

**Inside this issue:**

**Articles**

- **Automatic Water Meters and the Town of Norwood** **Page 1**
- **Energy Contracts and M.G.L. C.30B** **Page 3**
- **Alternative Dispute Resolution for Electricity Contracts** **Page 3**
- **Rebates for School Districts** **Page 4**

**M.G.L. c.30B Issues**

- **Chapter 30B and School Bus Transportation Contracts** **Page 4**
- **Questions & Answers— M.G.L. c. 30B and School Bus Transportation Contracts** **Page 5**
- **Ten Tips to Avoid School Bus Contract Bid Protests** **Page 7**
- **Inspector General's Office and Other Procurement Related Resources** **Page 9**

**OIG Publications**

- **An Investigation of Certain School District Expenses** **Page 9**

**OIG Advisories**

- **Computer Usage Policies** **Page 10**
- **Telephone Usage Policies** **Page 10**
- **Guide to Developing and Implementing Fraud Prevention Programs** **Page 10**
- **Guide to Bonding Requirements Under Construction Reform** **Page 10**

**Construction Reform How-To** **Page 11**

**MCPPO Registration Form** **Page 12**

**Automatic Water Meters and the Town of Norwood**

*The Office of the Inspector General would like to thank Catherine Mackey, C.P.O. for the Town of Norwood for contributing this article.*

As the price of water has continued to escalate over the years, Massachusetts communities have looked at ways to better meter and bill water costs. In 1998, the Town of Norwood received funding through the Massachusetts Water Resources Authority (MWRA) to institute a pilot program to install radio-frequency AMR (automatic meter reading) systems in residential and business buildings. Devices would be attached to existing water meters, and signals were to be transmitted using a combination of radio and cellular technology to the Town's billing office. There would no longer be a need to drive-by or enter homes and businesses to get meter reads.

In March 1998, the Town conducted a procurement for the installation of battery-powered meter transmitter devices and related equipment in approximately 500 residential (single and two-family) homes. Only one response was received, from Hexagram of Cleveland, Ohio, for a lump sum of \$210,000.

The Town was thereupon able to invoice those pilot program customers monthly based on actual readings, doing away with the much-disliked estimated bills for those 500 customers.

In Fiscal Year 2003 (July 2002-June 2003), the Town decided it had a good thing going. Participants in the pilot program liked getting monthly bills, the billing office was able to get a better read (pardon the pun) on the Town's water usage amounts, and the Public Works Department was able to utilize its personnel for projects other than walking house-to-house to read water meters.

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The question that arose was, “what’s the best way to get this project completed”? We started with issuing an Invitation For Bids (IFB) in August of 2002 for the purchase of approximately 7,200 water meters. These meters ranged in size from 5/8” to 2”. This quantity would replace existing water meters in most of the residences and the majority of the businesses in Town. The stipulation of this bid was that the meters had to be compatible with the existing AMR system (Hexagram). We received valid bids from two companies, ABB Water Meters of Ocala, Florida, and Stiles Company from Norwood, Massachusetts. An award was made to Stiles totaling \$359,291.

Our next step was to obtain the AMR system and get it installed along with the 7,200 new meters. The Town first issued an IFB in November 2002 that incorporated obtaining the AMR system and having it installed into one bid. There were three items: (1) installing the water meters; (2) furnishing the AMR system; and (3) installing the AMR system. We received only one bid; it came from Mass Installation of Norwood, Massachusetts. The total amount for all three items was \$1,834,125 and several exceptions were taken to the specification. This bid was rejected, and the Town began to look at other possible scenarios.

In December 2002, the Town decided to issue a (RFP) Request For Proposals for just an AMR system. We chose to do an RFP because we had concerns about whether or not to scrap the existing equipment installed during the pilot program and go with a new AMR system (if it was cost effective), to allow the co-existence of two AMR company systems running simultaneously, or to see what the pricing came in from the existing AMR company. We accepted proposals in January 2003, and received only one – Mass Installation – at a price of \$932,380 (using the Hexagram system).

