



**COMMONWEALTH OF MASSACHUSETTS**

OMB Circular A-133 Report

June 30, 2008

**COMMONWEALTH OF MASSACHUSETTS**

OMB Circular A-133 Report

June 30, 2008

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## **Report on Supplementary Schedule of Expenditures of Federal Awards**

Mr. Martin Benson, Comptroller  
Commonwealth of Massachusetts:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts (the Commonwealth), as of and for the year ended June 30, 2008, which collectively comprise the Commonwealth's basic financial statements and have issued our report thereon dated December 23, 2008. These financial statements are the responsibility of the Commonwealth's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Massachusetts, the State Colleges and certain of the Community Colleges all of which are major enterprise funds and represent 72% and 63%, respectively, of the assets and revenues of the business-type activities. We did not audit 50% and 53%, respectively, of the assets and revenues of the Community Colleges major enterprise fund. We did not audit the financial statements of the Massachusetts Municipal Depository Trust which represent 7% and 51% of the total assets and total revenues (including additions and other financing sources) of the aggregate remaining fund information. Additionally, we did not audit the financial statements of certain nonmajor component units, which represent 12% and 8%, respectively, of the total assets and total revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of certain nonmajor component units identified in note 13 to the Commonwealth's basic financial statements were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth of Massachusetts's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated, in all material respects, in relation to the basic financial statements.

KPMG LLP

December 23, 2008

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

CFDA number	Federal Agency/Program or Cluster Title	Expenditures
<b>U.S. Department of Agriculture:</b>		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 493,862
10.054	Emergency Conservation Program	399
10.072	Wetlands Reserve Program	2,761
10.156	Federal-state Marketing Improvement Program	46,775
10.163	Market Protection and Promotion	15,019
10.199	Federal Operating Reimbursement-Egg Grading	4,142
10.560	Food Donation	18,791,922
<i>Food Stamp Cluster:</i>		
10.551	Food Stamps	557,275,608
10.561	State Administrative Matching Grants for Food Stamp Program	43,087,631
<i>Total Food Stamp Cluster</i>		<u>600,363,239</u>
<i>Child Nutrition Cluster:</i>		
10.555	National School Lunch Program	147,591,552
10.559	Summer Food Service Program for Children	5,503,778
<i>Total Child Nutrition Cluster</i>		<u>153,095,330</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	109,840,946
10.558	Child and Adult Care Food Program	48,053,550
10.560	State Administrative Expenses for Child Nutrition	2,664,546
10.568	Emergency Food Assistance Program Administrative Costs	1,346,091
10.572	WIC Farmers' Market Nutrition Program (FMNP)	389,168
10.574	Team Nutrition Grants	(2,809)
10.576	Senior Farmers Market Nutrition Program	54,030
10.663	Forest Land Enhancement Grant	1,854
10.664	Cooperative Forestry Assistance	1,190,757
10.672	Rural Development, Forestry, and Communities	28,608
10.676	Forest Legacy Program	1,496,132
10.678	Forest Stewardship Program	1,420
10.913	Farm and Ranch Lands Protection Program	1,726,452
10.999	Department of Agriculture – Miscellaneous	22,676
		<u>939,626,870</u>
<b>U.S. Department of Commerce:</b>		
11.405	Anadromous Fish Conservation Act Program	29,076
11.407	Interjurisdictional Fisheries Act of 1986	208,689
11.419	Coastal Zone Management Administration Awards	2,609,631
11.420	Coastal Zone Management Estuarine Research Reserves	674,971
11.452	Unallied Industry Projects Grants and Cooperative Agreements Program	45,408
11.454	Unallied Management Projects	7,795
11.463	Habitat Conservation	992,402
11.472	Unallied Science Program	112,054
11.474	Atlantic Coastal Fisheries Cooperative Management Act	277,520
11.499	Right Whale Conservation Program	400,083
11.555	Public Safety Interoperable Communications Grant Program	269
		<u>5,357,898</u>
<b>U.S. Department of Defense:</b>		
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	1,248,073
12.400	Military Construction, National Guard	5,063,384
		<u>6,311,457</u>
<b>U.S. Department of Housing and Urban Development:</b>		
<i>Section 8 Project-Based Cluster:</i>		
14.182	Section 8 New Construction Program	6,682,340
14.856	Section 8 Moderate Rehabilitation	16,283,029
<i>Total Section 8 Project-Based Cluster</i>		<u>22,965,369</u>
14.228	Community Development Block Grants/State's Program	36,622,170
14.231	Emergency Shelter Grants Program	2,973,267
14.235	Supportive Housing Program	7,208,276

