$280,255. In May of 2011, the individual pled guilty in Hampden County Superior Court to eight counts of MassHealth fraud and eight counts of larceny as a result of BSI's referral of the case to the OAG. She was ordered to pay restitution in the

amount of \$139,161 and sentenced to two years in the House of Corrections which was suspended for 12 years.

Apart from the Task Force investigations, BSI pursued additional allegations of PCA program abuse. In one particular case, BSI examiners, working with the HHS OIG and the OAG, were able to establish that a participant had forged the daily activity forms with another person's cooperation, submitted the forms for reimbursement, and had the proceeds of the scheme deposited into a joint bank account shared by both parties. In March 2011, one of the parties pled guilty to the scheme in Bristol County Superior Court, and was sentenced to two years in the House of Corrections.

Activities Summary

During fiscal year 2011, BSI received over 2,400 complaints of suspected fraud in public assistance programs. Of the investigations that BSI examiners completed, they identified over \$4.3 million in fraudulent claims which may be subject to recovery by the Commonwealth.

Investigations where examiners document illegal activity are turned over to the appropriate law enforcement entity -- the OAG, the ten District Attorneys' Offices, and the U.S. Attorney -- for potential criminal prosecution, and to the appropriate administering agency for recoupment of illegally obtained funds. These entities establish restitution payments and are responsible for collecting settlement amounts.

MassHealth (MH)

As the largest area of spending in the state budget, BSI devotes significant resources to investigating MassHealth cases. Examiners identified fraud in 117 MassHealth cases, including Personal Care Attendant (PCA) cases, totaling \$2,782,014, accounting for nearly two-thirds of BSI-identified fraud. Four of these cases have been adjudicated totaling \$450,582. An additional 23 cases totaling \$366,419 have been closed. Another 65 cases have been referred to MassHealth for civil recovery totaling over \$800,000. Three other civil recovery cases totaling \$40,479 have been adjudicated and funds paid directly to MassHealth. Twenty-two cases are being evaluated by the court prosecution team and the OAG for potential criminal prosecution.

An emerging area in BSI MassHealth-related investigations is drug diversion, which involves the use of Medicaid benefits for drug-related criminal activities. Investigations have shown MassHealth recipients or providers will fraudulently obtain certain prescription drugs, which are either abused or sold illegally for 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. The Commonwealth's Pharmacy Unit within the Department of Public Health has developed and implemented a computer program that tracks MassHealth members whose prescription drug use may be excessive. As patterns of abuse are established, BSI initiates investigations of suspected abusers, including recipients, pharmacists, physicians, and healthcare facility personnel. In one such case, through collaboration with the OAG and the FDA, a pharmacist pled guilty in United States Federal Court and was ordered to repay \$250,000.

Supplemental Nutritional Assistance Program (SNAP)

SNAP, formerly known as food stamps, is administered by the Department of Transitional Assistance and spends nearly \$450 million to assist 800,000 income-eligible recipients purchase food. BSI examiners identified fraud in 269 Supplemental Nutritional Assistance Program totaling \$702,292. The majority of BSI SNAP referrals involve eligibility issues, such as unreported assets and income, and false identities.

BSI referred 225 cases totaling \$349,378 to the Department of Transitional Assistance (DTA) for civil recovery. Twenty-three cases with a value of \$157,669 in SNAP benefits have been resolved via civil recovery, and 20 cases with a SNAP value of \$170,237 are being prepared for civil recovery. Four cases with a SNAP value of over \$60,000 are pending court adjudication and two other cases valued at over \$40,000 are being evaluated by the court prosecution team.

A growing component of BSI work in this area is investigating allegations of food stamp trafficking. Typically, this involves conspiracy between a recipient and a retailer to convert SNAP benefits into cash. BSI examiners are currently working with law enforcement agencies on three cases where a recipient and a retailer have conspired to convert SNAP benefits into cash. These kinds of criminal activities not only defraud the SNAP program, but also deprive needy children of food and increase their vulnerability to malnutrition and illness.

Transitional Aid to Families with Dependent Children (TAFDC)

Largely as a result of ineligible recipients receiving benefits, 180 cases identified \$629,692 in fraud. Two cases with a value totaling \$80,000 are being prosecuted in district courts and another eight cases totaling \$40,810 are being prepared for civil recovery. The remaining cases were referred back to DTA for collection.

Emergency Aid to Elders, Disabled and Children (EAEDC)

Thirty-seven cases with identified fraud, resulting mainly from ineligible recipients receiving benefits, had an EAEDC component, totaling \$139,673. Of those, 34 cases totaling \$96,363 have been sent to DTA for civil recovery. One case valued at \$25,963 is pending adjudication in district court. Another case valued at \$17,141 is being evaluated by the Suffolk County District Attorney's Office for potential grand jury indictment. One case valued at \$206 is being prepared for civil recovery.

Early Education and Care (CC)

Of the three cases with identified fraud, one case totaling \$3,953 is under review for further action.

Other

In one case, BSI examiners identified a housing component, totaling \$8,800. This case is being prosecuted by the Worcester District Attorney's Office as part of a joint investigation with BSI and the U. S. Department of Housing and Urban Development.

Another case involves the Women, Infants and Children program (WIC), totaling \$23,427. This case is under review for further action.

Warrant Cases

Over the past year, BSI continued to work on outstanding warrant cases, many of which involve older completed cases, where fraud had been identified and a judicial warrant issued. Letters are sent to subjects identified in each case explaining the meaning and risk of an outstanding warrant, as well as the means, including the repayment of the identified fraud, by which the warrant can be resolved. BSI cleared 93 warrants and 24 of these cases were adjudicated resulting in court-ordered restitution of over \$50,000. Over four years, the warrant initiative has resulted in repayments of nearly \$200,000.

Caseload Summary

At the start of FY 2011, BSI's caseload included 3,296 cases in various stages of investigation. BSI received 2,421 new allegations of fraudulently obtained public assistance benefits and services between July 1, 2010 and June 30, 2011. BSI ended FY 2011 with a case load of 2,572.