After receiving the AMR proposal, the Town issued an IFB for the installation of the water meters and the AMR system in February 2003. The only company that submitted a bid was Mass Installation, for a total price of \$562,500.

The revamping of the Town of Norwood’s water meter system began during the summer of 2003. The total amount of the award, by doing it in a multi-step process, was \$1,494,880 compared with \$1,834,125 – the price bid when we issued a single IFB that incorporated furnishing of the AMR and installing the AMR and the meters. The savings to the Town was approximately \$339,000.

The Town of Norwood is now 100% complete with the project. The residents are happy with actual billing because they were able to budget their expenses and monitor their water usage, the Town receives its water revenue on a monthly basis, and we currently have one full-time water meter reader/repairman as opposed to the one full time and two part-time meter readers we had before the whole AMR process began. It has been a learning experience for us in Norwood, but the savings has made it well worth it.



The Office of the Inspector General notes that depending on how an automatic water meter reader project is procured, different laws may apply. In general, a contract for the *installation* of water meter readers is a public construction project governed by M.G.L. c. 149. A separate purchase of the meter readers or related equipment, including a computer system, may be procured under M.G.L. c. 30B. If the installation and purchase of equipment or a system is combined into one project, M.G.L. c. 149 would govern. For more information on the procurement of water meter reader systems contact our office.



*\*You may earn up to 15 continuing education points for a written article for the Procurement Bulletin*



## OIG Articles

### ENERGY CONTRACTS AND M.G.L. C.30B

*(This article is adapted from "Natural Gas Notes" from this Office's "Procurement Bulletin," v.7, Issue 4, p.4, 2001.)*

The Electricity Restructuring Act (Chapter 164 of the Acts of 1997) exempted energy aggregation contracts and energy contracts from the competitive procurement requirements of M.G.L. c. 30B. (In an "aggregation" contract, a city or town enters into an energy supply contract on behalf of its residents.) The problem in interpreting these two exemptions is that "energy" is not defined in any applicable statute. Most of the Electricity Restructuring Act applies to electricity, which is clearly exempt from M.G.L. c.30B. Natural gas commodity contracts also appear to fit within the exemption for energy contracts.

Nevertheless, M.G.L. c. 30B, §1(b) (33) does require local jurisdictions to forward a copy of any electricity or natural gas contract to which it is a party to the Office of the Inspector General, the Department of Telecommunications and Energy, and the Division of Energy Resources within 15 days of contract execution. Local jurisdictions must also submit a report on the process used to execute the contract.

Although energy purchases are exempt from M.G.L. c. 30B, the Inspector General strongly recommends that municipalities and other public agencies seek competition and compare the terms of

several contracts before signing on. Since these contracts are exempt from the sealed bidding requirements of M.G.L. c. 30B, jurisdictions can utilize tools such as online bidding. If your jurisdiction chooses to issue a request for proposals for an exempt energy contract, the Office of the Inspector General recommends that you consult the language in M.G.L. c.30B, §6(k) (an awarding authority may negotiate items in an energy-related services contract after receiving proposals if such items are not identified as mandatory or non-negotiable in the request for proposals solicitation).

The Inspector General interprets the energy exemption under M.G.L. c. 30B as applying *only* to natural gas and electricity, not to fuel sources such as gasoline, fuel oil and propane, all of which are supplies that must be competitively procured.

Your community may decide to hire a consultant for advice on energy contracts and for assistance with the process used to execute an energy contract. The consultant contract must be procured in compliance with M.G.L. c. 30B. Consulting services are subject to M.G.L. c. 30B and that is not changed when they are provided in connection with an exempt supply or service.