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

CFDA number	Federal Agency/Program or Cluster Title	Expenditures
<b>U.S. Department of Housing and Urban Development (continued):</b>		
14.238	Shelter Plus Care	\$ 499,582
14.239	Home Investment Partnerships Program	11,201,891
14.241	Housing Opportunities for Persons with Aids	212,650
14.251	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	11,229
14.401	Fair Housing Assistance Program State and Local	766,803
14.855	Section 8 Rental Voucher Program	10,095,446
14.871	Section 8 Housing Choice Vouchers	209,647,886
14.900	Lead-based Paint Hazard Control in Privately owned Housing	1,119,179
		<hr/> 303,323,748
<b>U.S. Department of the Interior:</b>		
<i>Fish and Wildlife Cluster:</i>		
15.605	Sport Fish Restoration	1,554,401
15.611	Wildlife Restoration	486,235
	<i>Total Fish and Wildlife Cluster</i>	<hr/> 2,040,636
15.614	Coastal Wetlands Planning, Protection and Restoration Act	350,000
15.622	Sport fishing and Boating Safety Act	78,930
15.633	Landowner Incentive	753,910
15.644	Federal Junior Duck Stamp Conservation and Design	1,017
15.904	Historic Preservation Fund Grants-In-Aid	704,073
15.916	Outdoor Recreation Acquisition, Development and Planning	1,126,192
15.999	Department of Interior – Miscellaneous	427,451
		<hr/> 5,482,209
<b>U.S. Department of Justice:</b>		
16.007	State and Local Domestic Preparedness Equipment Support Program	6,451,012
16.011	Urban Areas Security Initiative	9,758,491
16.202	Offender Reentry Program	155,797
16.203	Sex Offender Management Discretionary Grant	74,039
16.393	Residential Substance Abuse Treatment For State Prisoners	739
16.523	Juvenile Accountability Incentive Block Grants	1,227,273
16.527	Supervised Visitation, Safe Havens for Children	(23,697)
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	1,180,616
16.541	Part E – Developing, Testing and Demonstrating Promising New Programs	209,291
16.543	Missing Children’s Assistance	60,789
16.550	State Justice Statistics Program for Statistical Analysis Centers	74,694
16.555	National Criminal History Implementation Program	352,831
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	228,154
16.575	Crime Victim Assistance	7,668,919
16.576	Crime Victim Compensation	288,606
16.579	Byrne Formula Grant Program	4,320,354
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	1,956,048
16.582	Crime Victim Assistance/Discretionary Grants	125,024
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	542,404
16.588	Violence Against Women Formula Grants	2,200,506
16.589	Rural Domestic Violence and Child Victimization Enforcement Grant Program	448,428
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	38,769
16.595	Community Capacity Development Office	440,100
16.606	State Criminal Alien Assistance Program	13,044,460
16.609	Community Prosecution and Project Safe Neighborhoods	782,136
16.610	Regional Information Sharing Systems	4,908,601
16.631	DNA Capacity	404,589
16.710	Public Safety Partnership and Community Policing Grants	169,147
16.727	Enforcing Underage Drinking Laws Program	243,484
16.738	Edward Byrne Memorial Justice Assistance Grant Program	3,059,433
16.741	Forensic DNA Capacity Enhancement Program	62,024
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	275,455
16.743	Forensic Casework DNA Backlog Reduction Program	566,901
16.744	Anti-Gang Initiative	59,584
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	552
16.748	Convicted Offender and/or Arrestee DNA Backlog Reduction Program (In-House Analysis and Data Review)	50,000
16.999	Department of Justice – Miscellaneous	7,647,228
		<hr/> 69,052,781

