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1988

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June 7, 1989

The Honorable the Senate and
House of Representatives
State House
Boston, Mass.

This annual report is submitted to your honorable bodies in accordance with the provision of section 18 of Chapter 486 of the Acts of 1909. The membership and expiration dates of the terms of the Commissioners is as follows:

John L. Tobin, Chairman	7/28/91
George Huggins	7/17/88
Dennis A. Quilty	10/9/89
Tyra B. Sidberry	9/18/90
Neal J. Curtin	8/9/92

During 1988 the Commission continued its longstanding practice of:

- (1) Investigating and issuing reports upon matters affecting the methods of administration and finances of the City of Boston;
- (2) Reviewing all contracts awarded without the benefit of formal public advertising. There were approximately 1,700 such contracts awarded by the City of Boston in calendar year 1988;
- (3) Investigating and/or looking into matters concerning complaints received from the general public, public employees, contractors doing business with the City of Boston and matters brought up by members of the Finance Commission.

During 1988 the staff of the Finance Commission remained at three full time employees. The budget for fiscal year 1988 was \$146,067 and the budget for fiscal year 1989 was \$151,362. The Commission maintains its office at 294 Washington St., Boston. The Commission meets on a regular basis and determines by vote the principal activities that will be on the working agenda of the Commission. During 1988 there were several activities that took up a considerable amount of time: A Report on the Overpayment of Real Estate Taxes, A Report on the Maintenance of the Boston Public Schools and a Report on the Issuance of Unadvertised Contracts by the City of Boston in Fiscal Year 1988. The full reports are published, released to the public and copies are available at the Commission's Office.

Overpayment of Real Estate Taxes

The Commission issued this report on April 6, 1988. The investigation and resulting report was initiated after the Commission received a number of complaints from taxpayers who had inadvertently made duplicate or overpayment of real estate taxes. People also encountered difficulty obtaining refunds of the overpayments. The Commission learned that the basic problem was due to the fact that tax bills do not identify credits from one tax year to the next.

The Commission found that there were 23,056 real estate tax accounts with credit balances covering the period from July 1, 1975 to June 30, 1987. The total credit balance for that period of time was \$5.7 million. The overpayments came about in three basic ways. Misposting was a common problem which results when a teller credits a payment against the wrong account. That problem appeared frequently, especially in fiscal year 1987. It was due to several factors. The tellers had no on line capacity with the computer system to check accounts for the actual amount owed. That led to numerous errors. There was also a problem with tax escrow agents, especially banks and mortgage companies which oftentimes submitted an individual payment for up to 200 separate billings. Any mistake by the escrow agent led to a misposting. And there are many times when payments are made without being accompanied by a bill which caused an obvious posting problem.

Duplicate bills led to posting problems as well. The City sent out approximately 38,000 duplicate tax bills which is when both the property owner and a bank or mortgage company receive the same bill. When a duplicate payment occurred in the first half payment it would show itself as a credit on the second half bill. But when that happened on the second half payment no credit showed on the first billing of the following year and the overpayment was never credited.

The third cause was the crediting of abatement payments. When the crediting of an abatement was delayed past the billing period there were times when an overpayment resulted.

The Commission issued a series of recommendations to remedy the problem and the Collector's Office made a good faith effort to clear up any overpayment of real estate taxes.

Maintenance of the Boston Public Schools

The Commission issued its second report on school maintenance on July 11, 1988. The report had a twofold purpose; to review any actions taken by the School Department since the issuance of the previous report on school maintenance and to evaluate the current and future maintenance needs of school buildings. The report was a follow-up to a 1986 report which documented serious abuses in the delivery of custodial services. The findings of this report included:

1. Superintendent Laval Wilson failed to implement many of the recommendations of the 1986 Finance Commission report;
2. Not all custodians work their full shifts despite being paid to do so and being held accountable for their time;
3. School custodians were granted salary increases which were well above those granted to other municipal employees despite continued problems of lack of productivity and accountability;

4. The School Department has no effective plan to determine how its limited budget for alterations and repairs will be spent;

5. Maintenance needs have not been prioritized on a city-wide basis or at individual schools;

6. The bulk of the present maintenance budget of \$8 million is spent on fixed costs and annual contracts with only approximately \$3 million available to provide for maintenance needs;

7. Although Superintendent Wilson has called for a drastic increase in the maintenance budget, he has failed to offer a plan for its expenditure;

8. The Boston Education Plan, as it relates to facilities, is vague. It includes no specifics and fails to address the need to reorganize the department of Planning and Engineering;

9. Although the City of Boston Capital Plan funds many necessary improvements to school buildings, it is not accompanied by a maintenance plan which will protect such a substantial investment.

Unadvertised Contracts

The most time consuming task of the Commission is its review of unadvertised contracts. Contracts are reviewed on a fiscal year basis and a report on the management of those contracts is issued annually. The report on the fiscal year 1988 contracts included the following findings:

1. The City of Boston continued to issue a substantial number of contracts without formal public bidding. During fiscal year 1988, 1,662 such contracts were issued. The face amount of those contracts was \$316 million.

2. Compliance with contract management policy has remained a problem in fiscal year 1988. The Commission approved 842 of the 1,662 contracts issued. Once again there was a substantial problem with the timeliness of contracts as 729 were submitted late and 47 were submitted after the fact.

3. Although the management of contracts in FY 1988 showed only a small overall improvement, the management of contracts in FY 1989 has shown improvement to date and it appears that some management progress is taking place.

During the course of the year the Commission issued several smaller reports. There are also a great many complaints that are received, some of which are acted on by the Commission.

