



**A. JOSEPH DeNUCCI**  
**AUDITOR**

# **The Commonwealth of Massachusetts**

**AUDITOR OF THE COMMONWEALTH**

**ONE ASHBURTON PLACE, ROOM 1819**

**BOSTON, MASSACHUSETTS 02108**

**TEL. (617) 727-6200**

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**INDEPENDENT STATE AUDITOR'S REPORT**  
**ON CERTAIN ACTIVITIES OF THE**  
**DEPARTMENT OF PUBLIC SAFETY**  
**ELEVATOR INSPECTION DIVISION**

**OFFICIAL AUDIT**  
**REPORT**  
**JUNE 2, 2004**

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Chapter 22, Section 1, of the Massachusetts General Laws established the Department of Public Safety (DPS) under the supervision and control of the Commissioner of Public Safety. DPS is an inspectional and investigative agency within the Executive Office of Public Safety (EOPS). Within DPS are the Division of Inspection, which includes the Elevator Division, Building Division, and Engineering Division; the State Boxing Commission; and the Special Licensing Unit. Part-time DPS boards and commissions include the Board of Regulations; the Board of Boiler Rules; the Board of Pipefitters, Refrigeration Technicians, and Sprinkler Fitters; the Board of Elevator Regulations; the Board of Elevator Examiners; the Board of Elevator Appeals; and the Recreational Tramway Board.

DPS is responsible for ensuring the integrity of the licensure, investigative, and inspectional process for the various trades and professions that it oversees and regulates; the continual updating of licenses for over 200,000 individuals, corporations, and partnerships; the inspection of 32,800 elevators and escalators; the inspection of all state-owned buildings, including colleges, universities, prisons, health clinics, hospitals, and rest homes; and the maintenance of multiple databases related to licensing, enforcement, and revenue collection. In addition to its main office located in Boston, DPS has five district offices located in Pittsfield, Springfield, Taunton, Tewksbury, and Westborough. Elevator Inspection Division receipts were \$3,325,578 for fiscal year 2002 and \$3,403,207 for fiscal year 2003.

In accordance with Chapter 11, Section 12, of the General Laws, the Office of the State Auditor conducted an audit of the Elevator Inspection Division within DPS to review and evaluate elevator inspection policies, procedures, practices, and records to determine their adequacy and compliance with applicable laws, rules, and regulations. The objectives of our review were to assess the adequacy of DPS's procedures for dealing with elevator owners whose elevators do not meet inspection standards and to determine whether elevator and escalator inspection records and databases are being maintained properly and accurately, and that all reporting requirements are being met.

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#### **1. INTERNAL CONTROL IMPROVEMENTS NEEDED OVER ELEVATOR INSPECTION MANAGEMENT**

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Our audit indicated that DPS has not developed systems to ensure that elevators are inspected annually, elevators with work orders or that are shut down because they are unsafe are reinspected in a timely manner, annual fees and fines are imposed and collected, and elevators are adequately monitored to ensure they are safe and running properly. Moreover, we found that during fiscal year 2002, the owners of 13,661 elevators did not apply for an inspection. As a result, these elevators were not

inspected as required, and the Commonwealth lost the opportunity to collect approximately \$1,366,100 in elevator inspection fees. In addition, we found that DPS does not prioritize the reinspection of elevators that have failed inspection, but are not shut down. It was also noted that although DPS may impose a fine up to \$500 on elevator owners who do not have an annual inspection or comply with applicable laws, rules and regulations, DPS does not have policies and procedures in place for imposing fines. During fiscal year 2002, DPS inspected 19,139 elevators, of which 5,304 elevators failed to pass inspection. Of these 5,304 elevators, 4,657 had work orders, 296 were not in compliance with applicable regulations, and 351 were deemed unsafe. As of September 30, 2002, 3,978 (75%) of the 5,304 elevators had not been reinspected to determine whether appropriate repairs had been made. We visited 84 MBTA sites, including such high-traffic subway stops as Park Street, Downtown Crossing, Government Center, State Street, North Station, Aquarium, Airport, Copley, Kenmore, Harvard, Broadway, and Braintree. We also visited 65 locations with considerable public use, including hospitals, nursing homes, medical centers, hotels, shopping malls, public schools, and colleges. We found that 38% of these locations had expired elevator certificates, including nine of 18 public schools. Finally, our analysis of DPS's database revealed that 4,246 expired elevator certificates were between 1 1/2 to over 7 1/2 years old, of which 911 expired certificates were between 1 1/2 to 2 1/2 years old, 1,563 expired certificates were between 2 1/2 to 7 1/2 years old, and 1,772 expired certificates were over 7 1/2 years old. In response to the audit result, DPS indicated that the audit correctly identified the fact that the Department does not have a system to ensure that all elevators are inspected annually. DPS management stated that the Department lacks the inspectional manpower to adequately inspect all the elevators in the Commonwealth annually. DPS management stated that they have made substantial changes to the inspectional process in order to reduce the number of elevators that have not been inspected for long periods. Additionally, DPS indicated that it is now their policy to schedule the elevators with the oldest expiration dates first. Also, DPS indicated that in order to impose and process fines, it would require additional funds and resources.

**2. FEE STRUCTURE NOT REVIEWED ANNUALLY TO DETERMINE WHETHER FEES ARE ADEQUATE TO DEFRAY THE COST OF INSPECTION**

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DPS has not reviewed or reevaluated its fees in the past 11 years. At the time of our audit, DPS's annual elevator inspection fee was \$100. DPS has not prepared a cost analysis or conducted a needs assessment for developing a feasible fee structure to support elevator inspections. The fees charged by DPS do not take into consideration the actual cost of an inspection. Subsequent to our audit, DPS filed for an increase from \$100 to \$400, which became effective on August 29, 2003 for the annual inspection of elevators. Based on the fee increase, DPS should be able to generate \$13.1 million in inspection fees annually, or approximately \$11.1 million more than the \$2,065,170 in elevator inspection fees it collected in fiscal year 2002. In response to this audit result, DPS indicated that in 2003, it reviewed its fee structure and proposed a substantial increase in the annual inspectional fee to \$400

per elevator. Since that time, DPS has conducted an additional review of the fees, requested additional changes, and is awaiting the results of their most recent request.

