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**INDEPENDENT STATE AUDITOR'S REPORT ON
CERTAIN ACTIVITIES OF THE
ORGAN TRANSPLANT FUND, THE NATURAL
HERITAGE AND ENDANGERED SPECIES FUND,
THE MASSACHUSETTS AIDS FUND, THE
MASSACHUSETTS UNITED STATES OLYMPIC
FUND, AND THE MASSACHUSETTS
MILITARY FAMILY RELIEF FUND**

JULY 1, 2000 TO JUNE 30, 2006

**OFFICIAL AUDIT
REPORT
MARCH 8, 2007**

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INTRODUCTION

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The Office of the State Auditor (OSA) has conducted an audit of the voluntary contributions made by taxpayers of the Commonwealth of Massachusetts to the Organ Transplant Fund, the Natural Heritage and Endangered Species Fund, the Massachusetts AIDS Fund, the Massachusetts United States Olympic Fund, and the Massachusetts Military Family Relief Fund. These contributions were collected by the Department of Revenue through Massachusetts income tax returns and distributed to the above funds controlled by the Department of Public Health, the Division of Fisheries and Wildlife, the Friends of the Massachusetts National Guard, and the Department of Revenue. The purpose of our audit, which covered fiscal years 2001 through 2006, was to determine the amount of money contributed to these funds, how the money was spent, and whether the expenditures were in compliance with the statutes that established these funds.

Except as discussed in the Audit Results section of this report, our audit indicated that expenditures made from the Organ Transplant Fund, Natural Heritage and Endangered Species Fund, the Massachusetts AIDS Fund, Massachusetts U.S. Olympic Fund, and the Massachusetts Military Family Relief Fund were made in accordance with applicable laws, rules, and regulations for the areas reviewed.

AUDIT RESULTS

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1. PRIOR AUDIT RESULT PARTIALLY RESOLVED: ORGAN TRANSPLANT FUND ISSUES

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As discussed below, our prior examination of the Organ Transplant Fund, which is administered by the Department of Public Health (DPH), revealed the following issues: (a) the Advisory Council on Organ Transplants was not holding meetings in accordance with state law, (b) the Organ Transplant Fund had not established official regulations, and (c) improvements were needed in eligibility guidelines for the Organ Transplant Fund. Our follow-up review indicated that two of the three issues remain unresolved, as described below.

a. Advisory Council on Organ Transplants Not Meeting in Accordance with State Law: Unresolved

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The Advisory Council on Organ Transplants, which has oversight responsibility over the Organ Transplant Fund, is required by Chapter 17, Section 15, of the Massachusetts General Laws to meet four times each year to help coordinate organ transplant activity within the Commonwealth of Massachusetts. However, our prior audit found that the Advisory Council has met only once since 1987, and that no minutes were kept at that meeting to identify what business was conducted. Our follow-up review indicated that there was no evidence that the Council held meetings during the current audit period, as required.

b. The Organ Transplant Fund Has Not Established Official Regulations: Unresolved **7**

Our prior audit report revealed that the Organ Transplant Fund was not in compliance with Chapter 17, Section 15, of the General Laws, which requires that regulations be established setting forth the eligibility requirements for assistance from the fund. Specifically, our prior report noted that because regulations had never been established, the fund used internal guidelines that were developed in 1987, and that because these guidelines lack the exposure of public regulations, the Fund may have been underutilized. Our follow-up review revealed that DPH still had not established Organ Transplant Fund regulations.

c. Improvements Needed Regarding Eligibility Guidelines for the Organ Transplant Fund: Resolved **7**

Our prior audit found that the guidelines for determining eligibility for assistance under the Organ Transplant Fund could be improved by the periodic recertification of applicant eligibility and by including all sources of income in the certification and recertification process. Our follow-up review indicated that DPH has established a recertification policy for applicants and that it now considers all sources of income when determining eligibility.

2. PRIOR AUDIT RESULT RESOLVED: DIVISION OF FISHERIES AND WILDLIFE REVENUE EARMARKED FOR THE NATURAL HERITAGE AND ENDANGERED SPECIES FUND INVENTORIED AND RECONCILED **8**

Our prior audit of the Division of Fisheries and Wildlife's (DFW) Westborough Office determined that revenue from publications sold by DFW was deposited into the Natural Heritage and Endangered Species Fund. However, no inventory of the publications was maintained, and sales revenue was not periodically reconciled. Our follow-up review revealed that DFW now keeps records of its publications activity and reconciles sales revenue on a periodic basis.