-- The Commission took a strong position in a March 7, 1988 communication to the Mayor urging him to proceed legally against Cablevision of Boston. A previous Commission report had documented the fact that Cablevision had failed to meet the terms of its license agreement in a number of areas. The report also advised the City to watch the progress of a legal case in a neighboring town which was in the process of litigating a very similar issue. When the Town of Norwood won a case against its Licensee, Adams-Russell, the Commission urged the city to seek outside legal counsel and take action against Cablevision for not meeting the terms of its license agreement. The recommendation was followed.

- The Commission issued a report to the Mayor on May 27, 1988 congratulating the City on its overall financial condition, the improvements in the budget process and especially its higher bond rating.

- The Commission was asked to look into the manner in which the Park Department maintenance contracts were managed. Several problems were uncovered and a formal recommendation sent to the Park Department.

- The Commission undertook a review of the manner in which city departments issue multi-vendor contracts. There were seventeen departments analyzed and only one met the requirements of the executive order on contract compliance.

- The Commission investigated a complaint concerning improper contract payments on the job for the "L" Street Bathhouse reconstruction in South Boston. The complaint was valid and steps were taken to avoid future incidents.

- The Commission conducted an investigation on a construction job done at the Long Island Homeless Shelter. The inquiry uncovered the fact that work was done without bids and the bidding process was intentionally ignored by the Public Facilities Department. The job, the complete reconstruction of showers and adjacent facilities, was done by a company which had been presently working for the department. In order to be paid, PFD officials intentionally and improperly amended a non-related existing contract with that vendor. This represented a case where a city official intentionally violated the contract process and the law. Furthermore, that same official improperly used another contract to pay for the work at Long Island Hospital. The cost of the work was \$79,377.

- Due to its concern over the cost of disposing of residential refuse, the Commission instructed its staff to review the rubbish disposal contracts. The agreements were reviewed and each of the disposal sites was visited. There are transfer stations in Cambridge, Roxbury and Somerville and landfills in East Bridgewater and Plainville. The staff also visited landfills in both Fall River and Rochester, New Hampshire, both of which are disposal sites for the transfer stations. The New Hampshire site accepts much of the refuse from the Somerville transfer station. The staff also reviewed the collection contracts and the manner in which the city manages those agreements. The Commission intends to follow the bid process regarding the upcoming collection agreements and issue a report on what it has done in the spring.

- The Commission completed an internal investigation regarding a contract between the Department of Health and Hospitals and Boston City Hospital Anesthesia, Assoc., Inc. The purpose of the inquiry was to determine what the City was receiving in terms of anesthesiology services and what items the City paid for in the billing process. The inquiry was begun due to complaints about the rate of pay to anesthesiologists. During the course of the inquiry the Commission issued a subpoena for the production of records from Dr. Dean Crocker, President of the company. The Commission reviewed every cost billed to the City over a three year period. The contractual relationship between the parties was also reviewed closely. The Commission was particularly troubled by the fact that according to the contract, malpractice insurance and fringe benefits were to be paid by the vendor, but were not. The contract also afforded the Department the opportunity to review audited financial statements and provided for a review of the books but neither was done. The Commission found that the services could be better provided in another fashion and the

hospital arranged to contract for the anesthesiology services through a contract with the Boston University School of Medicine.

- During the above inquiry the Commission became concerned with the manner in which the cost for major medical services was administered. It was found that the billing for all major service contracts was lacking in specific detail. The city received twelve equal monthly bills and paid them. There was no documentation included on the bills to determine actual costs. Furthermore, the Department of Health and Hospitals took no internal steps to insure that the costs being billed actually reflected the costs of the services provided. The lack of internal financial controls was a concern to the Commission and the Department of Health and Hospitals was asked to establish a more comprehensive billing process which would fully identify the actual cost of services. The Commission planned to follow-up on its initial inquiry after several months to learn if the requested changes were made.

- One of the routine tasks of the Commission is tracking the revenue generated from the collection of parking tickets. The staff reviews the weekly receipts and monitors the collections over the course of the year. The Commission has also had a longstanding interest in the contractual agreement between the Office of the Parking Clerk and Lockheed Datacom for the management of the system. The Commission has taken the position that the services being provided are competitive in nature and that there should be a formal RFP process developed to seek out competition. FY 1989 is the last year of the existing contract and the Commission actively pressed for an early comprehensive process to determine the new vendor for FY 1990. The Commission also decided to get directly involved in both the development of the RFP and the subsequent review of the proposals. It was the unanimous consensus of the Commission that by getting involved early that there could be continued input along the way resulting in a better process. The Flynn Administration accepted the Commission's suggestions and the Commission had a member of its staff sit in on many of the evaluation sessions. The process was nearly completed at the close of 1988 but the final award of the contract and analytical report of the Commission was not issued until the beginning of 1989.

- The Commission also continued its longstanding policy of reviewing certain financial transactions in city agencies. All supplemental appropriations are routinely reviewed. The staff also monitors the monthly collection of parking meter receipts. In 1988 some problems were discovered with the existing vendor and the Transportation Department began to collect receipts internally until a new vendor could be employed.

- The Commission also continued its review of the status of all leases between the Real Property Department and the various vendors holding leases on the municipal parking lots. The Commission continued its efforts at having the Real Property Department utilize income from the Parking Facilities Fund to develop additional parking in the various neighborhoods of the city, especially the busy neighborhood commercial business districts.

The one other time consuming function of the Commission is in providing information and answering questions from the public about city affairs. People routinely call with questions and/or complaints and the staff has been

instructed that, to the extent possible, it should be as helpful and/or informative as possible. Complaints are followed-up and responded to appropriately. Many times it involves a minor matter that can be resolved by the staff. Other times, such as with the overpayment of real estate taxes, complaints develop into a major initiative of the Commission.

Respectfully submitted,

John L. Tobin
Chairman

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