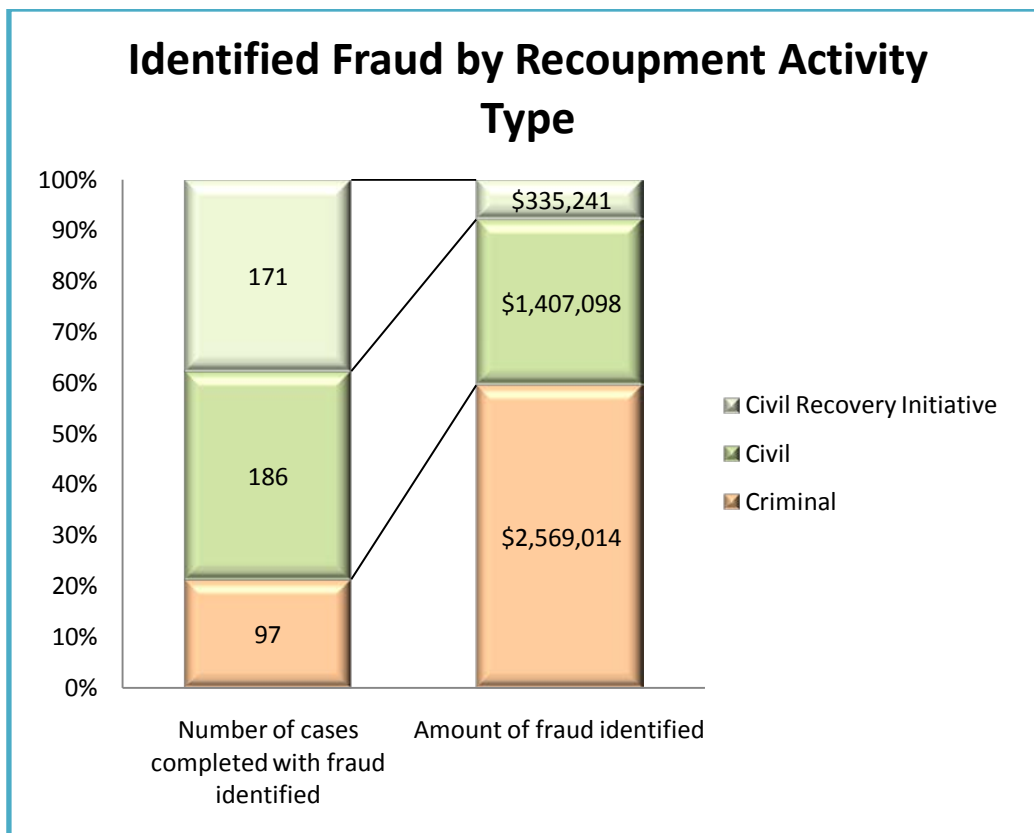
Summary by Source	CC	MassHealth	DTA	Hotline	Other
Beginning Balance	47	760	2,281	194	14
New cases	3	642	1,759	15	2
Completed w/fraud	(3)	(111)	(328)	(11)	(1)
Completed w/o fraud	(29)	(637)	(1,862)	(152)	(11)
Ending Balance	18	654	1,850	46	4

Identified Fraud by Recoupment Activity Type

Civil Recovery Initiative

In June 2010, BSI began focusing on civil cases of simple fraud such as under-reporting income that could be quickly investigated by verifying employee business records and fast-tracked back to the Department of Transitional Assistance for recovery of the funds. During FY 2011, BSI investigators completed 171 cases through the initiative and identified \$335,241 in fraudulent claims.

Out of the 454 cases completed with identified fraud, 186 cases were sent back to the appropriate agencies for civil recoupment of illegally obtained funds totaling \$1,407,098, and 97 cases have been or are currently in the process of being turned over to the appropriate law enforcement entity for potential criminal prosecution and recovery of a total amount of \$2,569,014.



Civil Recoupments

BSI sent 265 Intentional Program Violation cases, with a total fraud calculation of \$678,250, back to the Department of Transitional Assistance (DTA) for collection. In addition, BSI examiners completed 16 civil recovery cases, totalling \$170,361. BSI also continued its recoupment activities with MassHealth, sending the agency 47 cases in this fiscal year. An additional two MassHealth cases were adjudicated through voluntary repayment agreements totaling \$200,582 for fraud committed by not fully disclosing assets at the time of application for nursing home benefits.

Court Actions

BSI brought five completed cases involving \$201,732 in fraud to the criminal justice system for prosecution. Fully adjudicated cases resulted in court orders for \$694,540.90 of this amount to be repaid to the Commonwealth. The 18 cases had been identified by BSI's court prosecution team as appropriate for court action, subjected to review and preparation in order to present high quality, well-documented cases to District Attorneys' offices or to the OAG.

In addition to examining referred cases of public assistance fraud, BSI will continue its investigations of drug diversion cases, which are becoming more and more prevalent. BSI will also continue to investigate food stamp trafficking, which preys on the most vulnerable in society.

Streamlined Prosecution

An operational change BSI is undertaking under Auditor Bump involves pursuing prosecution of its own cases. Currently, BSI refers cases to the offices of District Attorneys and are subject to their discretion and case loads. BSI is working on gaining the authority to prosecute its own cases which should expedite case resolution, increase recoupments to the Commonwealth of fraudulently-obtained benefits and relieve prosecutors of that responsibility.

Fast Tracking Referrals

In an effort to expedite the referral process and identify priority referrals for immediate investigation, BSI has implemented a “fast tracking” of referrals system. This initiative allows BSI to address allegations of ongoing fraud from other state agencies, as well as address complaints submitted through the OSA fraud reporting hotline and website.

The goal of the fast track approach is to allow BSI fraud examiners, in cases with allegations of present fraud, to prepare investigative plans and be out in the field within days, conducting interviews and obtaining documents. Acting in a timely manner is essential to an effective investigation and ceasing any fraudulent activity. Accelerated reporting to the appropriate agency can lead to larger recovery amounts of excessive benefits. Similarly, accelerated reporting assists in the prosecution of cases.

DIVISION OF LOCAL MANDATES

Enacted by a voter-approved referendum in 1980, Proposition 2 ½ limited the ability of the cities and towns to fund municipal services through the longstanding method of real property and auto excise taxes. Of particular concern to the municipalities at that time, was their inability to fund mandates imposed by the Legislature.

Accordingly, integral to Proposition 2 ½ was its creation of the Local Mandate Law, M.G.L. c. 29, § 27C. That statute provides 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 be subject to local acceptance. That statute created, within the Office of the State Auditor, the Division of Local Mandates (DLM) with the responsibility for determining the

“Everyone complains about unfunded mandates, but almost never is anything done about them. The exception is a low-profile operation in the state auditor's office, the Division of Local Mandates.”

- MetroWest Daily News

local financial impact of proposed or existing state mandates. The statute further provides that any community aggrieved by a law or regulation that it considers to be in violation of the Local Mandates Law may request an exemption from compliance in Superior Court and may submit DLM's fiscal impact determination as *prima facie* evidence of the amount of state funding needed to sustain the mandate.

DLM also maintains a Legislative Review Program, which analyzes pending legislation on mandate review issues. To ensure that the General Court considers the local cost impact of pending legislation, DLM reviews significant bills, prepares preliminary cost studies, where applicable, and advises legislators of the Auditor's concerns. In addition, DLM responds to requests for a determination on these matters from individual legislators, legislative committees, municipalities, state agencies, and governmental associations.

Chapter 126 of the Acts of 1984 expanded DLM's mission by authorizing DLM to examine any state law or regulation that has a significant local financial impact, regardless of whether such examination satisfies the more technical requirements for a mandate determination. These municipal impact studies may include cost-benefit analyses and recommendations to the General Court for the continuation, modification, or elimination of any such law or regulation.

Thus, DLM contributes to the development of state policy sensitive to local revenue limitations and to the maintenance of increased fiscal autonomy in the cities and towns as each sets its budget priorities.

Making Government Work Better: OSA Actions Result in Positive Change

Municipal Impact Study: Dam Safety

DLM reviewed the financial impact of dam safety laws and regulations on municipalities that own and operate dams. The Town of Ashburnham initially raised this issue to DLM, questioning whether the Local Mandate Law applied to the cost of complying with orders issued by the state Office of Dam Safety (ODS), pursuant to M.G.L. c. 253, §§44-48 and 302 CMR 10.00. ODS ordered the town to hire a professional engineer to conduct a safety inspection of one its dams, and to develop and submit an Emergency Action Plan to be followed in the event of dam failure. Based upon court precedent, DLM concluded that the dam safety law was not subject to the Local Mandate Law, primarily because the requirements were not particularly directed at cities and towns. Rather, dam safety law imposes obligations that apply generally across the public and private sectors. Nonetheless, because Ashburnham officials had raised important issues of public safety and the financial ability of cities and towns to meet their responsibilities in this regard, DLM initiated this Chapter 11, Section 6B review.