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CFDA number	Federal Agency/Program or Cluster Title	Expenditures
	<b>U.S. Department of Labor:</b>	
17.002	Labor Force Statistics	\$ 2,301,262
17.005	Compensation and Working Conditions	143,111
	<i>Employment Service Cluster:</i>	
17.207	Employment Service	16,920,184
17.801	Disabled Veterans' Outreach Program (DVOP)	1,371,303
17.804	Local Veterans' Employment Representative Program	1,831,520
	<i>Total Employment Service Cluster</i>	<u>20,123,007</u>
17.225	Unemployment Insurance (note 9)	1,630,452,839
17.235	Senior Community Service Employment Program	2,010,822
17.245	Trade Adjustment Assistance Workers	23,716,841
	<i>WIA Cluster:</i>	
17.258	WIA Adult Program	15,844,008
17.259	WIA Youth Activities	15,072,937
17.26	WIA Dislocated Workers	26,723,651
	<i>Total WIA Cluster</i>	<u>57,640,596</u>
17.266	Work Incentives Grant	1,159,067
17.267	WIA Incentive Grants Section 503 Grants to States	616,397
17.504	Consultation Agreements	1,361,505
17.505	OSHA Data Initiative	82,907
17.600	Mine Health and Safety Grants	49,958
17.802	Veterans' Employment Program	923,053
17.999	Department of Labor – Miscellaneous	8,922
		<u>1,740,590,287</u>
	<b>U.S. Department of Transportation:</b>	
20.205	Highway Planning and Construction	464,654,522
20.218	National Motor Carrier Safety	2,862,300
20.232	Commercial Driver License State Programs	396,177
20.234	Safety Data Improvement Program	192,185
	<i>Federal Transit Cluster:</i>	
20.500	Federal Transit – Capital Investment Grants	154,553
20.507	Federal Transit Formula Grants	692,221
	<i>Total Federal Transit Cluster</i>	<u>846,774</u>
20.505	Federal Transit Metropolitan Planning Grants	2,730,984
20.509	Formula Grants for Other Than Urbanized Areas	3,201,642
	<i>Transit Services Programs Cluster:</i>	
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	2,342,520
20.516	Job Access Reverse Commute	339,580
	<i>Total Transit Services Programs Cluster</i>	<u>2,682,100</u>
20.514	Transit Planning and Research	19,399
20.600	State and Community Highway Safety	10,612,553
20.614	Safety Incentive Grants for Use of Seatbelts	82,553
20.700	Pipeline Safety	599,045
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	191,285
		<u>489,071,519</u>
	<b>Equal Employment Opportunity Commission:</b>	
30.002	Employment Discrimination State and Local Fair Employment Practices Agency Contracts	1,161,900
		<u>1,161,900</u>
	<b>National Endowment for the Arts:</b>	
45.024	Promotion of the Arts Grants to Organizations and Individuals	440
45.025	Promotion of the Arts Partnership Agreements	725,400
45.163	Promotion of the Humanities Professional Development	31,125
45.164	Promotion of the Humanities – Public Programs	266,887
		<u>1,023,852</u>



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Year ended June 30, 2008

CFDA number	Federal Agency/Program or Cluster Title	Expenditures
45.310	<b>Institute of Museum and Library Services:</b> State Library Program	\$ 3,673,254
		<u>3,673,254</u>
	<b>National Science Foundation:</b>	
47.050	Geosciences	78,209
47.074	Biological Sciences	66,161
47.076	Education and Human Resources	54,553
		<u>198,923</u>
	<b>U.S. Department of Veterans Affairs:</b>	
64.014	Veterans State Domiciliary Care	3,659,363
64.015	Veterans State Nursing Home Care	11,645,418
64.203	State Cemetery Grants	59,349
		<u>15,364,130</u>
	<b>Environmental Protection Agency:</b>	
66.032	State Indoor Radon Grants	157,650
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	583,251
66.439	Targeted Watershed Grants	166,156
66.454	Water Quality Management Planning	415,717
66.456	National Estuary Program	781,558
66.458	Capitalization Grants for Clean Water State Revolving Funds	2,031,298
66.461	Regional Wetland Program Development Grants	4,509
66.463	Water Quality Cooperative Agreements	2,475
66.468	Capitalization Grants for Drinking Water State Revolving Funds	8,802,277
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	117,205
66.472	Beach Monitoring and Notification Program Implementation Grants	258,733
66.474	Water Protection Grants to the States	60,173
66.511	Office of Research and Development Consolidated Research/Training	25,712
66.605	Performance Partnership Grants	14,742,534
66.606	Surveys, Studies, Investigations and Special Purpose Grants	191,738
66.608	Environmental Information Exchange Network Grant Program	422,751
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	250,300
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	146,733
66.707	TSCA Title IV State Lead Grants Certification of Lead-based Paint Professionals	297,271
66.802	Superfund State, Political Subdivision, and Indian Tribe Site Specific Cooperative Agreements	1,846,579
66.804	State and Tribal Underground Storage Tanks Program	189,122
66.805	Leaking Underground Storage Tank Trust Fund Program	1,108,776
66.808	Solid Waste Management Assistance Grants	12,963
66.811	Brownfield Pilots Cooperative Agreements	2,589
66.817	State and Tribal Response Program Grants	1,511,115
66.940	Environmental Policy and State Innovation Grants	93,066
66.999	Environmental Protection Agency – Miscellaneous	326,769
		<u>34,549,020</u>
	<b>U.S. Department of Energy:</b>	
81.041	State Energy Program	983,035
81.042	Weatherization Assistance for Low-income Persons	5,907,979
81.079	Regional Biomass Energy Programs	9,374
81.087	Renewable Energy Research and Development	113,101
81.090	State Heating Oil and Propane Programs	21,400
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	10,000
81.119	State Energy Program Special Projects	214,283
		<u>7,259,172</u>