3. PRIOR AUDIT RESULTS RESOLVED: MASSACHUSETTS AIDS FUND ISSUES **8**

As discussed below, our prior examination of the Massachusetts AIDS Fund revealed (a) vendor payments totaling \$100,000 were not made in accordance with contractual terms, (b) payment procedures under cost reimbursement contracts could be improved, and (c) certain AIDS Fund payments were questionable. Our follow up review revealed that these prior issues were resolved, as described below.

a. Payments Made from the AIDS Fund Are Now Documented **8**

In 1998, the AIDS Fund awarded a contract totaling \$100,000 to a vendor for an advertising campaign to improve the participation of African-Americans in clinical care initiatives. However, because the vendor's billings lacked sufficient documentation, DPH could not determine whether the money was spent in accordance with the terms of the contract and whether the vendor actually incurred these costs and worked the hours indicated. Our follow-up review revealed that DPH now requires vendors to comply with the terms and conditions of their contracts and to provide sufficient detailed

information with their invoices. We also noted that DPH now conducts its own reviews of contracts to ensure that adequate documentation exists and that all contracted services were actually provided.

b. Procedures for Making Payments under AIDS Fund Contracts Have Improved 9

Our prior audit indicated that the procedure for making payments under cost reimbursement contracts appeared to be flawed in that it did not require vendor documentation of non-personnel costs. As a result, payments made under the AIDS Fund cost reimbursement contracts were not adequately substantiated, because documentation for non-personnel costs was not submitted. Our follow-up review revealed that DPH now requires original vendor invoices with a listing of checks showing check number, dates, and amounts paid.

c. Payments Made From the AIDS Fund Complied with Statute 9

Our prior audit revealed that certain expenditures were made from the AIDS Fund that did not appear to be authorized under the statute. Chapter 111, Section 2E, of the Massachusetts General Laws authorizes payments from the AIDS Fund for AIDS research, treatment, and education. However, our prior audit noted that several expenditures did not comply with this statute, and that it was not clear how the Commonwealth had benefited from these transactions. Our follow-up review revealed that DPH was now in compliance with Chapter 111, Section 2E, of the General Laws for the period tested, as all AIDS Fund transactions tested were expended for AIDS research, treatment, and education.

4. PRIOR AUDIT RESULT RESOLVED: EXPENDITURES FROM THE MASSACHUSETTS UNITED STATES OLYMPIC FUND NOW EARMARKED FOR MASSACHUSETTS RESIDENTS 9

Our prior audit revealed that the voluntary contributions from individual tax returns intended for the benefit of Massachusetts Olympic athletes were instead sent directly to the U.S. Olympic Committee for its general purposes, contrary to the state law which requires that such funds be used “to assist the residents of the Commonwealth in paying all or part of any costs” of participating in the U.S. Olympics and U.S. Paralympics. Our follow up review revealed that the U.S. Olympic Committee now generates detailed reports which are provided to the Massachusetts Department of Revenue (DOR) which specify the amount of money allocated for each Massachusetts Olympian.

5. MASSACHUSETTS MILITARY FAMILY RELIEF FUND INTERNAL CONTROLS, POLICIES, AND PROCEDURES NEED TO BE IMPROVED 10

Our review indicated that the internal controls, policies, and procedures regarding eligibility requirements for participation in the Massachusetts Military Family Relief Fund need to be improved. Specifically, we found that the Massachusetts Military Family Relief Fund has not established formal rules and regulations as required by Chapter 130, Section 13, of the Acts of 2005, and has not prepared a formal internal control plan with written policies and procedures pertaining to the daily operations of the fund. Since regulations have never been established, the fund relies on board recommendations and internal guidelines to allocate money. The absence of formal written controls, rules, and regulations may contribute to the underutilization or misuse of this fund.