This work encompassed several objectives. The first was to present a general overview of the data available from ODS on dam safety in Massachusetts, then to narrow the focus to identify the subset of locally owned dams that pose the greatest potential threat to public safety. There are 100 dams that fit these criteria, referred to as the “100 municipally owned critical dams.” Relative to these 100, the next objective was an assessment of local compliance with selected measurable standards of safety set by state law and regulation. Finally, DLM estimated the local financial impact of achieving compliance with these standards on a current basis, as well as the additional cost of deferred action.

Municipalities with most critical dams as of January 2011

Municipality	No.
Fitchburg	6
Foxborough	5
Attleboro	4
Gloucester	4
Springfield	4
Worcester	4
Clinton	3
North Adams	3

Major Findings

The report concluded that 100 dams owned by 62 communities are in unsafe or poor condition and each is classified into the two top threat categories for potential loss of life or property damage in the event of a failure. Among the report's major findings:

- Seventy-five of the 100 municipal critical dams had no written emergency action plan to ensure a reasoned approach to evacuation of downstream neighborhoods in the event of dam failure;
- Data indicated that the owners of 23 of these dams “had no idea of what to do in an emergency”;
- Over 80% had inadequate maintenance practices;
- Every one of the 100 municipal critical dams needed substantial repairs or upgrades, or should be removed;
- The projected cost of remediation for the 100 dams is approximately \$60 million, an average of \$600,000 per dam;
- Remediation costs for 86 of the 100 dams are projected to be less than \$1 million, while estimates for the remaining 14 ranged between \$1 million and \$3 million; and
- Deferring remediation by 10 years would increase the cost by approximately \$13.4 million, not including the effects of inflation.

Recommendations

DLM offered nine recommendations to advance proper emergency planning, maintenance, and repair or removal of dangerous dams owned by cities and towns. Primary among these recommendations are:

- ODS should ensure that every municipal owner of a critical dam has a current Emergency Action Plan on file at ODS and at the Massachusetts Emergency Management Agency;

- ODS should provide the Legislature with a listing of the 100 critical municipal dams prioritized in relation to current risk to public safety;
- The Legislature should establish a program of no-interest revolving loans to finance remediation of the 100 critical municipal dams on a risk-based schedule; and
- The Legislature should provide resources to better equip ODS to provide the oversight and guidance necessary to ensure compliance with dam safety law.

Post-Report Action

DLM distributed copies of this report to the Legislature, stakeholders, and media outlets. Following widespread media interest, DLM presented testimony at a legislative hearing on proposals to address issues in dam safety. The major bill addressing dam safety was subsequently amended to provide municipal dams owners access to a proposed \$15 million revolving loan fund. Among other DLM-



recommended actions, the bill would also require Emergency Action Plans for all high- and significant-hazard potential dams, mandate annual reporting of key dam data, and increase fines against noncomplying owners. As of this writing, Senate bill number 1985 has been approved by the Senate and awaits further action by the House of Representatives.

Unfunded Mandate Determination: Solid Waste Facilities

At the request of the towns of Athol, Halifax, and Leverett, DLM reviewed amendments to the law governing the process for siting and permitting certain solid waste facilities, M.G.L. c. 111, § 150A, as amended by St. 2010, c. 131, §§ 63-66. The amendments changed these procedures in two distinct ways. First, relative to applications for site assignments for all types of solid waste facilities, the amendments provided that the state Department of Environmental Protection (DEP) was no longer required to issue a “site suitability report” evaluating whether an applicant satisfies the 17 criteria to protect the public health, safety, and the environment delineated by M.G.L. c. 111, §

150A¹/₂. Second, the amendments required local boards of health to evaluate regulatory standards and grant or deny any applications for permits to operate small transfer stations (those handling no more than 50 tons of waste per day). Previously, this responsibility had been vested in DEP. Because of the transfer of these duties from DEP to local boards of health, local officials anticipated the need to contract with experts to perform the Section 150A¹/₂ assessments and review any proposed design plans, public health reports, or environmental reports associated with these applications.

After reviewing pertinent statutes, legislative history, case law, and input from affected parties, DLM concluded that these changes in law met the elements of the definition of an unfunded state mandate. Specifically, DLM found that the amendments made genuine changes in law and were not mere clarifications of pre-1981 obligations. DLM also determined that the amendments imposed more than “incidental local administration expenses,” as these are explicitly exempted under M.G.L. c. 29, § 27C.

Because the level of expertise required to make Section 150A¹/₂ determinations was beyond the customary staff resources of local government, DLM concluded that this requirement was a substantive change in law, not a mere clarification of pre-1981 obligations. Athol, Halifax, and Leverett officials anticipated the need to hire consultants (at an estimated \$150/hour) for 40 to 120 hours, depending upon the complexity of a potential site assignment application. Resulting costs would range from \$6,000 to \$18,000. DEP had charged applicants \$8,615 for a site suitability review and report, but DLM found that state regulations restricted local boards of health from passing on additional consultant costs.

Similarly, DLM determined that there was no history of state law or regulation requiring municipalities to permit small transfer stations; accordingly, this requirement was also a substantive change in law, imposing obligations that did not previously exist. Athol, Halifax, and Leverett officials anticipated the need to utilize technical and legal experts to inform the permit review process. At an expected rate of \$150 per hour, a minimum of \$15,000 would be required for professional guidance for each application. Finally, DLM concluded that the costs of contracting consultants for site assignments and small transfer station permits were not administrative costs that would fall within the Local Mandate Law exception for incidental administration expenses.

Post-Determination Action

DLM sent copies of the determinations for the Towns of Athol, Halifax, and Leverett to executive and legislative leaders, and worked with House and Senate staff to develop amendments to change the law to relieve communities of these costs, and restore the duties at DEP. These amendments were enacted as part of the fiscal year 2012 state budget. (See St. 2011, c. 68, §§ 83-86.)

Significant Mandate Determinations

Unfunded Mandate Determination: Suffolk County Holidays

The Mayor of the City of Revere petitioned DLM regarding a July 2010 amendment to state law providing for the observance of two holidays in Suffolk County: Evacuation Day on March 17, and Bunker Hill Day on June 17. Effective July 1, 2010, St. 2010, c. 131, § 5, amending M.G.L. c. 4, § 7, cl. 18, requires all state, municipal, and other public offices in Suffolk County to “be open for business and appropriately staffed” on these dates, even though the law maintains the status of these two dates as legal holidays. The Mayor explained that the City of Revere’s collective bargaining agreement requires time and one-half compensation for employees who work on legal holidays, as well as a compensatory day off from work. Consequently, the Mayor asked whether this amendment is subject to the Local Mandate Law, and requested a determination of the three-year financial impact on the City of Revere.

In response, DLM concluded that this change in law met the elements of the definition of an unfunded state mandate, and was thereby subject to M.G.L. c. 29, § 27C.