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

CFDA number	Federal Agency/Program or Cluster Title	Expenditures
	<b>U.S. Department of Education:</b>	
84.002	Adult Education State Grant Program	\$ 11,378,036
84.010	Title I Grants to Local Educational Agencies	211,617,995
84.011	Migrant Education State Grant Program	1,632,578
84.013	Title I Program for Neglected and Delinquent Children	1,791,115
	<i>Special Education Cluster:</i>	
84.027	Special Education Grants to States	264,568,083
84.173	Special Education Preschool Grants	9,345,028
	<i>Total Special Education Cluster</i>	<u>273,913,111</u>
84.031	Higher Education Institutional Aid	517,248
	<i>TRIO Cluster:</i>	
84.042	TRIO Student Support Services	2,537,642
84.044	TRIO Talent Search	856,537
84.047	TRIO Upward Bound	1,369,680
84.066	TRIO Educational Opportunity Centers	196,801
	<i>Total TRIO Cluster</i>	<u>4,960,660</u>
84.048	Vocational Education Basic Grants to States	19,757,813
84.069	Leveraging Educational Assistance Partnership	967,367
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	39,337,702
84.128	Rehabilitation Services Service Projects	59,045
84.161	Rehabilitation Services Client Assistance Program	223,467
84.169	Independent Living State Grants	1,687,563
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	688,589
84.181	Special Education Grants for Infants and Families with Disabilities	8,487,311
84.184	Safe and Drug-Free Schools and Communities National Programs	4,500
84.185	Byrd Honors Scholarships	743,250
84.186	Safe and Drug-free Schools and Communities State Grants	5,976,084
84.187	Supported Employment Services for Individuals with Severe Disabilities	462,182
84.196	Education for Homeless Children and Youth	1,060,757
84.206	Javits Gifted and Talented Students Education Grant Program	323,508
84.213	Even Start State Educational Agencies	1,006,391
84.215	Fund for the Improvement of Education	821
84.224	Assistive Technology	388,187
84.235	Rehabilitation Services Demonstration and Training Programs	68,932
84.243	Tech-prep Education	1,599,854
84.255	Literacy Programs for Prisoners	234,022
84.265	Rehabilitation Training State Vocational Rehabilitation Unit In-service Training	127,921
84.282	Charter Schools	1,406,607
84.287	Twenty-First Century Community Learning Centers	14,802,675
84.298	State Grants for Innovative Programs	1,758,346
84.310	Parental Information and Resource Centers	155,318
84.314	Family Literacy Program	2,813
84.318	Education Technology State Grants	4,682,346
84.323	Special Education – State Personnel Development	1,354,790
84.325	Special Education – Personnel Development to Improve Services And Results for Children with Disabilities	222,676
84.327	Special Education – Technology and Media Services for Individuals with Disabilities	150,257
84.331	Grants to States for Incarcerated Youth Offenders	143,131
84.332	Comprehensive School Reform Demonstration	374,211
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	3,955,089
84.336	Teacher Quality Enhancement Grants	233
84.346	Vocational Education Occupational and Employment Information State Grants	718
84.350	Transition to Teaching	124,482
84.357	Reading First State Grants	14,774,820
84.358	Rural Education	117,553
84.365	English Language Acquisition Grants	10,984,974
84.366	Mathematics and Science Partnerships	1,535,101
84.367	Improving Teacher Quality State Grants	49,762,724
84.369	Grants for State Assessments and Related Activities	6,592,734
84.660	Advanced Placement Program	437,554
84.928	National Writing Project	41,173
84.999	Department of Education – Miscellaneous	3,470,773
		<u>705,867,107</u>