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Since the early 1990s, DPS has used a database management system, Microsoft's FoxPro, to control and account for the licensing and inspection activities performed by DPS's building, cashier, elevator, and engineering divisions and the Board of Building Regulations and Standards (BBRS), a separate agency within EOPS. The DPS's Management Information Systems department does not have a system of checks and balances in place to determine that the information is correct. Moreover, our analysis of the DPS databases revealed that they were filled with such inaccuracies as elevators not having certificate expiration dates and tag numbers, blank fields that should have required data, and expired work orders 30 to 40 years old. In its response to our audit, DPS indicated that some of the data is outdated and needs to be purged from the system. DPS further indicated that it will do additional error checking for inspections and work order data, pinpoint unusual data occurrences, and continue to seek funding for a modern permitting system to replace the aging database system currently in use.

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The fiscal years 2002 and 2003 budgets require DPS to submit monthly reports to the House and Senate Committees on Ways and Means that detail elevator inspection case loads and inspections not completed. DPS officials indicated that they were not aware of the requirement and therefore did not file the reports. In response to our audit, DPS indicated that the requirement to file the reports is not in the fiscal year 2004 appropriation, however, they will prepare and submit the reports for prior years.

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## INTRODUCTION

### *Background*

The Department of Public Safety (DPS), which is under the supervision and control of the Commissioner of Public Safety, is an inspectional and investigative agency within the Executive Office of Public Safety (EOPS). Within DPS are the Division of Inspections, which includes the Elevator Division, Building Division, and Engineering Division; the State Boxing Commission; and the Special Licensing Unit. Part-time DPS boards and commissions include the Board of Regulations; the Board of Boiler Rules; the Board of Pipefitters, Refrigeration Technicians, and Sprinkler Fitters; the Board of Elevator Regulations; the Board of Elevator Examiners; the Board of Elevator Appeals; and the Recreational Tramway Board.

DPS is responsible for ensuring the integrity of the licensure, investigative, and inspectional process for the various trades and professions that it oversees and regulates; the continual updating of licenses for over 200,000 individuals, corporations, and partnerships; the inspection of 32,800 elevators and escalators; the inspections of all state-owned buildings, including colleges, universities, prisons, health clinics, hospitals, and rest homes; and the maintenance of multiple databases related to licensing enforcement, and revenue collection. In addition to its main office located in Boston, DPS has five district offices located in Pittsfield, Springfield, Taunton, Tewksbury, and Westborough. For fiscal year 2002, DPS's database reported Elevator Inspection Division receipts of \$3,330,992, as follows:

Source of Revenue	Revenue Collected
Annual Inspection Fees	\$2,065,170
New Installations	673,689
Repair (Reinspection)	342,815
Overtime	155,280
Modernization	90,178
Decommissioned Elevators	3,660
Fire Safety Testing	<u>200</u>
Total	<u>\$3,330,992*</u>

\*For fiscal year 2002, DPS - Elevator Inspections Division reported receipts of \$3,325,578 on Massachusetts Management Accounting Reporting System (MMARS) from 7 different sources of revenue.

The fiscal year 2003 receipts were reported as \$3,403,207 on the Massachusetts Management Accounting and Reporting System.

During the audit period, the annual fee that owners or property management companies pay annually for elevators to be inspected was \$100. However, effective August 29, 2003, the annual elevator inspection fee was increased to \$400.

A repair or reinspection fee should be imposed when an elevator does not pass the annual inspection and is categorized under one of three statuses:

- Certified with a work order
- Non-compliant with a running placard
- Unsafe with a placard to shut down

A certificate should be located in a conspicuous place in the elevator and should contain:

- Tag number for the elevator
- Issuance date of the certificate
- Expiration date of the certificate, which is one year from its date of issuance
- Inspector's signature
- A stamp or red "W" with the date representing the day the inspection failed, but was not deemed sufficiently unsafe to shut down, if a work order is associated with the certificate.

Chapter 143, Section 62, of the Massachusetts General Laws states, in part:

*The commissioner shall cause a system of elevator inspection to be instituted and maintained in the commonwealth. The commissioner shall assign an adequate number of competent inspectors for all elevators in the commonwealth. The commissioner shall have supervision of the installation, alteration, maintenance, inspection and approval of all elevators and shall enforce the regulations of the board of elevator regulations.... The word "elevator" shall include moving stairways.*

***Audit Scope, Objectives, and Methodology***

In accordance with Chapter 11, Section 12, of the General Laws, the Office of the State Auditor conducted an audit to review and evaluate DPS's elevator inspection policies, procedures, practices, and records to determine their adequacy and compliance with applicable laws, rules, and regulations. The objective of our review was to determine whether DPS's elevator and escalator inspection records and databases are being maintained properly and accurately, all reporting requirements are being met, and the system adequately deals with elevator owners whose elevators do not meet inspection standards.

Our audit was conducted in accordance with applicable generally accepted government auditing standards with the objective of determining the completeness of financial activities and records and compliance with applicable laws, rules and regulations. As part of our audit of the elevator inspection division, we reviewed the internal controls over the inspection process and database. We also reviewed the July 2001 State Elevator Inspection Procedures Manual, the 524 Code of Massachusetts Regulations, and Chapter 143, Sections 62 through 71, and Chapter 7, Section 3B, of the General Laws. We met with the Chief and Assistant Chief Inspector in one district office on several occasions. In addition, we reviewed and analyzed various DPS databases (Elevator, Location, Cash Receipts, Accident Data, and Elevator Accession).

Each database provided had several fields. We used Audit Command Language (ACL) software to analyze DPS databases. This software allowed us to manipulate and extract information for analytical reviews without altering the original databases.

Based on our audit, for the areas tested, we have concluded that DPS needs to improve the management of the elevator inspection program, review elevator fees annually, and improve the internal controls over the management of the elevator data system.

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## AUDIT RESULTS

### 1. INTERNAL CONTROL IMPROVEMENTS NEEDED OVER ELEVATOR INSPECTION MANAGEMENT

The Department of Public Safety (DPS) has not developed systems to ensure that (1) elevators are inspected annually, (2) elevators with work orders or that are shut down because they are unsafe are reinspected in a timely manner, (3) annual fees and fines are imposed and collected, and (4) elevators are adequately monitored to ensure they are safe and running properly. As a result, there is inadequate assurance that the state's elevators are safe, in satisfactory operating condition, and that the Commonwealth has collected all revenue owed to it.