Department of Correction Mitigation Payments for MCI Cedar Junction

DLM responded to a request from the Walpole Board of Selectmen regarding correspondence from the Department of Correction (DOC) indicating that it would not make a “mitigation” payment to the Town of Walpole for fiscal year 2010. At least as far back as fiscal year 2002, the annual state budget has included funds earmarked to mitigate the local financial impact on communities hosting state correctional facilities. Among other things, these financial impacts may include the cost of providing fire, police, and ambulance services at the facilities.

Because the remedy under the Local Mandate Law is an exemption from compliance, as a threshold matter, a community must show that there is a law or regulation from which the court could waive

compliance. After considerable research, DLM could not identify a state law, regulation, or agency rule that requires the Town of Walpole to provide emergency response at MCI Cedar Junction.

Therefore, it was determined that the Local Mandate Law can not be applied in this situation.

Post Determination Action

Although DLM concluded that the Local Mandate Law did not apply in this case, subsequent to DLM's determination the Legislature restored state funding. In the fiscal 2012 state budget, the Legislature provided that DOC must expend no less than \$750,000 for "the municipality housing MCI-Cedar Junction." (See St. 2011, c. 68, s. 2, item 8900-0001.)

An Act Relative to Fire Safety in the Commonwealth, St. 2004, c. 304

On behalf of the Town of Webster, Senator Stephen M. Brewer asked that DLM determine whether certain aspects of Chapter 304 were unfunded state mandates. In relevant part, Chapter 304 requires that applicants for certain liquor licenses submit a certificate of inspection, as provided by the State Building Code, to the Alcoholic Beverages Control Commission. Chapter 304 states that the certificate of inspection "shall attest to the safety of the building or structure in which the applicant



intends to sell alcoholic beverages to be consumed on the premises and that the building or structure meets or exceeds the requirements of the state building code" and that it must be issued by the local building inspector and signed by the fire chief.

Auditor Bump chairs a meeting of the Municipal Finance Oversight Board

Following a review of the history of pertinent statutes, regulations, and case law, and a meeting with the Town Clerk in Webster, DLM determined that these elements of Chapter 304 are not unfunded

state mandates because they can be traced back to 1979. The Local Mandate Law does not apply to pre-1981 mandates.

Chemical Safety Control Requirements

At the request of the Superintendent of the Swansea Water District, DLM reviewed requirements of the Department of Environmental Protection (DEP) that public and private water suppliers implement chemical safety strategies at water treatment plants. As a result, the Superintendent explained that the Swansea Water District must incur costs to retrofit the chemical feed systems at each of the District's facilities.

In reply, DLM determined that the Local Mandate Law does not apply in this case, primarily because the Swansea Water District is not a city or town. Rather, the Swansea Water District is an independent body corporate created by Chapter 137 of the Acts of 1949. The District operates as a separate entity, governed by a Board of Commissioners, and is funded by ratepayers, independent of the property tax base of the Town of Swansea.

Initiatives

The following are topics on the fiscal year 2012 plan for the Division of Local Mandates

In addition to reviewing relevant legislation and responding to requests regarding local mandates, the following are ongoing projects for fiscal year 2012.

State Funding for the 2012 Presidential Primary and State Elections,

Chapter 503 of the Acts of 1983

DLM began the work necessary to certify the amount of state funding necessary to assume the costs to be incurred in 2012 by each of the 351 cities and towns due to the Uniform Polling Hours mandate. Chapter 503 requires that all polling places for state elections open no later than 7:00 a.m. and remain open until 8:00 p.m. Because law prior to Chapter 503 allowed polls to open as late as 10:00 a.m., three hours of mandated election expenses are eligible for state funding under the Local Mandate Law. This certification includes mandated costs for the March 2012 Presidential primary and the 2012 September state primary and November final elections.

Past certifications were done utilizing paper forms and the U. S. Postal Service. In an effort to increase efficiency and reduce costs for this certification, the Office of the State Auditor developed and emailed to all municipal clerks an electronic cost documentation form. Upon completion of an auditing process for all 351 city and town returns, DLM is required to submit a cost certification report to the Office of the State Secretary no later than September 15, 2011.

Chapter 503 also directs the State Secretary to distribute to each community its certified portion of appropriated funds no more than thirty days prior to incurring mandated election-day costs. Since 1984, the Office of the State Auditor has certified over \$18.6 million for direct distributions of state funding to cities and towns for the Uniform Polling Hours mandate.

The Emergency Housing Assistance Program

On behalf of the Town of Danvers, Representative Theodore C. Speliotis requested a determination regarding the Commonwealth's Emergency Assistance Program. Specifically, the Representative asked that DLM determine whether the state's policy of housing homeless families in motels imposes unfunded mandates upon the school systems in Danvers and other communities.

Representative Thomas M. Stanley has raised similar questions in behalf of the City of Waltham.

PRIVATE OCCUPATIONAL SCHOOLS

Another important although lesser known mandated responsibility of the OSA is the financial oversight of private, postsecondary, non-degree-granting occupational schools licensed to operate in Massachusetts by the Department of Elementary and Secondary Education (DESE). Chapters 75D, 93, and 75C of the General Laws require the Office of the State Auditor to annually investigate the ownership, organization, financial condition, and form and content of the student enrollment agreement of each entity desiring to operate a private occupational school within the Commonwealth, and to notify the Commissioner of Education if the State Auditor has concluded that the applicant is financially responsible and qualified to apply for licensure through the DESE.

As of June 30, 2011, a total of 203 private occupational schools were subject to annual financial certification by the OSA, consisting of 142 private business schools, 58 private trade schools, and three private correspondence schools. Forty-two Massachusetts schools now report annual tuition income of \$1 million or more, including six schools that reported total revenue of between \$10 million and \$24 million last year, according to schools' annual financial statements submitted to the OSA. At fiscal year-end, a total of 46 schools, or more than 22% of the entire population, were required by the OSA to maintain the statutory maximum \$100,000.00 indemnification/surety protection to address potential refunds to students.

Overview of Proprietary School Industry/OSA Responsibilities

Private occupational schools provide short-term, market-driven, career-specific training programs that can lead to gainful employment for displaced, unemployed, and underemployed workers.

Private schools licensed to offer postsecondary, non-degree-granting career training programs in Massachusetts range in size from small, locally-owned and operated sole proprietorships to general partnerships, limited liability companies, nonprofit organizations, and international for-profit business corporations that may derive up to 90% of their annual revenues from federal taxpayer dollars. Courses of study currently offered by these schools include, but are not limited to, appliance/automotive repair, aviation technology, bartending, broadcasting, computer technology,

construction trades, culinary arts, dental assisting, dog grooming, electrical code and theory, fashion design, floral design, furniture making, holistic health care, HVAC/ refrigeration repair, massage therapy, modeling, professional photography, plumbing, tractor trailer driving, and woodworking.

The Office of the State Auditor works with the Massachusetts Department of Education to ensure that private occupational schools are financially responsible and qualified for licensure within the Commonwealth. The Auditor's role is set forth in the **Massachusetts General Laws**¹:

Renewal of such license ... shall be issued only after such an investigation has been conducted and certification of the financial eligibility of the applicant for renewal has been made by the state auditor. ... Financial statements shall be submitted to the state auditor thirty days prior to the annual review. ... If the state auditor finds that the applicant is not financially responsible and qualified to operate a private occupational school, (s)he shall refuse to approve the application. The state auditor shall state his (her) reasons therefor in writing. Notwithstanding the provisions of section twelve of chapter eleven pertaining to the maintenance of records in the department of the state auditor, such financial information submitted to the state auditor shall be retained in the office of the state auditor and shall not be classified as public records.