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### ALTERNATIVE DISPUTE RESOLUTION FOR ELECTRICITY CON- TRACTS

The Inspector General has learned that some municipalities are having a hard time resolving billing disputes with their electricity suppliers. In the past, billing disputes between municipalities and electricity suppliers were a time consuming and costly process. Last summer, the Office of the Inspector General began discussions with the Department of Telecommunications and Energy about its statutory mandate to offer access to an alternative dispute resolution process. In January 2005, the Department of Telecommunications and Energy finalized procedures in conjunction with the Massachusetts Office of Dispute Resolution for this optional process. Municipalities can contact the Department of Telecommunications and Energy for a referral of a dispute with an electricity supplier if the dispute is greater than \$100.

The Office of the Inspector General encouraged the Department of Telecommunications and Energy to notify electricity suppliers as soon as possible about the alternative dispute resolution provisions. On May 19, 2005, the Department of Telecommunications and Energy sent a memorandum to every competitive broker and supplier licensed by the Department of Telecom-

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munications and Energy regarding the dispute resolution process available through the Massachusetts Office of Dispute Resolution. The memorandum provided in part that competitive electricity suppliers who have been licensed by the Department of Telecommunications and Energy must provide notice to their customers that mediation is available to them to resolve disputes concerning their contractual relationship with the company.

To benefit from the alternative dispute resolution provisions, a consumer must first receive a referral from the Department of Telecommunications and Energy's general counsel. Upon being referred to the Massachusetts Office of Dispute Resolution, that office will contact the parties involved to determine whether they wish to be involved in mediation, the date of the mediation, as well as the selection of the mediator. Once a mediator has been agreed upon, the Massachusetts Office of Dispute Resolution will prepare a standard form for the parties to sign which includes the procedures for the program, the fee and fee division, and any special provisions agreed to by the parties.

Municipalities should take precautions to ensure that their contracts contemplate use of the mediation process available through the Massachusetts Office of Dispute Resolution, to resolve disputes that may arise with electricity suppliers.

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### **Rebates for School Districts**

School districts and municipalities that have purchased school supplies from the state blanket contract OFF-13, between April 1, 2003 and March 31, 2004, may be entitled to rebates from the vendor, School Specialty, Inc. These rebates are from a settlement reached by the commonwealth with School Specialty for overcharges on certain items. If you are not sure whether you are entitled to a rebate from School Specialty, you can contact Robert Guerard, OFF-13 contract manager with the Operational Services Division, at 617-720-3321.

The first round of rebates was released August 4, 2004 and the second round of rebates will be released July 1, 2005. School districts and municipalities that receive rebates can use the credits only for current or future purchases from School Specialty, Inc. School districts and municipalities should ensure that they use these rebates.

## **CHAPTER 30B and SCHOOL BUS TRANSPORTATION CONTRACTS**

Under Massachusetts General Laws Chapter 30B, the Uniform Procurement Act, local governmental bodies are required to use certain procedures when acquiring or disposing of supplies, services or real property. A school bus transportation contract is an agreement under which a private company agrees to provide transportation services to a governmental body; it is, therefore, a contract for the acquisition of services subject to Chapter 30B. In addition, in order to be eligible for school bus transportation reimbursements from the state treasurer, a governmental body must, under M.G.L. c. 71, §7A, use the Chapter 30B, §5 invitation for bids procedure to solicit competition. Therefore, you may not use the Chapter 30B, §6 request for proposals procedure for soliciting school bus transportation contracts.

This advisory provides information on the requirements for school bus transportation contracts, as well as useful tips to help ensure that your specifications are properly drafted and bid. For more information on the Chapter 30B invitation for bid procurement process, see Chapter 4 of the Inspector General's 30B Manual entitled, "Municipal, County, District and Local Authority Procurement of Supplies, Services and Real Property."



## Questions & Answers – M.G.L. c. 30B and School Bus Transportation Contracts

**Q: I am a new school business administrator for a town and I am drafting a set of specifications for school bus transportation services. Where do I advertise the specifications?**

**A:** Chapter 30B requires that you advertise for services, such as school bus transportation, in the following three places:

- ◆ a conspicuous place that is open to public viewing in your town or city hall, such as a public bulletin board outside of your procurement office or school department office, for a minimum of two weeks;
- ◆ a newspaper of general circulation that serves your municipality. The advertisement must appear at least one time, 14 days before the bid due date; and
- ◆ if the cost of the services is \$100,000 or more, over the total length of the contract, then you must advertise in the “Goods and Services Bulletin,” which is published by the Secretary of State’s Office.