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Year ended June 30, 2008

CFDA number	Federal Agency/Program or Cluster Title	Expenditures
	<b>U.S. Election Assistance Commission:</b>	
90.401	Help America Vote Act Requirements Payments	\$ 2,203,314
		<u>2,203,314</u>
	<b>U.S. Department of Health and Human Services:</b>	
93.003	Public Health and Social Services Emergency Fund	375,825
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	185,951
93.041	Special Programs for the Aging – Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	133,960
93.042	Special Programs for the Aging – Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	(824,152)
93.043	Special Programs for the Aging – Title III, Part D – Disease Prevention and Health Promotion Services	466,622
	<i>Aging Cluster:</i>	
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	9,564,261
93.045	Special Programs for the Aging Title III, Part C Nutrition Services	14,289,338
93.053	Nutrition Service Incentive Program	3,156,190
	<i>Total Aging Cluster</i>	<u>27,009,789</u>
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	372,281
93.052	National Family Caregiver Support	3,537,683
93.069	Public Health Emergency Preparedness	17,457,762
93.087	Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	205,801
93.103	Food and Drug Administration Research	348,220
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	2,248,709
93.110	Maternal and Child Health Federal Consolidated Programs	824,869
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	1,761,311
93.127	Emergency Medical Services for Children	90,008
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,386,782
93.150	Projects for Assistance in Transition From Homelessness (PATH)	1,402,004
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	874,448
93.165	Grants To States for Loan Repayment Program	119,000
93.184	Disabilities Prevention	250,747
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	1,160,488
93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	89,730
93.226	Research on Healthcare Costs, Quality and Outcomes	53,976
93.234	Traumatic Brain Injury State Demonstration Grant Program	99,505
93.236	Grants for Dental Public Health Residency Training	97,303
93.240	State Capacity Building	446,980
93.241	State Rural Hospital Flexibility Program	258,905
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	4,107,481
93.251	Universal Newborn Hearing Screening	154,486
93.262	Occupational Safety and Health Program	763,835
93.268	Immunization Grants	66,508,216
93.276	Drug-Free Communities Support Program Grants	122,533
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	14,528,982
93.301	Small Rural Hospital Improvement Grant Program	89,450
93.358	Advanced Education Nursing Traineeships	21,943
93.551	Abandoned Infants	250,148
93.556	Promoting Safe and Stable Families	5,062,135
93.558	Temporary Assistance for Needy Families	404,473,010
93.563	Child Support Enforcement	62,302,096
93.566	Refugee and Entrant Assistance-State Administered Programs	3,227,194
93.568	Low-income Home Energy Assistance	126,261,845
93.569	Community Services Block Grant	15,556,390
	<i>CCDF Cluster:</i>	
93.575	Child Care and Development Block Grant	127,746,574
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	75,767,399
	<i>Total CCDF Cluster</i>	<u>203,513,973</u>