Once the overall solvency of the applicant has been established, the OSA annually calculates the level of indemnification needed by each school to cover potential refunds to students in the event of bankruptcy, liquidation, or a breach of contract by the school. Such indemnification is conditioned to cover the school's maximum anticipated level of unearned tuition income, and may take the form of a surety bond, an irrevocable letter of credit, or a term deposit account payable to the Commonwealth.

The proprietary school industry has experienced unprecedented growth in recent years, raising concerns at both the state and federal level regarding the quality of education offered by these schools, the amount of federal student financial assistance they receive, the methods they use to recruit students, and the success of their graduates in finding gainful employment. The U.S. Government Accountability Office (GAO) reported last year that enrollment at for-profit colleges has increased from approximately 365,000 students to almost 1.8 million students over the past several years; that students enrolled at for-profit colleges received more than \$24 billion in Pell

¹ M.G.L. Chapter 75D, Section 3; Chapter 93, Section 20A; Chapter 75C, Section 1A

Grants and federal student loans in 2009; and that the for-profit education industry's share of federal student financial assistance increased by more than 109 % between 2005 and 2009.

On June 2, 2011, the U.S. Department of Education issued regulations requiring career colleges to better prepare students for gainful employment or risk losing access to federal student financial aid. It was reported at that time that although students enrolled at for-profit postsecondary schools currently represent approximately 12 percent of all higher education students, they account for 26 percent of all student loans and 46 percent of all student loans in default.

Legislative and Regulatory Activity

The extraordinary growth of the for-profit sector in recent years, combined with allegations of deceptive recruitment practices, predatory lending, fraudulent reporting of program completion and job placement rates, and excessive dropout and student loan default rates demonstrate the need for increased oversight of the proprietary school industry at both the state and federal levels. A recent report issued by the National Conference of State Legislatures disclosed that lawmakers in 20 states introduced a total of 38 bills aimed at for-profit postsecondary schools during the 2011 legislative session. In Massachusetts, the calls to strengthen consumer protection legislation and increase private occupational school accountability have been led by Governor Deval Patrick and State Auditor Suzanne Bump.

House 1 / House 3625

As outlined in Governor Patrick's Fiscal Year 2012 House 1 Budget Recommendations, studies were conducted by the Administration last year to evaluate the level of oversight needed to properly govern the more than 200 private occupational schools licensed to offer postsecondary career training programs in Massachusetts. Based on these studies, it was concluded that the Division of Professional Licensure (DPL), within the Office of Consumer Affairs and Business Regulation, was better qualified to handle these responsibilities than the DESE, whose primary mission is K-12 public education. Through this legislation, Governor Patrick is seeking to transfer responsibility for the school licensure function from the DESE to DPL, to increase the level of staffing dedicated to proprietary school oversight, and to provide the licensing unit with the resources, investigatory and enforcement tools needed to properly support this function and enhance consumer protection for

Massachusetts students, employers, and taxpayers. The Governor’s legislation incorporated the OSA proposal to increase the level of indemnification/surety protection available to proprietary school students, and further recommended that the Office of the State Auditor retain responsibility for the financial oversight of licensed private occupational schools within the Commonwealth.

House 6/ House 3625

When she served as Secretary of Labor and Workforce Development, Auditor Bump recognized the importance of quality employment and training programs and the resulting benefits for students, employers, and the Massachusetts economy.

House 6, “An Act Relative to Financial Requirements of Business, Correspondence, and Trade Schools,” would remove the \$100,000 limitation on the amount of surety that the OSA can require to cover potential refunds payable to students in the event of bankruptcy, liquidation, or a breach of contract by the school. Auditor Bump’s position is that the \$5,000 to \$100,000 surety range has not kept pace with current enrollment levels or skyrocketing tuition rates. This legislation would remove the \$100,000 surety cap while continuing to link annual surety assessments to each school’s maximum anticipated level of unearned tuition income (funds paid to the school for which the student has yet to receive any education, goods, or services in return).

The OSA proposal has been heard by the House Committees on Education and Ways and Means, was incorporated into the Governor’s bill, and the legislation, as amended (House 3625), is currently pending a Second Reading in the House and referral to the Senate.

Changes to FY 2011 Fee Structure/ Reporting of Annual Revenues to OSA/DESE

In accordance with Chapter 7, Section 6B, of the General Laws, the Executive Office for Administration and Finance (EOAF) is responsible for establishing appropriate fees for all state agencies except the judiciary. As of July 1, 2010, the fees charged by the DESE for the licensure of private occupational schools were \$300 for original license applications and \$200 for biennial renewal applications. These fees, which had not been increased since 1999, have resulted in operating deficits of approximately \$375,000/year for the DESE licensing unit and were reportedly the second lowest application fees in the nation.

A public hearing was held in fiscal year 2010 to solicit comments on amendments to 801 CMR 4.02 that would authorize an increase in fees to a level commensurate with the cost of licensure, but implementation was delayed when the legislation was filed to transfer oversight responsibility from the DESE to DPL. Since that time, representatives of the DESE Office of Proprietary Schools have been working closely with the Office of the State Auditor and DPL/Office of Consumer Affairs officials to coordinate efforts; further define terms, conditions, and respective responsibilities; and facilitate the implementation of a new fee schedule based on each school's annual adjusted gross revenues.

On July 18, 2011, DESE notified all licensed proprietary school owners and directors that effective immediately, applicants for renewal financial certification through the Office of the State Auditor must now include a copy of the Office of Proprietary Schools' Renewal Fee Calculation Worksheet with the financial statements, bank statements, income and enrollment projections, and other financial information submitted annually to the OSA. Under the new fee structure, base licensure fees for private occupational schools in Massachusetts will now range from a minimum of \$250 for schools that generate revenues of less than \$50,000/year to a maximum of \$35,000 for schools with annual adjusted gross revenues of \$50,000,000 or more.

OSA Representation on DESE Proprietary School Advisory Council

The OSA has been continuously represented on the Proprietary School Advisory Council since it was established in 2005. Currently consisting of 12 members appointed by the Commissioner, the Advisory Council advises the DESE on postsecondary school issues, trends and needs and makes programmatic recommendations for increasing the efficiency and effectiveness of this important consumer protection function. Advisory Council members are appointed by the Commissioner to serve terms of two years each, based on the individual's demonstrated interest, experience, and expertise in proprietary school education. Advisory Council membership consists of a diverse cross-section of public and private members intended to draw on the perspectives and experiences of a wide range of constituents in order to strengthen the field of proprietary school education within the Commonwealth.