APPENDIX – RECEIPTS, DISBURSEMENTS, AND FUND BALANCES

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INTRODUCTION

Background

As authorized by Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted a review of the voluntary contributions collected by the Department of Revenue (DOR) through Massachusetts individual income tax returns and expended through five separate funds controlled by the Department of Public Health (DPH), the Division of Fisheries and Wildlife (DFW), the Friends of the Massachusetts National Guard and Reserve Families, and DOR. Our audit covered the period from July 1, 2000 to June 30, 2006 and included the Organ Transplant Fund, the Natural Heritage and Endangered Species Fund, the Massachusetts AIDS Fund, the Massachusetts U. S. Olympic Fund, and the Massachusetts Military Family Relief Fund. Individual contributions by law may be made to these funds through a voluntary check-off on income tax returns. Voluntary corporate contributions may also be made to the Natural Heritage and Endangered Species Fund. These contributions increase the amount of taxpayers' payments or decrease the amount of their refunds.

The purpose of this audit was to determine whether the departments charged with managing and distributing these funds have proper controls in place to ensure that revenue is being disbursed for the intended purpose of the funds as established by the Massachusetts Legislature. DOR annually distributes the contributions to the departments responsible for administering these funds, as follows:

Fund	Department
Organ Transplant Fund	Department of Public Health
Massachusetts AIDS Fund	Department of Public Health
Massachusetts United States Olympic Fund	Department of Revenue
Natural Heritage and Endangered Species Fund	Division of Fisheries and Wildlife
Massachusetts Military Family Relief Fund	Friends of the Massachusetts National Guard

As shown in the following table, DOR has collected a total of \$3,905,399 in voluntary contributions since 2001.

**Commonwealth of Massachusetts Voluntary Tax
Contributions**
Fiscal Years 2001 to 2006

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2001 to 2006</u>
Organ Transplant Fund	\$ 165,517	\$ 170,218	\$ 194,081	\$ 196,998	\$ 167,920	\$ 166,129	\$ 1,060,863
Natural Heritage and Endangered Species Fund	185,708	191,612	223,578	224,844	198,243	228,404	1,252,389
Massachusetts AIDS Fund	167,787	158,895	187,570	183,639	166,115	164,029	1,028,035
Massachusetts Olympic Fund	59,088	63,289	70,152	72,261	61,218	56,252	382,260
*Massachusetts Military Family Relief Fund	-	-	-	-	-	181,852	181,852
	<u>\$ 578,100</u>	<u>\$ 584,014</u>	<u>\$ 675,381</u>	<u>\$ 677,742</u>	<u>\$ 593,496</u>	<u>\$ 796,666</u>	<u>\$ 3,905,399</u>

**The Massachusetts Military Family Relief Fund was established in fiscal year 2006.*

Organ Transplant Fund

Chapter 10, Section 35E, of the General Laws established the Organ Transplant Fund to assist residents of Massachusetts in paying all or part of the cost associated with a medically required organ transplant, such as monthly health insurance, prescriptions, and doctor visits. The fund consists of revenues received from gifts, grants, donations, and voluntary contributions from individual tax returns. DOR prepares a Cash Transfer (CT) document to transfer the funds received by the contribution into the Organ Transplant Fund, where it is used by DPH. The State Treasurer is required to deposit these funds to obtain the highest interest rate available while leaving funds available for immediate withdrawal without penalty. One person at DPH manages the Organ Transplant Fund as part of her job responsibilities at no additional administrative cost. The majority of the expenditures from the fund are for the reimbursement of monthly health insurance payments and autoimmune-suppressant drugs. In fiscal year 2006, \$154,513 was expended from this account. To be eligible for reimbursement, a person must have received an organ transplant, be a resident of Massachusetts, have a gross income of under \$60,000, and not have any reimbursements available from other sources.

Natural Heritage and Endangered Species Fund

Chapter 10, Section 35D, of the General Laws established the Natural Heritage and Endangered Species Fund for non-game wildlife programs in the Commonwealth. The Fund receives revenues from public and private sources, such as gifts, grants, donations, federal reimbursements, and voluntary contributions from individual tax returns, to enhance non-game wildlife programs.