Chapter 143, Section 62, of the Massachusetts General Laws requires DPS to "cause a system of elevator inspection to be instituted and maintained in the Commonwealth." However, we found that DPS does not have a system in place to ensure that elevator owners are notified when their elevators are due for annual inspection and the \$100 inspection fee is due. Instead, DPS relies on the honor system whereby elevator owners apply annually for their elevator inspections and pay the annual \$100 inspection fee. Chapter 143, Section 64, of the General Laws requires DPS to annually inspect elevators and to notify elevator owners that their elevators are due for inspection, as follows:

*All elevators shall be thoroughly inspected and a practical test made of the safety devices required therefore at intervals of not more than one year and at such other times as may be deemed necessary by the inspector.... The owner or person in control of a building in which the elevator is located shall arrange for such inspection and practical test within six months from the time of notice from an inspector assigned by the commissioner.*

During fiscal year 2002, the owners of 13,661 elevators (approximately 42% of all elevators in the Commonwealth) did not apply for an inspection and therefore did not pay their annual inspection fee of \$100, resulting in uninspected elevators and lost revenue to the Commonwealth of at least \$1,366,100. Also, although Chapter 143, Section 71, of the General Laws allows a fine of up to \$500 to be imposed, we found that DPS did not impose any such fines on these elevator owners for not having an annual inspection or complying with applicable laws, rules, and regulations regarding elevator operations. In fact, DPS's

State Elevator Inspection Procedures Manual, page 21, titled “Filing of Court Complaints,” was left blank, indicating that no policies were established for imposing fines.

DPS officials indicated that they believed that DPS had to go through a legal and court process in order to impose fines. However, Chapter 143, Section 71, of the General Laws gives DPS the authority to do so.

Our review also found that DPS does not prioritize the reinspection of elevators that have failed inspection but have not been shut down. During fiscal year 2002, DPS inspected 19,139 elevators, of which 5,304 elevators failed to pass inspection. The breakdown was classified as follows: 4,657 had a work order, 296 were non-compliant with applicable regulations, and 351 were deemed unsafe. As of September 30, 2002, 3,978 (75%) of the 5,304 elevators had not been reinspected to determine whether appropriate repairs were made. Since approximately 25% of elevator owners pay an annual reinspection fee, the Commonwealth could generate additional revenue if DPS would impose a fee schedule for noncomplying elevator operators.

We determined through our analysis of DPS’s database that 4,246 expired elevator certificates ranged from 1 ½ years to over seven years old. The aging of expired certificates as of September 9, 2002 was as follows:

Age of Certificate Expiration	Number of Expired Elevator Certificates
1 ½ years to 2 ½ years	911
2 ½ years to 7 ½ years	1,563
Over 7 ½ years	<u>1,772</u>
	<u>4,246</u>

Our site visits also revealed noncompliance and inconsistencies with DPS’s State Elevator Inspector Procedures Manual, which was last revised in January 2000. This manual is not comprehensive and includes personnel policies that are not related to the inspection of elevators. The manual outlines the following criteria for classifying elevators as follows:

- a. Elevator is certified without any complications and passes all tests.
- b. Elevator is given a notice of Citation for Non-Compliance or Unsafe condition of the Unit (also known as a work order). In this case a certificate is issued with a work order sticker or a “W” written in red marker.
- c. Elevator is placarded. An elevator is placarded when it has serious safety deficiencies that present an immediate threat to the safety of the public, and the inspector prohibits the unit from operating, until the deficiencies have been corrected.

DPS utilizes two different placards. Each placard indicates a warning in bold lettering (also known as “placarded”). One placard indicates in bold lettering “This Elevator is in a Non-Compliant condition,” and the other placard indicates in bold lettering “This Elevator is in a Dangerous and or Non-Compliant condition. Its use is prohibited until it has been made safe and or compliant.” The placards that DPS uses are as follows:

**WARNING**

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The Commonwealth of Massachusetts  
 DEPARTMENT OF PUBLIC SAFETY  
 DIVISION OF INSPECTION

**NOTICE**  
 Issued in accordance with General Laws, C. 143, S. 65 and 524 C.M.R., S. 8.00

This Elevator is in a Dangerous and or Non-Compliant condition.  
 Its use is prohibited until it has been made safe and or compliant.

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No person shall remove this notice nor operate this elevator until the Inspector has issued a certificate stating that this elevator is in a safe and compliant operating condition.

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**PENALTY**

Any person operating this elevator or removing this sign shall be punished by a fine of not more than five hundred dollars. General Laws C. 143, S. 71

Date \_\_\_\_\_ Elevator Inspector \_\_\_\_\_

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**DANGER**

FORM EL 63 (Rev. FY 2000)

**WARNING**

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The Commonwealth of Massachusetts  
 DEPARTMENT OF PUBLIC SAFETY  
 DIVISION OF INSPECTION

**NOTICE**  
 Issued in accordance with General Laws, C. 143, S. 65 and 524 C.M.R., S. 8.00

This Elevator is in a Non-Compliant condition.

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No person shall remove this notice until the Inspector has issued a certificate stating that this elevator is in a compliant operating condition.

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**PENALTY**

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Any person removing this sign shall be punished by a fine of not more than five hundred dollars. General Laws C. 143, S. 71

Date \_\_\_\_\_ Elevator Inspector \_\_\_\_\_

Form BU 63A (rev 200)

We noted during our site visits that when an elevator is “placarded” in some cases the placard is put inside the elevator cab. This prevents the public from determining before they enter the elevator that they are in a “placarded” elevator that is in a noncompliant condition, is in an unsafe condition, or should not be in operation. DPS cannot be assured that the owner of a “placarded” elevator will shut it down as required since DPS lacks the resources to achieve its main goal of monitoring and inspecting elevators. In fact we noted that a Massachusetts Bay Transportation Authority (MBTA) station escalator that was “placarded” and should have been shut down was in operation and being used by the public and that an elevator that was “placarded” and should have been shut down in September 2002 was still running as of December 30, 2002. DPS officials explained the latter situation as being a “running placard.” However, the DPS policy and procedures manual does not address such a status.

Our review included observing a selection of 158 elevators listed within DPS’s databases during the period November 1, 2002 through February 7, 2003. We checked to see that a certificate was located in a conspicuous place in or near the cab or car of an elevator as required by Chapter 143, Section 65, of the General Laws, which states, in part:

*If in the judgment of an inspector assigned by the commissioner that an elevator is safe, and if the elevator has been constructed in the manner required by law or by the regulations of the board of elevator regulations or the state building code, the inspector shall issue a certificate to that effect to the owner of the elevator or to the person in charge thereof, who shall post the certificate in a conspicuous place in or near the cab or car of such elevator.*

Also, 524 Code of Massachusetts Regulations (CMR) 7.04 states:

*The certificate of inspection when issued shall be posted in the elevator car or the main floor lobby of the building in which the elevator is located. When posted in the lobby the certificate and the elevator it applies to must be identified.*

We also examined during our site visits the tag numbers, certificate expiration dates, and the status of the elevators (a citation for noncompliance or unsafe conditions or shut down) to compare to DPS’s records and checked all elevators for cleanliness. For escalators, we checked for certificates posted and whether there was an emergency stop button as required

by 524 CMR 22.10, which became effective January 1, 2003. Examples of issues we observed during our site visits are as follows:

- We observed several escalators in compliance with the emergency stop button requirement. However, DPS officials indicated that escalators that were found without emergency stop buttons as of February 2003 would be given a work order, and those still in noncompliance after six-months would receive a “running placard.”
- Certificates were not posted on the escalators that we observed during our review. DPS officials stated that they were not aware certificates were required to be posted on escalators and where they should tell escalator owners to place certificates to be visible and not vandalized.
- DPS’s database indicates that there were 392 elevators and escalators at the MBTA. We visited 84 MBTA sites representing some of the higher traffic subway stops such as Park Street, Downtown Crossing, Government Center, State Street, North Station, Aquarium, Airport, Copley, Kenmore, Harvard, Broadway, and Braintree. Inspection of the elevators for certificates disclosed that all 84 elevators and escalators were running with expired annual inspection certificates. The MBTA did not have certificates posted on escalators in accordance with the General Laws. A review of DPS’s database also revealed that all MBTA escalators were operating with expired certificates, ranging from three months to three years, as follows:

Age of Certificate Expiration	Number of Elevators/Escalators
3 months to 1 year	70
1 year to 2 years	13
2 years to 3 years	<u>1</u>
Total	<u>84</u>

DPS’s not meeting its mandate of inspecting elevators and escalators annually, and following up on work orders or placarded elevators, has resulted in a safety issue for the public and a high risk for liability and lawsuits for the Commonwealth.

- We visited 65 locations with considerable public use, including hospitals, nursing homes, medical centers, hotels, shopping malls, public schools, and colleges. We found that 38% of these locations had elevators with expired certificates, including nine of 18 public schools. This high percentage is at locations where children, the elderly, and the ill are regular visitors and are being exposed to unnecessary risks. The following locations identify examples of sites that had expired certificates, and the aging of the expired certificates:

Location	Age of Certificate Expiration
Waltham High School, Waltham	1 month
Baker Elementary School, Dennis	1 month
Watertown High School, Watertown	2 months
Dennis Senior Center, Dennis	9 months
UMass Medical School, Worcester	10 months
Harvard Vanguard Medical, Watertown	1 year
Catholic Memorial Nursing Home, Fall River	1 year
Beth Israel Deaconess Medical Center, Boston	1 year and 3 months
Watertown Middle School, Watertown	3 years
Burbank School, Belmont	3 years and 9 months
Cunnif School, Watertown	4 years and 9 months
Wellington School, Belmont	Certificate with blank expiration date
Belmont High School, Belmont	No certificate present
Chenery Middle School, Belmont	No certificate present
Strawberries Record, Boston	No certificate present, running placards
Curry College, Milton	No certificate present

DPS does not have a system in place to identify elevators with expired certificates, identify noncompliance with the annual inspection requirement, track the status of elevators that did not pass inspection, and identify the DPS district in which the elevator is located. In addition, DPS policies and procedures do not prioritize elevators by the number of floors or age of unit, or consider the possibility that certain facilities should be inspected more or less frequently depending upon the degree of public safety involved. DPS policies also do not require sending out late notices for either inspections or return visits for reinspection.

DPS officials indicated that inadequate staffing and the inability to compete with salaries for inspectors in the private sector preclude its ability to achieve their mandate. In order to improve this condition, DPS needs a reliable database upon which to base an inspection schedule, the ability to extract the information necessary from the database so that it can effectively manage and monitor safety issues requiring their attention, and an effective set of policies and procedures to enforce their mandate.

### ***Recommendation***

Since an ineffective elevator inspection program represents a serious public safety concern, DPS should immediately develop an improved system of elevator inspections to ensure that (1) elevators are inspected annually, (2) elevators with work orders or that are shut down because they are unsafe are reinspected in a timely manner, (3) annual fees and fines are

collected, and (4) elevators are adequately monitored to ensure they are safe and running properly. Also, DPS should review and update its State Elevator Inspector Procedures Manual to ensure that it is up to date and includes policies and procedures for imposing fines for noncompliant elevator owners.

### ***Auditee's Response***

*The audit correctly identified the fact that the Department does not have a system to ensure that all elevators are inspected annually. It cannot be disputed that the Department lacks the inspectional manpower to adequately inspect all the elevators in the Commonwealth annually. Because of the substantial backlog, the Department is constantly struggling to keep up with the inspections for which owners have already made payments.*

*In the past year, the Department has made some substantial changes to our inspectional process in order to reduce the number of elevators that have not been inspected for long periods. The Department has also set forth standards for elevator inspections and placarding. Additionally, in September 2003, the Department instituted a new 90-day repair policy whereby all elevators that do not pass their annual inspection, and are not deemed unsafe, but are not compliant are given a 90 day blue certificate. At the end of the 90 days, the elevator is automatically re-inspected to ensure the repairs are completed. Elevators that are not in compliance at that time are placarded and shut down until the repairs are completed. This ensures that the necessary repairs are completed and the elevator does not go into future elevator inspectional cycles unrepaired. Additionally, it is now Department policy to schedule the elevators with the oldest expiration dates first.*

*Some field changes have also been implemented, such as the elimination of the "running" placard, which was replaced by the 90 days blue certificate re-inspection program. Additionally, the Department has taken a uniform position on the posting of elevators/escalator certificates and in many of the locations that have difficulty keeping certificates in the cars, the Department requires posting the certificates under tamperproof frames.*

*Even though a number of internal controls have been modified to promote a more efficient elevator inspection process, without an increase in manpower this Department will continue to be beleaguered by this deficiency.*

*Overall, the most significant positive step the Department could take would be to hire an adequate number of inspectors to fulfill the statutory inspectional requirements.*

*Such an investment would:*

- Pay for itself many times over in increased revenue deposited into the general fund*
- Greatly increase public safety in elevators*

- *Dramatically decrease the number of complaints resulting from uninspected elevators*

*It should also be noted that the current annual salary of a DPS Elevator Inspector is \$45,000. Private elevator companies pay their elevator mechanics in excess of \$75,000. Recruiting Elevator Inspectors is difficult. Upgrading elevator inspectors' salaries to a more competitive level would enhance the Department's ability to recruit new inspectors.*

DPS further responded that to improve its internal controls over inspection management it would take the following steps to enhance its database system.