House 3625 would replace the DESE Proprietary School Advisory Council with an eleven member Advisory Council on Private Occupational Schools within the Division of Professional Licensure (DPL). As designated by House 3625, membership on the DPL Council would be comprised of the State Auditor, ex-officio, or her designee; the Secretary of Education, ex officio, or his designee; the

Secretary of Labor and Workforce Development, ex officio, or her designee; the Undersecretary of Consumer Affairs and Business Regulation, ex officio, or her designee; and seven individuals appointed to terms of three years each by the Director of the Division of Professional Licensure. The bill further stipulates that appointed members should have a knowledge and understanding of the fiscal, educational, workforce development, and consumer protection issues relating to postsecondary education; that the Council shall be considered an official governmental body; and that Council meetings shall be announced and conducted in accordance with Section 11A½ of Chapter 30A of the General Laws.

AUDITORS OF THE COMMONWEALTH

Office established by Chapter 56 of the Acts of 1849 as the Auditor of Accounts. Title of office changed to Auditor of the Commonwealth by Chapter 597 of the Acts of 1908.

NAME	TERM OF OFFICE
Suzanne M. Bump	2011-
A. Joseph DeNucci	1987-2011
John J. Finnegan***	1981-1987
Thaddeus Buczko***	1964-1981
Thomas J. Buckley**	1941-1964
Russell A. Wood	1939-1941
Thomas H. Buckley	1935-1939
Francis X. Hurley	1931-1935
Alonzo B. Cook	1915-1931
Frank H. Pope	1914-1915
John E. White ††	1911-1914
Henry E. Turner ††	1901-1911
John W. Kimball	1892-1901
William D. T. Trefry	1891-1892
Charles R. Ladd †	1879-1891
Julius L. Clarke †	1876-1879
Charles Endicott	1870-1876
Henry S. Briggs	1866-1870
Julius L. Clarke	1865-1866
Levi Reed*	1861-1865
Charles White	1858-1861
Chandler R. Ransom	1856-1858
Stephen N. Gifford	1855-1856
Joseph Mitchell	1854-1855
David Wilder, Jr.	1849-1854

*: Resigned December 20, 1865.

†: Mr. Clarke resigned, and Mr. Ladd was appointed in his place May 5, 1879.

††: Mr. Turner died June 29, 1911, and Mr. White was chosen to fill the vacancy July 6, 1911.

***: Mr. Buckley died September 9, 1964 and Mr. Buczko was appointed to fill the vacancy September 24, 1964; and on November 8, 1966, Mr. Buczko was elected to a four-year term under Article LXXXII of the Amendments to the Constitution.

***: Mr. Buczko resigned on February 11, 1981 and Mr. Finnegan was elected, under the provisions of Article XVII, as amended by Article LXXIX of the Amendments to the Constitution, to fill the vacancy February 23, 1981.

EDUCATION AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
1.	Berkshire Community College - Student Financial Assistance Programs	2011-0190-7S	5/12/11
2.	Cape Cod Community College - Student Financial Assistance Programs	2011-0193-16S	5/12/11
3.	Children's Trust Fund and Child Abuse Prevention Board	2010-0082-3S	7/9/10
4.	Department of Early Education and Care - Single Audit of the Commonwealth	2011-0837-16S	5/12/11
5.	Department of Elementary and Secondary Education - Anti-Hazing	2010-0157-16S	1/13/11
6.	Greenfield Community College - Student Financial Assistance Programs	2011-0194-16S	5/12/11
7.	Massachusetts Bay Community College - Student Financial Assistance Programs	2011-0196-7S	5/12/11
8.	Massachusetts College of Art and Design	2011-0181-12S	3/18/11
9.	Massachusetts College of Art and Design - Student Financial Assistance Programs	2011-0181-16S	5/12/11
10.	Massachusetts Maritime Academy - Chapter 647	2011-0182-12S	5/12/11
11.	Massachusetts Maritime Academy - Student Financial Assistance Programs	2011-0182-7S	5/12/11
12.	Massasoit Community College - Student Financial Assistance Programs	2011-0197-7S	5/12/11
13.	Massasoit Community College (included ARRA funds)	2010-0197-7T	12/17/10
14.	Westfield State University - Student Financial Assistance Programs	2011-0185-7S	10/19/10

HEALTH AND HUMAN SERVICES AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
1.	Amego, Inc.	2009-4526-3C	9/30/10
2.	ARCHway, Inc.	2011-4549-3C	3/11/11
3.	Department of Children and Families - Single Audit of the Commonwealth	2011-1058-16S	5/12/11
4.	Disabled Persons Protection Commission	2010-0046-7T	7/21/10
5.	Executive Office of Health and Human Services – Review of Credit Card Purchases	2009-0006-3O	8/13/10
6.	Evergreen Center, Inc. and Affiliate (included ARRA funds)	2010-4544-3C	11/23/10
7.	Massachusetts Rehabilitation Commission	2008-0054-4T	10/19/10
8.	Massachusetts Rehabilitation Commission - Single Audit of the Commonwealth	2011-0054-16S	5/12/11
9.	MassHealth’s Administration of Dental Claims	2009-8018-14C	11/16/10
10.	MassHealth’s Dental Program – Community Dentists	2009-8018-14C2	11/16/10
11.	MassHealth’s Dental Program – Dr. Randall L. Davis	2009-8018-14C3	11/16/10
12.	MassHealth’s Dental Program – Holyoke Mall Dental Health Center	2009-8018-14C4	11/16/10
13.	MassHealth’s Dental Program – John P. Burke, DDS	2009-8018-14C1	11/16/10
14.	MassHealth’s Dental Program – Kool Smiles (Cambridge)	2009-8018-14C6	11/16/10
15.	MassHealth’s Dental Program – Kool Smiles (Chelsea)	2009-8018-14C7	11/16/10
16.	MassHealth’s Dental Program – Kool Smiles (New Bedford)	2009-8018-14C5	11/16/10
17.	MassHealth’s Dental Program – Small Smiles Dental Clinic of Lawrence	2009-8018-14C10	11/16/10
18.	MassHealth’s Dental Program – Small Smiles Dental Clinic of Springfield	2009-8018-14C8	11/16/10
19.	MassHealth’s Dental Program – Small Smiles Dental Clinic of Worcester	2009-8018-14C9	11/16/10
20.	Middlesex Human Service Agency	2010-4542-3C	2/15/11
21.	Monson Developmental Center	2008-0262-3S	10/29/10
22.	Montachusett Opportunity Council, Inc.	2010-4203-3C	11/9/10
23.	Office of Medicaid (MassHealth) - Review of Advanced Imaging Procedures	2008-1374-3S1	9/1/10
24.	Office of Medicaid (MassHealth) – Home Health Care Services to Dual Eligible Beneficiaries	2009-1374-3S1	12/17/10
25.	Review of Claims Submitted to MassHealth by the	2011-4545-3C	5/10/11

HEALTH AND HUMAN SERVICES AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
	Office of Dr. Doreen Chong, DDS		
26.	Review of Claims Submitted to MassHealth by the Office of Dr. Melvin M. Frankel, DMD	2011-4546-3C	5/10/11
27.	Western Massachusetts Hospital	2008-0305-3S	11/15/10