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

CFDA number	Federal Agency/Program or Cluster Title	Expenditures
<b>U.S. Department of Health and Human Services (continued):</b>		
93.576	Refugee and Entrant Assistance Discretionary Grants	\$ 3,226,682
93.583	Refugee and Entrant Assistance Wilson/Fish Program	3,290,942
93.586	State Court Improvement Program	369,758
93.590	Child Abuse Prevention Activities	543,932
93.597	Grants to States for Access and Visitation Programs	221,229
93.599	Chafee Education and Training Vouchers Program (ETV)	1,170,971
93.600	Head Start	163,651
93.603	Adoption Incentive Payments	189,015
93.608	Training of Child Welfare Agency Supervisors	249,007
93.617	Voting Access for Individuals with Disabilities Grants to States	356,288
93.623	Basic Center Grant	229,956
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,296,028
93.631	Developmental Disabilities Projects of National Significance	231,450
93.643	Children's Justice Grants to States	382,914
93.645	Child Welfare Services State Grants	4,195,451
93.652	Adoption Opportunities	424,206
93.658	Foster Care Title IV-E	78,214,881
93.659	Adoption Assistance	36,964,483
93.667	Social Services Block Grant	82,320,641
93.669	Child Abuse and Neglect State Grants	591,336
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	1,468,085
93.674	Chafee Foster Care Independence Program	3,536,819
93.767	State Children's Health Insurance Program	234,838,018
93.773	Medicare Hospital Insurance	8,448,426
<i>Medicaid Cluster:</i>		
93.775	State Medicaid Fraud Control Units	3,669,721
93.777	State Survey and Certification of Health Care Providers and Suppliers	7,251,487
93.778	Medical Assistance Program	5,265,419,749
	<i>Total Medicaid Cluster</i>	<u>5,276,340,957</u>
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	814,175
93.786	State Pharmaceutical Assistance Programs	2,211
93.793	Medicaid Transformation Grants	1,248,064
93.889	National Bioterrorism Hospital Preparedness Program	9,553,459
93.913	Grants to States for Operation of Offices of Rural Health	109,325
93.917	HIV Care Formula Grants	22,395,886
93.926	Healthy Start Initiative	4,172,979
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	515,172
93.940	HIV Prevention Activities Health Department Based	9,408,751
93.941	HIV Demonstration, Research, Public and Professional Education Projects	1,388,373
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	16,878
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	229,102
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	188,740
93.958	Block Grants for Community Mental Health Services	7,965,298
93.959	Block Grants for Prevention and Treatment of Substance Abuse	35,050,443
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	1,453,981
93.978	Preventive Health Services Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants	349,388
93.988	Cooperative Agreements for State-based Diabetes Control Programs and Evaluation of Surveillance Systems	997,617
93.991	Preventive Health and Health Services Block Grant	3,117,529
93.994	Maternal and Child Health Services Block Grant to the States	11,589,354
93.999	Department of Health and Human Services – Miscellaneous	1,823,142
		<u>6,819,033,217</u>
<b>Corporation for National and Community Services:</b>		
94.004	Learn and Serve America School and Community Based Programs	743,826
		<u>743,826</u>

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

CFDA number	Federal Agency/Program or Cluster Title	Expenditures
	<b>Social Security Administration:</b>	
96.001	Social Security Disability Insurance (note 5)	\$ 39,096,537
96.008	Social Security Benefits Planning, Assistance, and Outreach Program	157,365
		<u>39,253,902</u>
	<b>U.S. Department of Homeland Security:</b>	
	<i>Homeland Security Cluster:</i>	
97.004	State Domestic Preparedness Equipment Support Program	112,389
97.067	Homeland Security Grant Program	25,870,490
	<i>Total Homeland Security Cluster</i>	<u>25,982,879</u>
97.012	Boating Safety Financial Assistance	1,450,339
97.017	Pre-disaster Mitigation (PDM) Competitive Grants	2,663,389
97.023	Community Assistance Program State Support Services Element (CAPSSSE)	207,731
97.029	Flood Mitigation Assistance	171,405
97.036	Public Assistance Grants	6,546,945
97.039	Hazard Mitigation Grant	1,739
97.041	National Dam Safety Program	57,437
97.042	Emergency Management Performance Grants	2,729,770
97.043	State Fire Training Systems Grants	23,096
97.053	Citizen Corps	7,734
97.056	Port Security Grant Program	147,734
97.070	Map Modernization Management Support	54,723
97.071	Metropolitan Medical Response System	410,600
97.074	Law Enforcement Terrorism Prevention Program (LETPP)	6,787,123
97.075	Rail and Transit Security Grant Program	2,888,872
97.078	Buffer Zone Protection Plan (BZPP)	574,516
97.091	Homeland Security Biowatch Program	714,304
		<u>51,420,336</u>
99.999	Federal Expenditures – Miscellaneous	886,488
		<u>886,488</u>
	<b>Student Financial Assistance Cluster:</b>	
	U.S. Department of Education:	
84.007	Federal Supplemental Educational Opportunity Grants	3,212,135
84.033	Federal Work Study Program	4,809,538
84.063	Federal Pell Grant Program	71,930,251
84.375	Academic Competitive Grant	918,644
84.376	National Science and Mathematics Access to Retain Talent (SMART) Grants	242,350
	Total U.S. Department of Education	<u>81,112,918</u>
	U.S. Department of Health and Human Services:	
93.364	Nursing Student Loans	1,006,497
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds	88,583
	Total U.S. Department of Health and Human Services	<u>1,095,080</u>
	Total Student Financial and Cluster	<u>82,207,998</u>
	Total Federal Expenditures	\$ <u><u>11,323,663,208</u></u>

See accompanying notes to schedule of expenditures of federal awards.