**Q: When should I post a notice in a conspicuous place, notifying the public that school bus transportation bids are being invited?**

**A:** There is no set time frame, however, this Office recommends posting a notice when specifications are complete and available to be picked up by bidders. Chapter 30B, §5(c)(4) requires that the notice remain posted, for at least two weeks, until the time specified in

the invitation for bids. For example, your specifications may state that such notice will remain posted until the time of the bid opening.

**Q: I am the director of business and finance for a city. I need to procure bus transportation services for the summer school term. Both special education and non-special education students will be transported on the buses together. Are the transportation services exempt from the Chapter 30B procurement requirements?**

**A:** No. Although Chapter 30B, §1(b)(8) exempts direct special education services, contracts for school bus transportation services are exempt only when the transportation services are exclusively for special education students.

**Q: May the term for school bus transportation contracts be for a period longer than three years under Chapter 30B?**

**A:** Yes. However, contracts entered into pursuant to Chapter 30B, §12(b) for a period longer than three years require majority vote approval from your jurisdiction’s governing body. It is important to note that your bylaws or other laws may limit the length of the contract. Check with your school department’s legal counsel for advice on local bylaws and ordinances. Under Chapter 30B, the majority vote required to approve contracts longer than three years must be taken by the following:

- ◆ for towns or districts, a duly called town or district meeting;

- ◆ for cities, the city council or the city commissioners, with the approval of the mayor if such approval is required under the city’s charter;
- ◆ for counties, the county commission;
- ◆ for regional school districts, an affirmative vote by *two-thirds* of the members of the school committee; and
- ◆ for a redevelopment, housing, or other authority, by the governing body.

**Q: I am a purchasing agent for a town that has three public schools. This year, I included in the bus transportation specifications that buses be garaged within a five-mile radius of at least one school. I received a complaint from a vendor who claimed that such a limitation was so restrictive that it limited fair competition. Am I allowed to place such a limit in bus transportation specifications?**

**A:** The Inspector General’s office recommends not using restrictive garaging requirements. Such requirements may limit open and fair competition. Requiring a successful bidder to garage the buses within a specific radius could effectively narrow the field of eligible bidders, and will likely result in the taxpayers of your district paying higher prices for bus services. It is the Office of the Inspector General’s opinion that municipalities can address their concerns regarding timely responses to bus breakdowns, for example, in less restrictive ways. For instance, contracts may include language that requires

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the successful bidder to respond to a bus breakdown within a fixed period of time. Furthermore, the contract language may include specific monetary penalties in the event that the successful bidder fails to respond to the breakdown within the fixed time period specified in the contract. Also, an awarding authority may offer to lease public space to the successful bidder (e.g., department of public works, the town hall, fire department, etc.) to garage the buses.

**Q: We opened our bids and found that the low bidder has a poor performance record in other communities and has an excessive inspection failure rate according to the Registry of Motor Vehicles. Do we have to award the contract to the low bidder?**

**A:** No. It is never the Inspector General's opinion that you must award a contract to a low bidder who is not responsible. If you discover that the low bidder is not responsible, which appears to be the case in this example, you must reject the bid and award the contract to the next lowest, responsive and responsible bidder.

**Q: Our present contractor for school bus transportation refuses to continue providing busing service for the remainder of the contracted period. We have an emergency and need a new school bus transportation contract. Do we have to comply with the sealed bid requirements of Chapter 30B?**

**A:** It depends. Under Chapter 30B, §8, if the time required to comply fully with a Chapter 30B require-

ment would endanger the health or safety of people or property due to an unforeseen emergency, you may procure the needed item or service without meeting all of the requirements under Chapter 30B. In this instance, you must comply with Chapter 30B to the extent possible. Also, you must maintain a record of each emergency procurement, documenting the basis for determining that an emergency existed, the name of the vendor to which the contract was awarded, the amount and type of contract, and a list of supplies and services purchased under the contract. This record must be submitted as soon as possible to the "Goods and Services Bulletin" for publication.