During fiscal year 2006, the fund received \$1,423,336 (including \$228,404 from voluntary tax contributions) and expended \$805,517. This fund is kept at the State Treasurer's Office and is used by the Legislature as a source of money to fund by appropriation the programs managed by Division of Fisheries and Wildlife (DFW). The State Treasurer is required to deposit these funds in such a manner as will secure the highest interest rate available while leaving funds available for immediate withdrawal without penalty.

Massachusetts AIDS Fund

Chapter 10, Section 35R, of the General Laws established the Massachusetts AIDS Fund, to be administered by the Commissioner of Public Health. Revenues of the fund consist of contributions from individual tax returns, gifts, and donations. Chapter 111, Section 2E, of the General Laws specifies that this money is to be used solely for research treatment, experimental treatment, and education related to the Acquired Immune Deficiency Syndrome (AIDS). The expenditures from the fund by statute shall not replace existing local, state, and federal AIDS-related funding. Additionally, no more than 6% of the money held may be used for administration of the fund. (Since our prior audit, the fund has not used any percentage for administration.) In fiscal year 2006, \$165,000 was expended from this account. DOR prepares a Cash Transfer (CT) document to transfer the funds received by voluntary contributions into the AIDS Fund account, where it is used by DPH.

Massachusetts United States Olympic Fund

Chapter 10, Section 35O, of the General Laws established the Massachusetts United States Olympic Fund, whose revenues by statute consist of fees from U.S. Olympic Committee motor vehicle license plates, contributions from individual tax returns, gifts, and donations. Chapter 10, Section 35O, of the General Laws specifies that this money is to be used to assist residents of the Commonwealth in paying all or part of any costs associated with the development, maintenance, and operations of the United States Olympic Team participating in the Olympics and the United States Paralympics team participating in the Paralympics. The fund is administered by DOR, which prepares a CT document to transfer the funds received by contributions into the Massachusetts United States Olympic Fund. The Registry of Motor Vehicles also prepares a CT document to transfer funds received on the sales of Olympic motor vehicle license plates to the Massachusetts United States Olympic Fund. DOR periodically transfers the requested amount from the fund to

the United States Olympic Committee (USOC). During fiscal year 2006, the fund transferred \$130,545 to the USOC. The funds requested are the only expenditures made by DOR to the USOC.

The Massachusetts Military Family Relief Fund

Chapter 130 of the Acts of 2005 established the Massachusetts Military Family Relief Fund in November of 2005. The purpose of the fund is to help members of the Massachusetts National Guard and Massachusetts residents who are members of the reserves of the armed forces of the United States called to active duty after September 11, 2001, and their families, to defray the costs of food, housing, utilities, medical services, and other expenses. The Friends of the National Guard and Reserve Families, which was established in 2003, administers the fund. On November 11, 2005, Governor Romney signed the “Welcome Home Bill,” which resulted in the inclusion of a voluntary check box on the Massachusetts state income tax form to allow taxpayers to donate directly to the Massachusetts Military Family Relief Fund. The fund consists of revenues received from individual donations, grants, and contributions from individual tax returns. The State Treasurer is required to deposit these funds in such a manner as will secure the highest interest rate available while leaving funds available for immediate withdrawal. From its inception, the fund collected \$181,852 in voluntary contributions made through the taxpayers of the Commonwealth, of which \$34,098 was expended during fiscal year 2006.

Audit Scope, Objectives, and Methodology

The scope of our audit included a review and analysis of controls and procedures over the collection, reporting, depositing, and expenditures of revenue from voluntary contributions collected through state income tax returns for the Natural Heritage and Endangered Species Fund, the Organ Transplant Fund, the Massachusetts AIDS Fund, the Massachusetts United States Olympic Fund, and the Massachusetts Military Family Relief Fund. Our audit, which covered the period from July 1, 2000, to June 30, 2006, was conducted in accordance with generally accepted government auditing standards for performance audits as issued by the Comptroller General of the United States, and included such procedures and tests considered necessary by the Office of the State Auditor (OSA) to meet those standards.

Our objectives were to:

- Review and examine internal controls over the collection, reporting, deposit, and expenditure of revenue from said funds;
- Test certain administrative expenditures to determine whether these costs were appropriate, reasonable, and in compliance with statutes and regulations;
- Identify fund balances and amounts received and disbursed; and
- Follow up on issues identified in our prior audit report (No. 2000-5078-2).