HOUSING AUTHORITY AUDITS

<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
1. Amesbury Housing Authority	2011-0596-3A	2/10/11
2. Arlington Housing Authority	2010-0599-3A	7/26/10
3. Athol Housing Authority	2010-0602-3A	1/18/11
4. Attleboro Housing Authority	2010-0603-3A	8/16/10
5. Auburn Housing Authority (included ARRA funds)	2011-0605-3A	4/21/11
6. Avon Housing Authority	2010-0600-3A	9/30/10
7. Billerica Housing Authority	2011-0614-3H	6/14/11
8. Boston Housing Authority	2010-0616-3A	1/31/11
9. Bourne Housing Authority	2011-0618-3A	2/15/11
10. Brockton Housing Authority	2010-0621-3A	9/30/10
11. Charlton Housing Authority	2010-1279-3A	7/26/10
12. Chatham Housing Authority	2010-0629-3A	8/13/10
13. Chelsea Housing Authority	2011-0631-3A	1/31/11
14. Cohasset Housing Authority	2011-0636-3A	1/31/11
15. Dartmouth Housing Authority	2011-0640-3H	6/14/11
16. Dennis Housing Authority	2009-0642-3A	8/12/10
17. Foxboro Housing Authority	2010-0657-3A	9/30/10
18. Grafton Housing Authority	2011-0666-3A	6/8/11
19. Hanson Housing Authority	2011-0902-3A	10/19/10
20. Harwich Housing Authority	2010-0679-3A	10/19/10
21. Hudson Housing Authority (included ARRA funds)	2010-0682-3A	11/23/10
22. Hull Housing Authority	2011-0683-3H	4/21/11
23. Kingston Housing Authority	2011-0686-3A	9/30/10
24. Littleton Housing Authority	2009-0833-3A	8/12/10
25. Maynard Housing Authority	2011-0710-3H	6/14/11
26. Mattapoisett Housing Authority	2009-0709-3A	1/6/11
27. Medford Housing Authority	2010-0712-3A	9/30/10
28. Medway Housing Authority	2011-0714-3A	1/31/11
29. Milford Housing Authority	2010-0722-3A	1/31/11
30. Newton Housing Authority	2011-0736-3A	3/1/11
31. North Andover Housing Authority	2010-0742-3A	7/26/10

HOUSING AUTHORITY AUDITS

<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
32. Norfolk Housing Authority	2011-0841-3H	6/14/11
33. Norwood Housing Authority	2010-0748-3A	7/26/10
34. Randolph Housing Authority	2010-0763-3A	8/30/10
35. Revere Housing Authority	2010-0765-3A	10/29/10
36. Rowley Housing Authority	2010-0768-3A	11/5/10
37. Sandwich Housing Authority	2011-0771-3A	6/14/11
38. Sharon Housing Authority	2010-0775-3A	7/8/10
39. Somerset Housing Authority	2011-0777-3A	2/10/11
40. Southwick Housing Authority	2010-0783-3A	4/21/11
41. Stow Housing Authority	2010-1336-3A	11/23/10
42. Wareham Housing Authority	2011-0803-3A	3/1/11
43. Wayland Housing Authority	2011-0806-3H	6/14/11
44. West Bridgewater Housing Authority	2011-0810-3A	3/1/11
45. West Newbury Housing Authority	2011-1295-3A	3/11/11
46. Westborough Housing Authority	2010-0809-3A	10/19/10
47. Wilmington Housing Authority	2010-0819-3A	8/30/10

INDEPENDENT AUTHORITY AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
1.	Commonwealth Health Insurance Connector Authority	2010-1467-3A	10/29/10
2.	Fall River Line Pier, Inc.	2011-0504-3A	6/24/11
3.	Massachusetts Bay Transportation Authority – Commuter Rail Operations	2008-0583-3A	1/18/11
4.	Massachusetts Bay Transportation Authority – South Station Ground Lease	2010-0583-3A	3/1/11
5.	Massachusetts Development Finance Agency	2010-0410-3A	7/28/10
6.	Massachusetts Life Science Center	2010-1470-3A	8/27/10
7.	Massachusetts Technology Development Corporation	2009-0136-3A	7/27/10
8.	Massachusetts Water Resource Authority	2010-1323-3A	10/21/10

PUBLIC SAFETY / JUDICIARY AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
1.	Barnstable County Juvenile Court	2011-1251-3O	3/11/11
2.	Barnstable District Court	2010-1189-3O	1/31/11
3.	Barnstable Sheriff's Office	2010-1443-17S	10/19/10
4.	Boston Housing Court	2010-1210-3O	11/15/10
5.	Dedham District Court	2011-1160-3O	3/18/11
6.	Department of Fire Services	2008-0012-3S	10/19/10
7.	Executive Office of Public Safety- Sex Offender Registry Board	2010-1408-4T	2/15/11
8.	Falmouth District Court	2010-1201-3O	3/18/11
9.	Franklin Sheriff's Office	2010-1430-3S	9/8/10
10.	Hampden Sheriff's Department	2009-1434-3S	12/17/10
11.	Lowell District Court	2010-1141-3O	9/8/10
12.	Malden District Court	2010-1146-3O	7/9/10
13.	Massachusetts Emergency Management Agency	2010-0016-4T	12/20/10
14.	Middlesex Superior Court	2010-1110-3O	11/16/10
15.	Natick District Court	2011-1145-3O	5/23/11
16.	Newton District Court	2011-1143-3O	4/22/11
17.	Orleans District Court	2011-1190-3O	1/31/11
18.	Orange District Court	2009-1177-3O	8/13/10
19.	Plymouth District Court	2010-1197-3O	9/21/10
20.	State 911 Department	2009-1422-3C	8/27/10
21.	Suffolk Superior Criminal Court	2011-1109-3O	4/14/11
22.	Taunton District Court	2010-1191-7T	1/4/11
23.	Waltham District Court	2010-1147-3O	8/13/10
24.	Wareham District Court	2009-1200-3O	8/16/10

FINANCIAL MANAGEMENT AND OTHER STATE AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
1.	Attorney General's Office - Fiscal Year 2010 Year End Closing Instructions for Cash and Revenue Management	2010-0072-16S	9/8/10
2.	Attorney General's Office - Fiscal Year 2010 Year End Closing Instructions for Encumbrances and Advance Fund Management	2010-0072-16S1	10/29/10
3.	Barnstable Sheriff's Office - Fiscal Year 2010 Year End Closing Instructions for Encumbrances and Advance Fund Management	2010-1443-16S	10/29/10
4.	Bristol Sheriff's Department - Fiscal Year 2010 Year End Closing Instructions for Encumbrances and Advance Fund Management	2010-1471-16S	10/29/10
5.	Bristol Southern Registry of Deeds - Fiscal Year 2010 Year End Closing Instructions for Cash and Revenue Management	2010-1342-16S	9/30/10
6.	Bureau of State Office Buildings - Fiscal Year 2010 Year End Closing Instructions for Encumbrances and Advance Fund Management	2010-0026-16S	10/29/10
7.	Chapter 555 – Review of Tax Revenues	2011-5555-16S	9/21/10
8.	Chelsea Soldiers' Home - FY 2010 Year End Closing Instructions for Cash and Revenue Management	2010-0065-16S	9/8/10
9.	Civil Service Commission	2011-1378-4T	4/22/11
10.	Department of Conservation & Recreation - Fiscal Year 2010 Year End Closing Instructions for Encumbrances and Advance Fund Management	2010-0276-16S	10/29/10
11.	Department of Developmental Services - Fiscal Year 2010 Year End Closing Instructions for Encumbrances and Advance Fund Management	2010-0234-16S	10/29/10
12.	Department of Early Education & Care - Fiscal Year 2010 Year End Closing Instructions for Encumbrances and Advance Fund Management	2010-0837-16S2	10/29/10
13.	Department of Environmental Protection - Fiscal Year 2010 Year End Closing Instructions for Encumbrances and Advance Fund Management	2010-0456-16S	10/29/10
14.	Department of Fire Services - Fiscal Year 2010 Year End Closing Instructions for Cash and Revenue Management	2010-0012-16S	9/8/10