An emergency does not exist as a result of a deferral of normal purchases or maintenance, however. If a jurisdiction had reason to know in advance that it needed to procure supplies or services, and it failed to act until the need became critical, the jurisdiction will have difficulty justifying an emergency procurement.

**Q: My town has its own bus transportation director. We executed a contract to lease 25 buses at \$15,000 each. However, the town needs three additional buses. May the town lease three additional buses under the existing contract?**

**A:** Under Chapter 30B, a governmental body may increase the quantity of supplies and services already specified in a contract, provided that the following four conditions are met:

- ◆ the unit prices remain the same or less;

- ◆ the procurement officer documents in writing that an increase is necessary to fulfill the actual needs of the jurisdiction and it is more economical and practical than awarding another contract;
- ◆ the parties agree to the increase in writing; and
- ◆ the increase in the total contract price does not exceed 25 percent.

Therefore, your town's total contract price is \$375,000 ( $\$15,000 \times 25 \text{ buses} = \$375,000$ ) and 25 percent of \$375,000 is \$93,750. Thus, your town may lease the additional three buses at the unit price of \$15,000 for a cost of \$45,000, as such cost does not exceed 25 percent of the total contract price.



## Ten Tips to Avoid School Bus Contract Bid Protests

### 1. When drafting your school bus specifications you must determine your actual or estimated need.

Chapter 30B, §12 requires that local awarding authorities provide actual or estimated quantities of supplies and services in the scope of their specifications. Therefore, you must provide vendors with actual or estimated figures for bus transportation, including the number of buses for a specified amount of days.

### 2. When drafting your specifications you must specify the exact length of the contract.

Chapter 30B, §12(a) requires that you include the exact length of the contract term in your invitation for bids. You may not solicit prices for contracts of varying lengths (e.g., two years, three years and four years) and then select the contract length that you want after you open the bids.

Chapter 30B requires that you award the contract to the lowest responsive and responsible bidder. When you solicit bids for various contract lengths, there are potentially several low bidders, one for each contract term. A procurement process that allows an awarding authority to decide, after the opening of bids, which “low bidder” will receive the contract is prejudicial to fair competition and is open to a bid protest.

### 3. Include an extension or renewal clause in your specifications if you believe that you may want to extend the contract longer than the contracted term.

Even if you are unsure that you would choose to extend or renew a contract, it is prudent to include extension or renewal clauses in your contract. You may only extend or renew a contract without re-bidding if there was a clause in the original invitation for bids and contract. When adding this type of clause to your invitation for bids you must state that the determination to renew will be solely at the discretion of the awarding authority. Prices for extensions or renewals of contracts cannot figure into your award decision. That is, your award must be based on the contract price without consideration of the prices for any option or extension. Before you can exercise any renewal or extension option, you must first determine whether it is more advantageous to your jurisdiction to exercise the option or to undertake a new procurement. A contractor is not allowed to increase the option prices submitted in its bid. However, under Chapter 30B, §13(5) a governmental body, with the agreement of the contractor, may reduce the unit price for supplies or services or both specified in a contract to be paid by the governmental body at any time during the term of the contract or when an option to renew, extend or purchase is exercised.

### 4. State your requirements in your specifications.

As part of drafting your specifications, you should determine whether you will require vendors to provide:

- ◆ a specific bus model,
- ◆ new or old buses,
- ◆ buses with a maximum number of miles,
- ◆ certain safety features, and
- ◆ a minimum capacity.

By not specifying whether you require new or old buses, for example, you may face problems when determining who the low bidder is, or you may be forced to award the bid to the low bidder, even if the buses are older than you would have preferred.