1. *Programming will be performed to do additional error checking on inspection and work order dates, and numbers such as floors.*
2. *Elevator expirations for the past 2 years will be printed and distributed to the inspectors on a monthly basis. A report and work sheets will be provided to each inspector for their district. These expired certificates will be investigated by the DPS district inspector after the completion of the inspections scheduled for the day. Expired elevators over 2 years old that have not applied for inspection shall be placarded. Building contact information and address will be updated on the worksheets at this time. Buildings that no longer exist shall be noted on the worksheet for removal from the active database. Worksheets will be returned to the administrative group to update the database to reflect current conditions.*
3. *A continuing effort will be made to pin point unusual data occurrences in the database. Queries will be developed to look for duplicate entries, unfilled data and erroneous data entries. Data correction and programming to remedy the problem will be undertaken to limit these problems in the future.*
4. *The Department will continue to seek funding for a modern permitting system to replace the aging database system currently in use.*

*The Department of Public Safety may impose a fine of up to \$500.00 for noncompliance with statute or code. Guidelines and procedures for the issuance of fines need to be established, including internal board procedures. The formal procedures for adjudicating these issues is set forth in G.L. c. 143, s. 70 with specificity.*

*Once a fine is imposed (per guidelines/procedures) the aggrieved has the right to appeal the fine with a stay. On ten days notice, the aggrieved files an appeal with the Board of Elevator Regulations with a \$50.00 filing fee. The Board must notice and hold a full public hearing within 30 days and issue a written decision within the next thirty days.*

*The Department will propose an alternative "user" fee that would be paid directly to a company that would provide development of a database.*

*Thirty days from the written decision, the aggrieved has a right to appeal to the Board of Elevator Appeals which must hold a full public hearing within thirty days, and issue a decision in sixty days.*

*Thirty days from that decision by the Board of Elevator Appeals, the aggrieved has the right to appeal that decision to Superior Court in equity where a full trial (not a G.L. c. 30A, c. 14 appeal as most administrative appeals are where the court reviews the record only) could occur and decision and appeal there from available. But for dangerousness all other appeals are stayed by this procedure.*

*The above process will require additional funds and resources to accomplish the implementation of fines.*

**2. FEE STRUCTURE NOT REVIEWED ANNUALLY TO DETERMINE WHETHER FEES ARE ADEQUATE TO DEFRAY THE COST OF INSPECTION**

DPS has not prepared a cost analysis or conducted a needs assessment for developing a feasible fee structure to support elevator inspections. As a result, contrary to Chapter 143, Section 62A, of the General Laws, there is inadequate assurance that DPS has set rates to sufficiently meet the costs it incurs to conduct these inspections.

For fiscal year 1992, DPS's annual elevator inspection fee was set at \$100, and DPS collected \$2,065,170 in such fees. Audit No. 2000-5075-3, titled Independent State Auditor's Statewide Review of the Adequacy of Fees Charged For Services by Certain State Agencies, disclosed that the Executive Office for Administration and Finance (EOAF) has delegated to the state agencies the responsibility of annually reviewing fees charged by each state agency. On May 13, 1996, EOAF issued Administrative Bulletin No. 6, which describes the process for setting fees pursuant to Chapter 7, Section 3B, of the General Laws. EOAF Administrative Bulletin No. 6 states, in part:

*In addition to fees set pursuant to [Chapter 7, Section 3B, of the General Laws], there are at least two other methods of setting fees. In some cases the Legislature delegates fee setting authority directly to an agency; in others the Legislature itself sets the fees in statute. Although agencies with authority to set their own fees are not required to follow the procedures set out in this Bulletin, their fees must be consistent with the constitutional principles governing the fee setting process. Therefore, any state agency setting fees should use the approach described in this Bulletin. Fees set in statute are not subject to further administrative process.*

DPS fees also fall under Chapter 143, Section 62A, of the General Laws, which states, "said fees shall be set at a rate sufficient to meet the cost of the department of public safety for

providing said inspections and safety tests.” To estimate the potential amount of additional revenue, we estimated (based on DPS information) that 32,800 elevators existed throughout the Commonwealth. DPS officials indicated that they had proposed a fee increase in a memorandum dated October 24, 2002, for discussion with the Commissioner. DPS estimates that a \$100 fee increase will increase revenue by \$3,280,000 for annual inspections, provided it inspects all the elevators.

We recognize that other variables must be considered in a complete analysis, such payroll, fringe benefits, and the need to keep rates at an affordable, reasonable rate. However, this estimate indicates potential additional funding for needed public safety improvements.

It is DPS’s responsibility, on a yearly basis, to assess the needs of the elevator division, develop a plan for improvements that includes both direct and indirect costs, prepare the necessary documentation required by EOAF, and submit amendments to the fee schedule to fund the needed improvements. However, we found that DPS has not been actively assessing its needs or reviewing the fee structure to determine whether it adequately addresses the costs associated with the needed inspections. In addition, our review indicated that a plan for annually reevaluating the fee structure had not been developed and implemented.

Without an analysis, assessment of direct and indirect costs, and a written plan for inspection schedules, DPS cannot amend fees to fund its costs for operating the elevator inspection program. If the necessary improvements are not made and conditions are not improved, the mandates of DPS will not be met and the residents of the Commonwealth will continue to face unsafe elevator conditions.

The Assistant Chief of Inspections stated that he prepared a Power Point presentation to the Commissioner regarding the hiring of an additional 25 inspectors. This presentation was based on fiscal year 2000 figures, which showed that DPS was still falling short of inspecting 7,591 elevators. In order for DPS to meet its statutory requirement, the presentation recommended that DPS hire more inspectors and supervisors and increase the pay for inspectors and supervisors to more closely reflect the industry standard. It also suggested

that revenue would be enhanced if DPS increased fees as a result of the increased inspector's salaries. The presentation indicated that, based on 34 inspectors, DPS averages 500 inspections per year per inspector. Our analytical review, based on DPS information and a 41-week work year, disclosed that if the current 31 inspectors were averaging four inspections per day, they should be able to complete 820 inspections each per year, or 320 more than the Power Point presentation indicated. On October 25, 2001 the Commissioner of DPS addressed a letter to the Secretary of Administration and Finance requesting an increase to the fees, to reflect increased costs for the inspection of elevators and escalators. This request was denied.

During our audit, DPS filed for an annual inspection fee increase from \$100 to \$400, which became effective on August 29, 2003. Based on the fee increase, DPS should be able to generate, on an annual basis, \$13.1 million in inspection fees, which is approximately an \$11.1 million increase over fiscal year 2002 receipts.

The fiscal year 2004 budget allows for DPS to expend at least \$300,000 for the employment of additional elevator inspectors. Also, the budget allows for DPS to expend at least \$150,000 in revenues collected from fees for annual elevator inspections for fiscal year 2004.