FINANCIAL MANAGEMENT AND OTHER STATE AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
15.	Department of Housing Authority and Community Development - Fiscal Year 2010 Year End Closing Instructions for Encumbrances and Advance Fund Management	2010-0001-16S1	10/29/10
16.	Department of Mental Health - Fiscal Year 2010 Year End Closing Instructions for Encumbrances and Advance Fund Management	2010-0236-16S	10/29/10
17.	Department of Public Health - Fiscal Year 2010 Year End Closing Instructions for Encumbrances and Advance Fund Management	2010-0290-16S	10/29/10
18.	Department of Revenue - Fiscal Year 2010 Year End Closing Instructions for Cash and Revenue Management	2010-0142-16S1	9/8/10
19.	Department of Revenue	2011-0142-4T	1/31/11
20.	Department of Transitional Assistance - Fiscal Year 2010 Year End Closing Instructions for Encumbrances and Advance Fund Management	2010-0310-16S	10/29/10
21.	Executive Office of Health & Human Services - Fiscal Year 2010 Year End Closing Instructions for Encumbrances and Advance Fund Management	2010-0006-16S	10/29/10
22.	George Fingold Library	2010-0037-4T	1/6/11
23.	Hampshire Registry of Deeds - Fiscal Year 2010 Year End Closing Instructions for Cash and Revenue Management	2010-1347-16S	9/8/10
24.	Holyoke Community College – FY 2010 Year End Closing Instructions for Cash and Revenue Management	2010-0195-16S	9/8/10
25.	Holyoke Soldiers' Home - FY 2010 Year End Closing Instructions for Cash and Revenue Management	2010-0064-16S	9/8/10
26.	Holyoke Soldiers' Home - Fiscal Year 2010 Year End Closing Instructions for Encumbrances and Advance Fund Management	2010-0064-16S1	10/29/10
27.	Massachusetts Cultural Council - Fiscal Year 2010 Year End Closing Instructions for Cash and Revenue Management	2010-1328-16S	9/8/10
28.	Massachusetts Department of Transportation – Highway Division - Fiscal Year 2010 Year End Closing Instructions for Encumbrances and Advance Fund Management	2010-0506-16S	10/29/10
29.	Massachusetts State Lottery Commission	2008-0089-3S	12/22/10
30.	Massachusetts State Lottery Commission - Fiscal Year 2010 Year End Closing Instructions for Encumbrances and Advance Fund Management	2010-0089-16S	11/17/10

FINANCIAL MANAGEMENT AND OTHER STATE AUDITS

	<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
31.	Massachusetts State Lottery Commission - Fiscal Year 2010 Year End Closing Instructions for Cash and Revenue Management	2010-0089-16S1	11/17/10
32.	Merit Rating Board	2010-0906-3A	9/30/10
33.	Middlesex Sheriff's Office – Fiscal Year 2010 Year End Closing Instructions for Cash and Revenue Management	2010-1431-16S	9/8/10
34.	Norfolk Sheriff's Office - Fiscal Year 2010 Year End Closing Instructions for Cash and Revenue Management	2010-1440-16S	9/8/10
35.	Parole Board - Fiscal Year 2010 Year End Closing Instructions for Encumbrances and Advance Fund Management	2010-0154-16S	10/29/10
36.	Plymouth County Registry of Deeds - Fiscal Year 2010 Year End Closing Instructions for Cash and Revenue Management	2010-1344-16S	9/30/10
37.	Public Employee Retirement Administration Commission	2011-1315-3A	2/10/11
38.	Registry of Motor Vehicles – Boston - Fiscal Year 2010 Year End Closing Instructions for Cash and Revenue Management	2010-0511-16S1	9/8/10
39.	Registry of Motor Vehicles – Milford - Fiscal Year 2010 Year End Closing Instructions for Cash and Revenue Management	2010-0511-16S2	9/8/10
40.	Salem State College – FY 2010 Year End Closing Instructions for Cash and Revenue Management	2010-0184-16S	11/4/10
41.	State Reclamation Board and Mosquito Control Board - Fiscal Year 2010 Year End Closing Instructions for Encumbrances and Advance Fund Management	2010-0099-16S	10/29/10
42.	Worcester Sheriff's Department - Fiscal Year 2010 Year End Closing Instructions for Encumbrances and Advance Fund Management	2010-1432-16S	10/29/10
43.	Worcester State College – FY 2010 Year End Closing Instructions for Cash and Revenue Management	2010-0186-16S	9/8/10

AMERICAN RECOVERY AND REINVESTMENT ACT AUDITS

<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
1. Bridgewater State College	2010-0177-3R	1/31/11
2. Bunker Hill Community College	2010-0192-3R	2/10/11
3. Citizens for Citizens Incorporated	2010-4233-3R	7/26/10
4. Framingham State College	2010-0179-3R	5/26/11
5. Middlesex Community College	2010-0199-3R	1/31/11
6. Roxbury Community College	2010-0204-3R	2/10/11
7. Department of Conservation & Recreation	2011-0276-3R	3/1/11
8. Boston Housing Authority	2010-0616-3R	8/13/10
9. Clinton Housing Authority	2010-0635-3R	2/15/11
10. Winchendon Housing Authority	2010-0855-3R	1/31/11
11. Massachusetts Commission for the Blind	2011-0051-3R	4/20/11
12. Massachusetts Office for Victim Assistance	2011-0074-3R	4/20/11
13. Executive Office of Labor and Workforce Development	2010-0003-3R	1/18/11
14. Massachusetts Department of Transportation	2010-0506-3R	8/30/10
15. Berkshire Regional Transit Authority	2011-0876-3R	4/20/11
16. Brockton Regional Transit Authority	2011-0881-3R	3/18/11
17. Greater Attleboro-Taunton Regional Transit Authority	2010-1007-3R	3/18/11
18. MetroWest Regional Transit Authority	2010-1269-3R	8/30/10
19. Montachusett Regional Transit Authority	2010-1038-3R	10/19/10
20. Quincy Community Action Programs, Inc.	2010-4541-3R	7/26/10
21. South Shore Community Action Council	2010-4308-3R	9/30/10
22. Southeastern Regional Transit Authority	2010-0878-3R	7/26/10
23. Springfield Partners for Community Action, Inc.	2010-4540-3R	7/26/10
24. Worcester Community Action Council, Inc.	2010-4479-3R	7/26/10
25. Worcester Regional Transit Authority	2010-0880-3R	8/30/10

AMERICAN RECOVERY AND REINVESTMENT ACT AUDITS

<i>Audit</i>	<i>Audit Number</i>	<i>Issue Date</i>
26. Massasoit Community College	2010-0197-7T	12/17/10
27. Auburn Housing Authority	2011-0605-3A	4/21/11
28. Hudson Housing Authority	2010-0682-3A	11/23/10
29. Evergreen Center, Inc. and Affiliate	2010-4544-3C	11/23/10