## COMMONWEALTH OF MASSACHUSETTS

### Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

#### (1) **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards is presented on the Commonwealth of Massachusetts's (the Commonwealth) statutory basis of accounting. It is drawn primarily from the Massachusetts Management Accounting and Reporting System (MMARS), the centralized accounting system.

In addition to amounts drawn from MMARS, the Schedule of Expenditures of Federal Awards includes certain federal programs administered by the Commonwealth's public institutions of higher education, except for the University of Massachusetts, which issues its own OMB Circular A-133 Report, and the activity of certain noncash programs. The higher education institutions and responsible administrative departments maintain the detail of such program activity.

Except for the Unemployment Insurance Program, statutory basis federal expenditures are recorded when the related cash disbursement occurs and at year-end, payroll is accrued and federal payables are recognized for goods or services received by June 30, to the extent of approved payments. The Unemployment Insurance Program expenditures are recorded on a cash basis of accounting.

The Commonwealth receives payments from the federal government on behalf of Medicare eligible patients for whom it has provided medical services at its state-operated medical facilities. Since these payments represent insurance coverage provided directly to individuals under the Medicare entitlement program, they are not included as federal financial assistance.

#### (2) **Single Audit Reporting Entity**

For purposes of complying with The Single Audit Act of 1984, as amended in 1996, the Commonwealth's reporting entity is defined in note 1 to its June 30, 2008 basic financial statements; except that the Massachusetts School Building Authority, the Pension Reserves Investment Trust Fund, the Massachusetts Municipal Depository Trust, the Massachusetts State Lottery Commission, the Health Care Security Trust Fund, the Commonwealth of Massachusetts Owner Controlled Workers' Compensation and General Liability Insurance Program, the University of Massachusetts and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the federal award programs administered by the Commonwealth, as defined above, for the year ended June 30, 2008.

#### (3) **Matching Costs**

Matching costs, i.e., the nonfederal share of certain program costs, are not included in the accompanying Schedule except for the Commonwealth's share of Unemployment Insurance.

#### (4) **Relationship to Federal Financial Reports**

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule which is prepared on the bases explained in note 1.

**COMMONWEALTH OF MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

**(5) Social Security Disability Insurance Program**

The Massachusetts Rehabilitation Commission operates the Social Security-Disability Insurance Program (CFDA 96.001) and the Supplemental Security Income Disability Program (CFDA 96.006) under a single state appropriation and departmental program account. On an operating basis, expenditures are allocated between the programs based on medical expenses incurred; personnel and overhead costs are determined by the Social Security Central Office. For the fiscal year ended June 30, 2008 expenditures of \$18,956,952 were attributed to the Supplemental Security Income Disability Program.

**(6) Noncash Awards**

The Commonwealth is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements. Noncash awards received by the Commonwealth are included in the Schedule of Expenditures of Federal Awards as follows:

<b>CFDA Number</b>	<b>Program title</b>	<b>Noncash awards</b>
10.550	Food Donation	\$ 18,791,922
10.551	Food Stamps	557,275,608
93.268	Immunization Grants	61,600,542
	Total	<u>\$ 637,668,072</u>

Commodity inventories for the Food Donation Program at June 30, 2008 totaled approximately \$1,653,755.

**(7) Federal Family Education (FFEL) and Federal Direct Student Loans (FDL)**

The Schedule of Expenditures of Federal Awards does not include FFEL (CFDA 84.032) nor FDL (CFDA 84.268) which are made directly to individual students. For Massachusetts residents, FFEL loans are guaranteed by the American Student Assistance Corporation, which is not part of the reporting entity of the Commonwealth. FDL loans are made directly by the U.S. Department of Education. FFEL loans made to students enrolled in the Commonwealth's public institutions of higher education during fiscal year 2008 totaled \$106,559,221 FDL Loans totaled \$36,335,675.

**(8) Federal Perkins Loan Program**

The Federal Perkins Loan Program (CFDA 84.038) is administered by the Commonwealth's public institutions of higher education. Fiscal year 2008 activity, excluding the University of Massachusetts included, loan repayments of \$1,894,508 and loan funds disbursed of \$2,456,505. Loans outstanding at June 30, 2008 totaled \$16,603,903.

