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INDEPENDENT STATE AUDITOR'S
REPORT ON CERTAIN ACTIVITIES
OF THE
LEAD PAINT EDUCATION
AND TRAINING TRUST ACCOUNT

OFFICIAL AUDIT
REPORT
OCTOBER 25, 2001

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INTRODUCTION

Background

The Childhood Lead Poisoning Prevention Program (CLPPP) was established in 1971 for the prevention, screening, diagnosis, and treatment of lead poisoning, including the elimination of sources of poisoning through research, educational, epidemiological, and clinical services. CLPPP is mandated by Chapter 111, Sections 189a through 199b, of the Massachusetts General Laws.

Chapter 482, Section 22, of the Acts of 1993 established a retained revenue account known as the Lead Paint Education and Training Trust Account for the Department of Public Health (DPH) to fund the Childhood Lead Poisoning Prevention Program. Section 22 established surcharges on fees assessed by certain boards of registration, and state agencies for the licensure or certification of certain professionals, and on fees assessed for the renewal of such licensure or certification. These surcharges include a \$25 surcharge to those persons licensed by the Board of Registration of Real Estate Brokers and Salespersons (now part of the Division of Professional Licensure); a \$25 surcharge to those persons licensed by the Department of Labor and Industries to perform deleading services; a \$25 surcharge to those persons licensed by the Department of Public Health to perform lead inspections; a \$100 surcharge on the annual licensing fee paid by mortgage brokers, mortgage lenders, and small loan agencies registered with the Division of Banks; and a \$25 annual surcharge on the licensing fee paid by property and casualty insurance brokers as well as property and casualty agents of direct writers registered with the Division of Insurance.

Amounts raised by these surcharges are deposited into a retained revenue account for the DPH for the production and dissemination of educational materials pertaining to lead paint poisoning prevention and treatment issues, and for training of lead paint inspectors as well as homeowner training.

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the General Laws, the Office of the State Auditor conducted a review of the Lead Paint Education and Training Trust Account. The objectives of our

review were to determine whether (1) all fees and surcharges are being collected and deposited in the trust account and (2) the account was operating in compliance with applicable laws, rules, and regulations.

Our review was conducted in accordance with applicable generally accepted government auditing standards. We conducted site visits and interviews with state officials, including representatives from the Division of Banks, Division of Professional Licensure, Division of Insurance, Office of Consumer Affairs, and DPH.

To determine compliance with Chapter 482, Section 22, of the Acts of 1993, we requested and received financial data related to the trust account, including data specifically related to trust receipts from those state agencies responsible for the collection and processing of certain fees to support the trust. Further, we tested that data to determine whether those fees collected were transferred to the trust account.

Based upon our review, we have determined that except for the issue discussed in the Audit Results section of our report, the Lead Paint Education and Training Trust Account has been properly funded and was operating in compliance with applicable laws, rules, and regulations.

AUDIT RESULTS

Lead Paint Surcharge Billings Not Processed in a Timely Manner

Our review of the Division of Insurance's (DOI) billing and collection procedures relating to the lead paint surcharge revealed that DOI did not bill the annual \$25 surcharge in 2000, contrary to Chapter 482, Section 22, of the Acts of 1993, which states, in part:

A twenty-five dollar annual surcharge on the licensing fee paid by property and casualty insurance brokers and property and casualty agents of direct writers registered with the division of insurance.

Amounts raised by said surcharges shall be deposited into a retained revenue account hereby established for the department of public health for the production and dissemination of educational materials pertaining to lead paint poisoning prevention and treatment issues.

According to DOI personnel, there are approximately 17,150 active property and casualty agents in DOI's database, and the delay in billing these agents has resulted in potential revenues of approximately \$429,000 not being assessed and made available to the Lead Paint Education and Training Trust Account, thereby possibly hindering the Childhood Lead Poisoning Prevention Program from carrying out its mission for the production and dissemination of educational materials pertaining to lead paint poisoning and treatment issues, and training for lead paint inspectors and homeowners.

According to DOI, approximately \$253,000 was billed, collected, and deposited in the trust account for 1999. DOI has historically billed the surcharge to property and casualty agents as well as brokers during the fall. The licensing period for agents and brokers is triennial and, as a result, the annual surcharge is not included with the license renewal, but rather done on a yearly basis under a separate billing. As a result, unlike other agencies who are required to collect a surcharge to this trust account, DOI does not have a policy whereby a license renewal could be delayed pending payment of the surcharge.

At the conclusion of our fieldwork, we discussed the results of our review with the Director of Accounting within the Office of Consumer Affairs and DPH's Associate Commissioner, both of whom indicated that this issue needed to be addressed.

DOI indicated the surcharge billings in question were sent out in June 2001 and that the delay occurred because of DOI's involvement with other major priorities, including an initial rollout of a statewide mass mail project. Billing delays also occurred because of a shortage in staff and a new management information system manager who was unfamiliar with the surcharge process.

Recommendation: DOI should make every effort to ensure that the 2000 and 2001 annual lead paint surcharges are processed on a timely basis to ensure that revenues due the Lead Paint Education and Training Trust Account are received by the Department of Public Health (DPH). In addition, DPH should become more proactive in its communication and involvement with DOI to ensure timely billings and receipt of surcharge revenue.

APPENDIX

Lead Paint Education and Training Trust Account Balance

April 30, 2001

Balance Forward as of July 1, 2000	\$878,690.41
Add: Revenue July 1, 2000 – April 30, 2001	927,353.30*
Less: Expenditures (CLPPP) July 1, 2000 – April 30, 2001	<u>(971,019.76)</u>
Balance April 30, 2001	<u>\$835,023.95</u>

*Prior fiscal year 2000 encumbered balance of \$189,898.30 included.