To achieve our audit objectives we:

- Held discussions with DPH, Massachusetts AIDS Fund, and Organ Transplant Fund officials,
- Interviewed the official at DOR who manages the Massachusetts U.S. Olympic Fund,
- Interviewed officials at DFW who manage the Natural Heritage and Endangered Species Fund, and
- Interviewed key personnel at the Massachusetts Military Family Relief Fund who are responsible for maintaining the Fund's accounting records.

We also examined relevant Massachusetts laws, reimbursement contracts, and the minutes of each committee. Based on our assessment of risk, we tested fund revenues and expenditures for legal compliance and adequate documentation. Finally, we reviewed the prior audit exceptions and recommendations. Except as discussed in the Audit Results section of this report, our audit indicated that the expenditures made from the Organ Transplant Fund, Natural Heritage and Endangered Species Fund, Massachusetts AIDS Fund, Massachusetts U.S. Olympic Fund, and Massachusetts Military Family Relief Fund were made in accordance with applicable laws, rules, and regulations for the areas reviewed. The Appendix of this report identifies the receipts, disbursements, and fund balances for these five respective funds as of June 30, 2006.

AUDIT RESULTS

1. PRIOR AUDIT RESULT PARTIALLY RESOLVED: ORGAN TRANSPLANT FUND ISSUES

Our prior examination of the Organ Transplant Fund revealed the following issues: (a) the Advisory Council on Organ Transplants was not meeting in accordance with state law, (b) the Organ Transplant Fund had not established official regulations, and (c) eligibility guidelines for the Organ Transplant Fund needed improvement. As discussed below, our follow-up review indicated that two of these issues remained unresolved.

a. Advisory Council on Organ Transplants Not Meeting in Accordance with State Law: Unresolved

Our prior audit found that the Advisory Council on Organ Transplants has met only once since the initial development of the fund in 1987. In addition, minutes were not recorded at that meeting to identify what business was conducted. The Advisory Council has oversight responsibility of the Organ Transplant Fund, and is required by Chapter 17, Section 15, of the Massachusetts General Laws to meet at least four times each year to help coordinate Organ Transplant Fund activity within the Commonwealth of Massachusetts. We recommended that the Organ Transplant Fund Advisory Council either comply with this statute or take the necessary legislative steps to modify the existing law.

Our follow-up review revealed that although our prior recommendations have not been implemented, the Director of this fund indicated that meetings regarding the fund have been held on several occasions with Department of Public Health (DPH) officials.

Recommendation

DPH should either comply with Chapter 17, Section 15, of the General Laws or take the necessary legislative steps to modify the existing law.

Auditee's Response

The Department has recently begun the necessary steps to develop legislation which will eliminate the Advisory Council. It is expected that legislation will be introduced in the current session of the legislature.

b. The Organ Transplant Fund Has Not Established Official Regulations: Unresolved

Our prior report indicated that the Organ Transplant Fund was not in compliance with Chapter 17, Section 15, of the Massachusetts General Laws, which requires that regulations be established setting forth the eligibility requirements for assistance from the fund. Our follow-up review revealed that such regulations had yet to be developed.

Chapter 17, Section 15, of the General Laws requires the Advisory Council on Organ Transplants to “assist the director of the division of organ transplants to establish regulations which shall set forth standards and guidelines by which said director shall both select individuals who shall receive funds from the Organ Transplant Fund...and determine the amount each such individual shall receive.” In 1987, the Advisory Council prepared guidelines for selecting individuals who will receive funds from the Organ Transplant Fund. The Organ Transplant Fund guidelines are internal to the operations of the DPH and lack the public exposure that regulations would receive. If fund regulations were filed publicly, the citizens of the Commonwealth may become more knowledgeable about this fund.

Recommendation

DPH should comply with Chapter 17, Section 15, of the General Laws by promulgating the required Organ Transplant Fund regulations.