***Recommendation***

DPS should take steps to develop a plan of improvements for the inspection fee structure, assess direct and indirect costs for the inspections, and adjust the fee structure in a timely manner in order to defray the maintenance, operation, and administration costs of elevator inspections. The annual fee should be based on the actual cost associated with the inspection. DPS should also review all other elevator fees annually and adjust them based on the cost of providing the related services. Also, DPS should continually monitor the funding of its elevator inspection program to ensure that there is sufficient funding and, if necessary, file legislation to retain more inspection fee revenue and hire a sufficient number of inspectors to operate the inspection program efficiently and effectively.

***Auditee's Response***

*In 2003, the Department did properly review their fee structure and proposed reasonable fees for the Elevator Division. This request resulted in a substantial increase in the annual inspectional fee to \$400 per elevator. This occurred in August 2003. Since that time, the Department has conducted an additional review of the fees and has attempted to make additional changes. We are now awaiting the results of this most recent request. In the Department's most recent fee proposal, an entire section was devoted to proposed late fees and fines to encourage timely annual inspections.*

*If the Department of Public Safety could use the increase in fees and fines and put the additional revenue into substantial program upgrades and personnel, substantial changes could be undertaken.*

**3. INTERNAL CONTROL IMPROVEMENTS NEEDED OVER DATA MANAGEMENT SYSTEM**

Since the early 1990s, DPS has used a database management system, Microsoft's FoxPro, to control and account for the licensing and inspection activities performed by DPS's building, cashier, elevator, and engineering divisions and the Board of Building Regulations and Standards (BBRS), a separate agency within EOPS. The FoxPro system is an in-house system used to record, deposit and control cash receipts and report receipt activity. The FoxPro system records the issuance of licenses, inspections, and cashier transactions in numerous database files, tables, and programs. DPS's Director of Management Information Systems maintains FoxPro, and DPS's Chief Financial Officer (CFO) is the security officer.

Our prior audit report No. 2001-0306-3S disclosed that DPS's Internal Control Guide needed improvement in certain areas to strengthen controls over cash receipts to ensure the proper depositing, recording, and reconciling of cash receipts. Specifically, we noted that the guide did not address management oversight responsibilities and did not provide procedures for monthly reconciliation of receipts recorded on Massachusetts Management Accounting and Reporting System (MMARS) and the FoxPro database, which had no provision for recording deposit refunds. In addition, our prior audit revealed that neither the supervisor of the Cashier's Office nor the CFO reconcile bank statements to MMARS and Fox Pro revenue reports on a monthly basis, contrary to the Office of the State Comptroller's (OSC) Internal Control Guide for Departments, which outlines specific procedures for state agencies to follow to ensure that state resources are effectively and efficiently managed and

that managers are provided with timely information for the verification of transactions, status of financial condition, analytical/predictive information, reference information, and transaction output reports.

Our follow-up review disclosed that the FoxPro system still needed improvements. Specifically, DPS elevator inspection data management lacks the capability for evaluating the accuracy or validity of transactions entered into the system, and the Management Information Services (MIS) department does not run queries to determine whether the entered data is correct. Moreover, our audit disclosed numerous inconsistencies and inaccuracies within DPS's database. For example, we noted that the number of elevators in DPS's database was 19,744 fewer than DPS's listing of the number of locations with elevators. This should be an inverse relationship, because there is often more than one elevator at one location. Our review of the database disclosed the following:

- Information on certificate expiration dates was missing for 1,252 elevators.
- The towns of Dennis and Falmouth had 230 elevators listed, 162 of which did not have a tag number associated with the elevator. (The tag number is the number assigned to each elevator, similar to a vehicle identification number, and cannot be duplicated.) Moreover, our visits to 15 of the elevator sites that had blank tag numbers revealed that those sites did not have an elevator.
- In the initial set up of the Database, eight fictitious elevators were entered with test numbers in the tag number field. Those test numbers were never deleted, adding an erroneous count to the total number of elevators.
- The DPS database as of September 9, 2002 accounted for 32,800 elevators. However, our analytical review of the database revealed numerous strings of blank data in certain fields that should have been filled. For example, there were a total of 10,619 blank entries found in the certificate date (9,215), test date (152), and expiration date (1,252) fields.
- DPS does not run reports regarding unpaid fees, expired certificates, and length of time elevators have been running with work orders, and does not provide data for inspectors to follow up on elevators that were placarded (shut down). Our analysis of the DPS database as of September 9, 2002 disclosed that there were 6,707 elevators with expired work orders, as follows:

Expiration Dates	Amount
1960s	2
1970s	4
1980s	124
1990s	561
2000	240
2001	1,912
2002	3,617
2003	240
2004	2
2005	1
2007	1
2010	1
2022	1
2500	<u>1</u>
	<u>6,707</u>

As shown above, one certificate expires nearly 500 years from now.

- As of June 30, 2001, 319 elevators were listed as non-compliant (running placard) of which nine had listed expiration dates from the 1980's, 158 from the 1990's, two were in 2000, four were in 2001, 35 had blank expiration dates, and the remaining 111 expired after June 30, 2001.
- As of June 30, 2001, 56 elevators were listed as shut down, of which 17 had blank expiration dates, 33 were listed in the 1990s, two were listed in 2000, and four were listed in 2001.
- The database for ascent of floors does not distinguish between elevators, which are measured by floors, and escalators, which are measured in feet. As a result, the database mistakenly lists 11 elevators as exceeding 60 floors. (By comparison, the John Hancock Tower, the tallest building in the Commonwealth, is 62 floors). Particularly noteworthy was one elevator that was listed as having 6,000 floors, was marked unsafe, was placarded (shut down), and had not had been inspected since 1996. DPS explained that the 6,000-floor entry was a typographical error, and a DPS inspector sent to investigate this elevator found that the elevator was in a soon-to-be demolished six-story building that only had the first floor occupied.
- Although DPS has 17 districts across the Commonwealth, its database listed 19 districts. MIS has created a district zero within its 19 districts. The database also has a District zero. Our analysis revealed that 58% of the elevators in DPS's database were classified as District zero," a designation that the MIS department established for elevators that have not been classified with a geographical district. In fact, we found that all of the Commonwealth's cities and towns appeared within District zero.

- Of the 79 elevators we inspected, 27 (34%) had certificates with inspection dates that did not match the dates recorded in DPS's database.
- There was a variance of \$5,414 between the DPS FoxPro database and MMARS.

In addition, we attempted to test the system DPS has developed for reporting and following up on elevator-related accidents and injuries by selecting for review 10 of the 100 reported incidents in fiscal year 2002. However, DPS did not supply any information regarding our sample.