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## Ten Tips to Avoid School Bus Contract Bid Protests, continued

### 5. Make sure you treat all vendors fairly by providing each with an equal opportunity to submit bids.

For example, if you ask for references, make sure you evaluate each bidder's references in the same manner. If you evaluate three references for one bidder, evaluate only three for any other bidder.

### 6. Include a fuel escalation/de-escalation clause in the contract.

Fuel prices are extremely volatile, and if you do not include a fuel escalation/de-escalation clause, you are requiring your contractor to assume the risk of cost increases. When a bidder determines cost, they will take this assumption of risk into consideration, which will most likely result in an inflated bid. To obtain an accurate bid, your invitation for bids should specify a formula to be used in calculating the contract price adjustments for which the contractor will be entitled. You should use a published index of wholesale fuel prices, and include the title of the index in your invitation for bids.

### 7. Obtain any necessary prevailing wage sheets from the Division of Occupational Safety before you put your contract out to bid.

Under M.G.L. c. 71, §7A, eligibility for state reimbursement requires that the prevailing wage be paid on school bus contracts when the city, town, or school district has a population greater than 16,000. You must obtain the prevailing wage sheets for your contract before putting the contract out to bid so that the bidders will include accurate wages in their bids. The Inspector General recently issued a report entitled, "Prevailing Wage Rate as Applied to School Bus Contracts." This report is available at <http://www.mass.gov/ig/publ/prevadv.pdf>.

### 8. Include a clear rule for determining the present value of the bids and for awarding your contract.

When drafting your invitation for bids it is important to include a clear rule for award, wherein you specify whether one or more contracts will be awarded to either the lowest responsive and responsible bidder overall, or the lowest, responsive and responsible bidder per category.

If you are permitting bidders to submit different prices for each year of the contract, you should also include the method for calculating the present value of the bids so that you may compare bids on an equal basis to determine the low bidder.

### 9. Hold a pre-bid conference.

Holding a pre-bid conference will allow prospective bidders to ask questions about the invitation for bids and raise any possible concerns that the bidders may have. At the conference, the awarding authority may find that addenda should be issued to address mistakes in the specifications or to provide further clarity. By addressing these issues before the bid due date, you will reduce the likelihood of a bid protest.

### 10. When contemplating advertising on school buses see Chapter 184 of the Acts of 2002.

Chapter 184 of the Acts of 2002 set forth comprehensive regulations that must be followed when selling advertising on school buses. If you have any further questions contact your school districts' legal counsel.



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## Inspector General's Office and Other Procurement Related Resources

- For more information on the Inspector General's Office see [www.mass.gov/ig](http://www.mass.gov/ig).
- If you need 30B procurement assistance please contact (617) 722-8838, Monday – Friday, between the hours of 9:00 a.m. and 4:30 p.m.
- For information on bid protests, read “Bid Protests under M.G.L. c. 30B, The Uniform Procurement Law” at <http://www.mass.gov/ig/publ/c30bprot.htm>.
- For information on the Inspector General's Massachusetts Certified Public Purchasing Official program, see <http://www.mass.gov/ig/mcppo/igmpo.htm>.
- For sample contract language and tips on preparing invitations for bids and requests for proposals, see the Office of the Inspector General's “Practical Guide to Drafting Effective Invitations for Bids and Requests for Proposals for Supplies and Services” at <http://www.mass.gov/ig/publ/pracguid.htm>.
- If you have any questions regarding prevailing wage, or would like to obtain a prevailing wage sheet, contact the Division of Occupational Safety at (617) 727-3492 or at <http://www.mass.gov/dos/pw/index.htm>.
- Also, see the Inspector General's report entitled, “Prevailing Wage Rate as Applied to School Bus Contracts.” This report is available at <http://www.mass.gov/ig/publ/prevadv.pdf>.
- You can contact the Secretary of State's Office for the “Goods and Services Bulletin” by phone at (617) 727-9136, by fax at (617) 742-4822, or by mail at One Ashburton Place, Rm. 2A, Boston, MA 02108. The submission deadline for advertisements is 4:00 p.m. on Wednesday. For information on the “Goods and Services Bulletin,” see <http://www.sec.state.ma.us/spr/sprinf/infobids.htm>
- Also, see Appendix B of the Inspector General's 30B Manual entitled, “Municipal, County, District and Local Authority Procurement of Supplies, Services and Real Property” for submission forms located at <http://www.mass.gov/ig/publ/30bmanl.pdf>

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## OIG Publications

### An Investigation of Certain School District Expenses (May 2005)

In May 2005 the Office of the Inspector General issued a report based on its investigation of certain expenses of the Wachusett Regional School District. The investigation was in response to a complaint of wasteful spending by the school district's executive office.