Auditee's Response

The Department is confident that with the elimination of the Advisory Council the proposed regulations can be promulgated by the Public Health Council at one of their monthly public meetings, be forwarded to the Secretary of State and be entered into the Code of Massachusetts Regulations, according to the established practice of the Department.

c. Improvements Needed Regarding Eligibility Guidelines for the Organ Transplant Fund: Resolved

Our prior audit indicated that DPH's guidelines for determining eligibility for assistance under the Organ Transplant Fund could be improved. Specifically, it was recommended that DPH periodically recertify applicants' eligibility status and include all sources of applicant income during the certification and recertification process. Eligibility guidelines for the Organ Transplant Fund state that its funds can be used for any medical, rehabilitation, and other costs related to transplant, except evaluation. The fund is considered a fund of last resort, a resource

to be used when a patient's federal, state, and private insurance funds have been exhausted. To be eligible, an applicant must be a resident of the Commonwealth and submit a completed copy of a Massachusetts income tax form, which is used to determine an applicant's eligibility for assistance.

Our follow-up review revealed that DPH now has a periodic recertification process and that DPH's definition of income includes certain types of non-taxable income such as U.S. government interest income. In addition, DPH has included these guidelines in its internal controls as official regulations.

2. PRIOR AUDIT RESULT RESOLVED: DIVISION OF FISHERIES AND WILDLIFE REVENUE EARMARKED FOR THE NATURAL HERITAGE AND ENDANGERED SPECIES FUND INVENTORIED AND RECONCILED

Our prior audit of the Division of Fisheries and Wildlife's (DFW) Westborough Office determined that revenue from publications sold by DFW was deposited into the Natural Heritage and Endangered Species Fund. However, no inventory of the publications was maintained, and sales revenue was not periodically reconciled.

Our follow-up review revealed that DFW now maintains a log of its publications and has implemented controls to ensure that revenue generated by sales of its publications is reconciled on a periodic basis.

3. PRIOR AUDIT RESULTS RESOLVED: MASSACHUSETTS AIDS FUND ISSUES

a. Payments Made from the AIDS Fund Are Now Documented

Our prior audit noted that, in 1998, the Massachusetts AIDS Fund awarded a contract to a vendor for an advertising campaign to improve the participation of African-Americans in AIDS clinical care initiatives. The vendor billed \$56,000 for advertising, \$39,000 for personnel costs, and \$4,340 for project management, and received seven payments totaling \$100,000. However, DPH could not determine whether the money was spent in accordance with the terms of the contract or whether the vendor actually incurred these costs or worked those hours, because the vendor's billings lacked sufficient documentation.

Our follow-up review revealed that DPH now requires vendors to comply with the terms and conditions of their contracts and provide sufficient details with their invoices. We also noted

that DPH now conducts its own reviews of contracts and ensures that adequate documentation exists and that all contracted services were actually provided.

b. Procedures for Making Payments under AIDS Fund Contracts Have Improved

Our prior audit indicated that the procedure for making payments under cost reimbursement contracts appeared to be flawed in that it did not require documentation by the vendor for non-personnel costs. As a result, payments made under the AIDS Fund cost reimbursement contracts were not adequately substantiated, because documentation for non-personnel costs was not submitted.

Our follow-up review revealed that AIDS Fund cost reimbursement contracts now contain adequate vendor documentation. We tested invoices and concluded that vouchers contained original invoices with a listing of checks showing check number, dates, and amounts paid.

c. Payments Made From the AIDS Fund Now Comply with Statute

Our prior audit revealed that certain expenditures were made from the AIDS Fund that did not appear to be authorized under Chapter 111, Section 2E, of the Massachusetts General Laws, which specifies that payments from the AIDS Fund should be expended solely for AIDS research, treatment, and education. Moreover, our prior audit noted that it was unclear how the Commonwealth benefited from certain transactions.

Our follow-up review revealed that, for the period tested, DPH was in compliance with Chapter 111, Section 2E, of the General Laws, and that all AIDS Fund expenditures tested were related to AIDS research, treatment, and education.