The MIS Director indicated that the impact of the numerous errors within the database on the oversight of the inspection process was minimal and that it would be too time-consuming to run queries to verify the accuracy of data. However, as DPS management concedes, DPS cannot meet its mandates without an up-to-date and accurate database. Such a database should have the capabilities of billing and receivables as well as the ability of running query reports that management can use as tools to correct and keep all database entries current, since scheduling inspections, revisiting work order repairs, and determining delinquencies is the core of its Elevator Inspection Division's mission.

### ***Recommendation***

DPS should also develop an elevator database system that would include:

- All necessary information and the ability to produce billing and accounts receivable reports, generate late charges, and run queries to check for errors.
- A follow-up system for elevators with work orders or placards to ensure that repairs are completed within a reasonable time span.
- A system to perpetually update the status of elevator inspections and reinspections.
- A category for elevator owners who have discontinued running their elevators but have not decommissioned them.
- A billing for all annual inspections, reinspections, late fees, or penalties.

Also, in order to effect strong internal controls over the reconciliation of FoxPro data to MMARS data, DPS should adhere to the provisions of the OSC's Internal Control Guide for

Departments. Moreover, DPS management should establish procedures to ensure that its internal controls are properly implemented and adhered to and that all revenue is accurately reflected in MMARS.

### ***Auditee's Response***

*Many of the Office of the State Auditor's [OSA] comments concerning the elevator database concern outdated data that needs to be purged from the system. In the past, reports containing these old inspections have been issued to inspectors in their districts to confirm the status of the units in question. Much of the old data concerns either businesses that have moved or buildings that have been closed or elevators that have been removed. While this old data is of concern, it does take a lot of manpower to track down. Since our current system relies on a working relationship with Elevator Companies to submit applications of current businesses, the old data does not impact our effectiveness greatly. Given the Department's resources, it is a matter of priority to keep active elevators safe.*

*The [OSA's] comment on having more locations than elevators is... explained by the fact that the building and old engineering databases share the same location file. Also, the current database contains an inventory of elevators with their specifications. It includes dates of inspection, certification and expiration, thereby indicating the current status of the unit. If the elevator has failed the inspection, the certificate date is left blank, until it has been re-inspected and passed. In addition, if the unit is a new installation, when added to the database the certificate and expiration dates are initially left blank then updated once the inspection has been completed.*

*For the past seven years, the Department of Public Safety has applied for ITD bond money to implement a new database system. Last year, the Department was approved for \$500,000 to implement a statewide e-commerce licensing system used by several other states, but the bond money ran out. Elevator inspection revenues have increased over \$3M this fiscal year but DPS's retained revenue account was reduced to \$150,000.00. Restoring this account to \$900,000.00 would provide for additional inspectors and an efficient database operating system.*

Also, DPS responded that to improve its internal controls over inspection management (See Audit Result No. 1, Auditee's Response) it would take steps to enhance its database system.

#### **4. REQUIRED MONTHLY CASE LOAD REPORTS NOT FILED WITH THE HOUSE AND SENATE COMMITTEES ON WAYS AND MEANS**

The fiscal years 2002 and 2003 budgets require DPS to submit monthly reports to the House and Senate Committees on Ways and Means that detail elevator inspection case loads and inspections not completed, as follows.

Chapter 177 of the Acts of 2001, Section 2, Appropriation Account No. 8315-1000:

*Said commissioner shall submit monthly [emphasis added] reports to the house and senate committees on ways and means detailing the elevator and building inspection case loads; provided further, that said report shall outline any inspections that will not be completed by the required due date; and provided further, that the first such report shall be filed not later than December 15, 2001....*

Chapter 184 of the Acts of 2002, Section 2, Appropriation Account No. 8315-1000:

*The commissioner shall submit monthly [emphasis added] reports to the house and senate committees on ways and means detailing the elevator and building inspection case loads; provided further, that the report shall outline any inspections that will not be completed by the required due date; and provided further, that the first such report shall be filed not later than December 15, 2002....*

DPS officials indicated that they were not aware of the requirement and therefore did not file the required reports.

It is management's responsibility to have a system in place to ensure that the required legislative reports are filed in order to provide timely and up-to-date information for the Legislature and regulatory authorities.

***Recommendation***

DPS should develop a system that ensures that required reports are filed with the House and Senate Ways and Means Committees and any other legislative and regulatory authorities.

***Auditee's Response***

*. . . the language mandating this reporting function is absent from the FY'04 Appropriation, nor is it present in the proposed language this fiscal year, however the Department will prepare and submit the reports for the prior years.*

## APPENDIX I

## Chapter 647, Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies

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Chapter 647

THE COMMONWEALTH OF MASSACHUSETTS

*In the Year One Thousand Nine Hundred and Eighty-nine*

AN ACT RELATIVE TO IMPROVING THE INTERNAL CONTROLS WITHIN STATE AGENCIES.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

Notwithstanding any general or special law to the contrary, the following internal control standards shall define the minimum level of quality acceptable for internal control systems in operation throughout the various state agencies and departments and shall constitute the criteria against which such internal control systems will be evaluated. Internal control systems for the various state agencies and departments of the commonwealth shall be developed in accordance with internal control guidelines established by the office of the comptroller.

(A) Internal control systems of the agency are to be clearly documented and readily available for examination. Objectives for each of these standards are to be identified or developed for each agency activity and are to be logical, applicable and complete. Documentation of the agency's internal control systems should include (1) internal control procedures, (2) internal control accountability systems and (3), identification of the operating cycles. Documentation of the agency's internal control systems should appear in management directives, administrative policy, and accounting policies, procedures and manuals.

(B) All transactions and other significant events are to be promptly recorded, clearly documented and properly classified. Documentation of a transaction or event should include the entire process or life cycle of the transaction or event, including (1) the initiation or authorization of the transaction or event, (2) all aspects of the transaction while in process and (3), the final classification in summary records.

(C) Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority. Authorizations should be clearly communicated to managers and employees and should

**Chapter 647, Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies**

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include the specific conditions and terms under which authorizations are to be made.

(D) Key duties and responsibilities including (1) authorizing, approving, and recording transactions, (2) issuing and receiving assets, (3) making payments and (4), reviewing or auditing transactions, should be assigned systematically to a number of individuals to ensure that effective checks and balances exist.

(E) Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved. The duties of the supervisor in carrying out this responsibility shall include (1) clearly communicating the duties, responsibilities and accountabilities assigned to each staff member, (2) systematically reviewing each member's work to the extent necessary and (3), approving work at critical points to ensure that work flows as intended.