In conducting the investigation this office found that weak internal controls led to questionable expenditures. These weaknesses include the lack of detailed policies and procedures and poor documentation. As a result, the office found approximately \$139,000 in questionable expenses that may have been excessive or unjustified.

Based on the findings of this investigation, the office concluded that the school committee needs to ensure that adequate controls are put in place and the districts discretionary expenditures receive greater school committee

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oversight. The report makes several recommendations for achieving adequate review and oversight of expenses including:

- establishing clearly written administrative expense policies and procedures that include the review and approval process, guidelines regarding reasonableness, required documentation, and time requirements for submitting reimbursements;
- strengthening review and approval controls over administrative expenses;
- articulating a district-wide written policy regarding salary benefits; and
- considering an independent audit/review of internal controls over district expenditures as part of a complete fraud risk assessment.

A complete copy of this report can be obtained by visiting [www.mass.gov/ig/publ/wrsdrep.pdf](http://www.mass.gov/ig/publ/wrsdrep.pdf).

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## OIG Advisories

### **Advisory for Local Officials: Computer Usage Policies (May 2005)**

This publication is a resource for municipalities that have not yet developed policies for computer usage or who wish to re-examine and update their current policies. The advisory is also a resource for public employees who manage and/or operate government owned computers. This Office developed this advisory to help prevent the misuse of municipal computer systems. The first step to prevent this misuse is the existence of adequate computer usage policies. The advisory presents information that may assist public officials when preparing written computer usage policies including a list of unacceptable uses of computer and/or internet resources. The information in this advisory, however, is not meant as a substitute for an established computer usage policy. A complete copy of this advisory can be obtained by visiting [www.mass.gov/ig/publ/compadv.pdf](http://www.mass.gov/ig/publ/compadv.pdf).

### **Advisory to Local Officials: Telephone Usage Policies (May 2005)**

This office of the Inspector General publication is a resource for municipalities that have not yet created policies for appropriate telephone usage or that wish to update current policies. This Office developed the advisory to help municipalities prevent wasteful and inappropriate use of government owned or operated telephones. The first step to prevent any misuse is to adopt adequate telephone policies. The advisory provides recommendations for public officials when preparing written telephone usage policies. For example the advisory provides recommendations for employees who are provided with government owned cellular telephones to conduct business when not in the office. The information in this advisory, however, is not meant as a substitute for an established telephone usage policy. A complete copy of this advisory can be obtained by visiting [www.mass.gov/ig/publ/teleadv.pdf](http://www.mass.gov/ig/publ/teleadv.pdf).

### **Guide to Developing and Implementing Fraud Prevention Programs (April 2005)**

This publication is intended to assist public officials in the development of fraud policies and fraud prevention programs in their jurisdictions. Adoption of a fraud policy and/or program makes it clear to public managers and taxpayers alike that a jurisdiction takes potential fraud seriously. This advisory provides recommendations for developing fraud policies and fraud prevention programs as well as a list of resources for public officials to assist them with fraud policy and/or program development. For exam-

## OIG Advisories

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ple, a comprehensive fraud prevention program should address appropriate oversight, internal audit controls, division of responsibility, fraud hot line, fraud prevention education program, and reporting. The information in this advisory, however, is not meant as a substitute for an established fraud policy. A complete copy of this advisory can be obtained by visiting [www.mass.gov/ig/publ/fraudadv.pdf](http://www.mass.gov/ig/publ/fraudadv.pdf).