4. PRIOR AUDIT RESULT RESOLVED: EXPENDITURES FROM THE MASSACHUSETTS UNITED STATES OLYMPIC FUND NOW EARMARKED FOR MASSACHUSETTS RESIDENTS

Our prior audit revealed that the voluntary contributions from individual tax returns intended for the benefit of Massachusetts Olympic athletes were instead sent directly to the U.S. Olympic Committee for its general purposes. The U.S. Olympic Committee noted in our prior audit that donations received from the Massachusetts Department of Revenue (DOR) were commingled with other funds for the benefit of the entire Olympic event. However, these funds were designated by law to be used “to assist the residents of the Commonwealth in paying all or part

of any costs” of participating in the U.S. Olympics and U.S. Paralympics, and should not have been used for the general purposes of the U.S. Olympic Committee.

Our follow-up review revealed that the Massachusetts DOR now receives detailed reports from the U.S. Olympic Committee which identify the funds allocated for each Massachusetts Olympian.

5. MASSACHUSETTS MILITARY FAMILY RELIEF FUND INTERNAL CONTROLS, POLICIES, AND PROCEDURES NEED TO BE IMPROVED

Our review indicated that the internal controls, policies, and procedures regarding eligibility requirements for the Massachusetts Military Family Relief Fund need to be improved. Specifically, we found that the Massachusetts Military Family Relief Fund (1) had not established formal rules and regulations as required by Chapter 130, Section 13 of the Acts of 2005 and subsequently reviewed by the military division, (2) did not have a formal internal control plan, and (3) lacked written policies and procedures pertaining to the daily administrative operation of the fund, including the documentation of board minutes. Chapter 130, Section 13, of the Acts of 2005 states, in part:

The Friends of Massachusetts National Guard and Reserve Families shall promulgate rules and regulations to establish eligibility requirements for assistance under this section which shall be reviewed by the military division.

We found that the fund relies on a combination of board member recommendations, check-off lists, and an application that includes eligibility requirements. Although these are all sound practices, the Friends of the Massachusetts National Guard and Reserve Families should comply with Chapter 130 of the Acts of 2005 by promulgating the rules and regulations required by statute. Moreover, although not specifically required to do so, it should adopt Chapter 647 of the Acts of 1989 regarding internal controls. Chapter 647 of the Acts of 1989 defines the minimum level of quality acceptable for internal control systems, the criteria against which internal control systems will be evaluated, and requires internal control systems to be clearly documented and readily available for examination. Internal controls are an essential part of any organization, and increase assurance that policies, procedures, and operations will be in compliance with all applicable laws, rules, and regulations.

Recommendation

The Friends of the Massachusetts National Guard and Reserve Families should:

- Comply with Chapter 130, Section 13, of the Acts of 2005 by promulgating rules and regulations;
- Work closely with the Military Division in developing these regulations; and
- Use Chapter 647 of the Acts of 1989 as an outline in developing written internal controls, policies, and procedures.

Auditee's Response

The Board of Directors of The Friends of the Massachusetts National Guard and Reserve Families agrees with the findings and are working on resolving them to strengthen the overall organization and to better safeguard the assets of the fund.

Receipts, Disbursements,
and Fund Balances
July 1, 2005 - June 30, 2006

	Organ Transplant Fund	Natural Heritage and Wildlife Fund	Massachusetts AIDS Fund	Massachusetts United States Olympic Fund	Massachusetts Military Family Relief Fund
Balance July 1, 2005	\$ 154,448.64	\$ 152,255.76	\$ 299,832.64	\$ 156,354.13	\$ -
<u>Receipts:</u>					
Voluntary Tax Contribution	\$ 166,129.00	\$ 228,404.00	\$ 164,029.00	\$ 56,252.00	\$ 181,852.07
Federal Aid		\$ 866,956.46			
Massachusetts Endangered Species Act Fees	\$ -	\$ 268,839.70	\$ -	\$ -	\$ -
(a) Other	\$ 1,915.71	\$ 59,136.07	\$ 8,645.10	\$ 33,291.00	\$ 39,445.82
<u>Disbursements</u>	<u>\$ (154,513.36)</u>	<u>\$ (805,517.36)</u>	<u>\$ (165,000.00)</u>	<u>\$ (130,545.42)</u>	<u>\$ (34,097.91)</u>
Balance June 30, 2006	<u>\$ 167,979.99</u>	<u>\$ 770,074.63</u>	<u>\$ 307,506.74</u>	<u>\$ 115,351.71</u>	<u>\$ 187,199.98</u>

(a) Donations, gifts