(F) Access to resources and records is to be limited to authorized individuals as determined by the agency head. Restrictions on access to resources will depend upon the vulnerability of the resource and the perceived risk of loss, both of which shall be periodically assessed. The agency head shall be responsible for maintaining accountability for the custody and use of resources and shall assign qualified individuals for that purpose. Periodic comparison shall be made between the resources and the recorded accountability of the resources to reduce the risk of unauthorized use or loss and protect against waste and wrongful acts. The vulnerability and value of the agency resources shall determine the frequency of this comparison.

Within each agency there shall be an official, equivalent in title or rank to an assistant or deputy to the department head, whose responsibility, in addition to his regularly assigned duties, shall be to ensure that the agency has written documentation of its internal accounting and administrative control system on file. Said official shall, annually, or more often as conditions warrant, evaluate the effectiveness of the agency's internal control system and establish and implement changes necessary to ensure the continued integrity of the system. Said official shall in the performance of his duties ensure that: (1) the documentation of all internal control systems is readily available for examination by the comptroller, the secretary of administration and finance and the state auditor, (2) the results of audits and recommendations to improve departmental internal controls are promptly evaluated by the agency management, (3) timely and appropriate corrective actions are effected

Chapter 647, Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies

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by the agency management in response to an audit and (4), all actions determined by the agency management as necessary to correct or otherwise resolve matters will be addressed by the agency in their budgetary request to the general court.

All unaccounted for variances, losses, shortages or thefts of funds or property shall be immediately reported to the state auditor's office, who shall review the matter to determine the amount involved which shall be reported to appropriate management and law enforcement officials. Said auditor shall also determine the internal control weaknesses that contributed to or caused the condition. Said auditor shall then make recommendations to the agency official overseeing the internal control system and other appropriate management officials. The recommendations of said auditor shall address the correction of the conditions found and the necessary internal control policies and procedures that must be modified. The agency oversight official and the appropriate management officials shall immediately implement policies and procedures necessary to prevent a recurrence of the problems identified.

House of Representatives, December 21, 1989.

Passed to be enacted,

*George Luvaan*

, Speaker.

In Senate, December 22, 1989.

Passed to be enacted,

*William W. Budge*

, President.

January 3, 1990.

Approved,

*Richard K. Hahn*

Governor.

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## APPENDIX II

### Chapter 647 Awareness Letter from the State Auditor and the State Comptroller



## The Commonwealth of Massachusetts

Office of the State Auditor  
State House  
Boston, MA 02133

Office of the Comptroller  
One Ashburton Place  
Boston, MA 02108

September 19, 2000

Legislative Leadership  
Judicial Branch Administrators  
Elected Officials  
Secretariats  
Department Heads

The State Auditor and the Comptroller are both committed to departmental improvements in the Internal Control structure of the Commonwealth. A good system of controls, as you know, assists management in meeting objectives while avoiding serious problems. Chapter 647 of the Acts of 1989, *An Act Relative To Improving Internal Controls Within State Agencies*, establishes acceptable Internal Control systems for state government operations and constitutes the criteria against which we will evaluate internal controls. With the passage of this law, we began a campaign to educate all department staff on the significant role of internal controls in department operations.

In the past few years, departments have made significant progress in the area of internal controls. Every department has certified that they have documented internal controls in the form of an Internal Control Plan. In Fiscal Year 2001, we are focusing our Internal Control Campaign on the review of department risk assessments, as documented within the departments' internal control plans. Internal control plans must, of course, include all aspects of a department's business, programmatic operations as well as financial.

A major requirement of Chapter 647 is that "an official, equivalent in title or rank to an assistant or deputy to the department head, shall be responsible for the evaluation of the effectiveness of the department's internal controls and establish and implement changes necessary to ensure the continued integrity of the system". This official, whom we refer to as the Internal Control Officer, is responsible for ensuring that the plan is evaluated annually or more often as conditions warrant.

During this annual Statewide Single Audit, we continue with our review of the Commonwealth's internal controls. We analyze and evaluate information obtained during the audit process in our continuing effort to educate agencies regarding both the need for internal controls and the risks of not having adequate internal controls in place.

## Chapter 647 Awareness Letter from the State Auditor and the State Comptroller

To assist departments with this effort, we provide the following support activities:

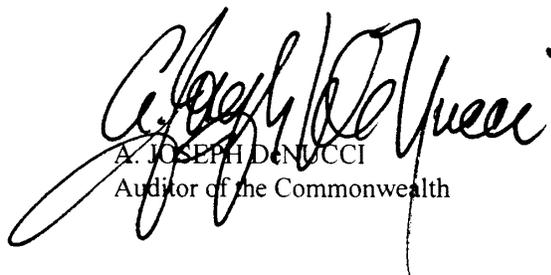
- ◆ The Office of the Comptroller offers departments free monthly training on internal controls. These classes are listed in the *OSC Training Bulletin*.
- ◆ The Office of the Comptroller provided a new document entitled the *Internal Control Guide for Managers* on the Office of the Comptroller's Web page: <http://www.osc.state.ma.us/>. Part II of the guide will be available shortly and will replace the current *Internal Control Guide for Departments*, currently available on the Web.
- ◆ Upon request, the Office of the Comptroller provides assistance to departments in the process of redefining or reviewing their internal control plans.
- ◆ As part of the Statewide Single Audit, auditors will review and comment upon departments' internal control plans, risk assessments, and the reporting level of the Internal Control Officers.
- ◆ We have updated and automated the Internal Control Questionnaire (ICQ) for easier submission. These changes to the ICQ will enable OSA and OSC to evaluate department internal controls and monitor their progress.

Chapter 647 also requires that "all unaccounted for variances, losses, shortages, or thefts of funds or property be immediately reported to the Office of the State Auditor" (OSA). The OSA is required to determine the amount involved and the internal control weaknesses that contributed to or caused the condition, make recommendations for corrective action, and make referrals to appropriate law enforcement officials. In order to comply with this law instances must be reported on the *Report on Unaccounted for Variances, Losses, Shortages, or Thefts of Funds or Property* and be submitted to the OSA. Reporting forms can be obtained by contacting the Auditor's office, Room 1819, McCormack State Office Building, or Web Site:

<http://www.magnet.state.ma.us/sao/>.

In conjunction with the above requirement, please note that management is responsible for financial records and systems and must inform, disclose and make representations to the auditors with regards to their management of funds, account activities, programs and systems.

The Offices of the State Comptroller and the State Auditor are committed to the goal of improving the Internal Control structure of the Commonwealth. Thank you for your cooperation and attention on this worthwhile task. Please do not hesitate to call upon the staff of either office for assistance.



A. JOSEPH D. NUCCI  
Auditor of the Commonwealth



MARTIN J. BENISON  
State Comptroller