### **Guide to Bonding Requirements Under Construction Reform (April 2005)**

The Office of the Inspector General prepared this guide to help public officials ensure adequate protection for all public building construction and public works projects through the effective use of construction bonds.

Contractors and subcontractors on public building construction and public works projects are required under certain circumstances, to post bonds with the public jurisdiction before they may proceed with their work. A construction bond is a mechanism for transferring risk. In effect, this is insurance. Construction bonds, also known as performance and payment bonds (and, in some cases, bid bonds), shift the risk of contractor defaults from the public project owner to a surety company, which issues the bond. In the event of a contractor default, the surety company remedies the situation, not the government and the taxpayer.

In order to ensure the best protection possible, public owners should ensure that they perform due diligence on the surety company before accepting a contractor or subcontractor bond on a project. This will help ensure adequate protection and that the taxpayers are getting the coverage they are paying for.

The guide also provides a useful summary and charts of the commonwealth's requirements (by contract dollar amount) for construction bonds and bid deposits. A complete copy of this guide can be obtained by visiting [www.mass.gov/ig/publ/bondadv.pdf](http://www.mass.gov/ig/publ/bondadv.pdf).

### **Construction Reform How-To**

The Inspector General recently launched a new one-day MCPPO class entitled "[Construction Management at Risk Under M.G.L. c. 149A: Legal Requirements and Practical Issues](#)." The course includes a discussion of design-bid-build and construction management (CM) at risk; a description of the role of the construction manager on a CM at risk project; an overview of the CM at risk procurement process, including the owner's project manager procurement requirements, the two-phase selection process, and contracting requirements; and a segment on planning the CM at risk project organization and monitoring the CM at risk contract.

The class has been offered three times. Each time attendees included both public officials with wide responsibility for public construction in their jurisdictions and private practitioners seeking to better understand the new law. Attendees had the opportunity to get answers to detailed questions about potential CM at risk projects.

The seminar is targeted to public officials who are not construction experts. Anyone in Massachusetts with responsibility for public procurement, contracting for building projects, contract management or oversight, or auditing will benefit from the seminar. The class will be offered again on September 29, 2005. [For more information on the MCPPO program and to download the registration form, click here.](#)



MASSACHUSETTS CERTIFIED PUBLIC PURCHASING OFFICIAL PROGRAM REGISTRATION FORM

Office of the Inspector General Gregory W. Sullivan, Inspector General

REGISTRATION INFORMATION:

All seminars will be confirmed based on a minimum of 20 participants.

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No Prerequisite

- July 20, 21, 22-2005
October 4, 5, 6-2005

3-day seminar

BOSTON
BOSTON

Tuition: \$400 for government/non-profit employees \$600 for all others

SUPPLIES & SERVICES CONTRACTING

Prerequisite: Public Contracting Overview

- August 9, 10, 11-2005
November 15, 16, 17-2005

3-day seminar

BOSTON
BOSTON

Tuition: \$400 for government/non-profit employees \$600 for all others

DESIGN & CONSTRUCTION CONTRACTING

Prerequisite: Public Contracting Overview

- September 14, 15, 16-2005
December 7, 8, 9-2005

3-day seminar

BOSTON
BOSTON

Tuition: \$600 for government/non-profit employees \$800 for all others

ADVANCED TOPICS UPDATE

- October 19 & 20, 2005

2-day seminar

BOSTON

Tuition: \$300 for government/non-profit employees \$500 for all others

CONSTRUCTION MANAGEMENT AT RISK UNDER M.G.L. c. 149 A: LEGAL REQUIREMENTS & PRACTICAL ISSUES

Introductory material geared to procurement officials who are not construction experts

- September 29, 2005
December 13-2005

1-day seminar

BOSTON
BOSTON

Tuition: \$225 for government/non-profit employees \$500 for all others

DRAFTING A MODEL IFB

Self-paced

Disk program requiring Microsoft Word 7.0 or higher

\*Registration for this course must be accompanied by a check

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