**COMMONWEALTH OF MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

**(9) Unemployment Insurance Program (UI) CFDA 17.225**

The U.S. Department of Labor, in consultation with the Office of Management and Budget, has determined that for the purpose of audits and reporting under OMB Circular A-133, Commonwealth UI funds as well as federal funds should be considered federal awards for determining Type A programs. The Commonwealth receives federal funds for administrative purposes. Commonwealth unemployment taxes must be deposited to a Commonwealth account in the Federal Unemployment Trust Fund, used only to pay benefits under the federally approved Commonwealth law. Commonwealth UI funds as well as federal funds are included on the Schedule of Expenditures of Federal Awards. The following schedule provides a breakdown of the state and federal portions of the total expended under CFDA Number 17.225:

Commonwealth UI Funds	\$ 1,545,763,352
Federal UI Funds	<u>84,689,487</u>
Total expenditures	<u><u>\$ 1,630,452,839</u></u>

**(10) Subrecipients**

In OMB Circular A-133 § \_\_.105 subrecipients are defined as nonfederal entities that expend federal awards received from a pass through entity to carry out a federal program, but do not benefit from that program. Negative amounts represent refunds of prior year expenditures or refunds of unspent federal awards. In fiscal year 2008, the Commonwealth passed through the following amounts to subrecipients:

<u>CFDA Number</u>	<u>Program title</u>	<u>Expenditures</u>
10.156	Federal-State Marketing Improvement Program	\$ 40,500
10.555	National School Lunch Program	146,509,929
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	76,064,605
10.558	Child and Adult Care Food Program	47,136,118
10.559	Summer Food Service Program for Children	4,881,187
10.561	State Administrative Matching Grants for Food Stamp Program	1,878,876
10.568	Emergency Food Assistance Program administrative costs	1,276,377
10.574	Team Nutrition Grants	(2,809)
10.576	Senior Farmers Market Nutrition Program	37,912
10.664	Cooperative Forestry Assistance	331,099
10.676	Forest Legacy Program	62,989
10.913	Farm and Ranch Lands Protection Program	737,378
11.405	Anadromous Fish Conservation Act Program	(6,693)
11.419	Coastal Zone Management Administration Awards	10,000
11.420	Coastal Zone Management Estuarine Research Reserves	8,712
11.452	Unallied Industry Projects	3,616
11.472	Unallied Science Program	73,929
11.499	Right Whale Conservation Program	394,865
14.182	Section 8 New Construction Program	3,158,623



**COMMONWEALTH OF MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

<b>CFDA Number</b>	<b>Program title</b>	<b>Expenditures</b>
14.228	Community Development Block Grants/State's Program	\$ 29,546,942
14.231	Emergency Shelter Grants Program	2,151,275
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	15,136,641
14.871	Section 8 Housing Choice Vouchers	207,705,254
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing	901,612
15.605	Sport Fish Restoration	660,117
15.614	Coastal Wetlands Planning, Protection and Restoration Act	350,000
15.622	Sportfishing and Boating Safety Act	75,953
15.904	Historic Preservation Fund Grants-In-Aid	52,000
15.916	Outdoor Recreation Acquisition, Development and Planning	1,125,780
15.999	Dept of Interior – Miscellaneous	4,995
16.011	Urban Areas Security Initiative	9,758,491
16.203	Sex Offender Management Discretionary Grant	41,525
16.523	Juvenile Accountability Incentive Block Grants	326,167
16.527	Supervised Visitation, Safe Havens for Children	(23,697)
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	810,759
16.541	Part E – Developing, Testing and Demonstrating Promising New Programs	165,395
16.543	Missing Children's Assistance	(89)
16.575	Crime Victim Assistance	6,769,242
16.579	Byrne Formula Grant Program	3,174,698
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	159,817
16.588	Violence Against Women Formula Grants	1,214,269
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	28,968
16.595	Community Capacity Development Office	60,458
16.609	Community Prosecution and Project Safe Neighborhoods	407,386
16.610	Regional Information Sharing Systems	4,908,601
16.631	DNA Capacity	(508)
16.727	Enforcing Underage Drinking Laws Program	91,372
16.738	Edward Byrne Memorial Justice Assistance Grant Program	1,692,053
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	73,823
16.744	Anti-Gang Initiative	36,234
17.207	Employment Service	4,754,459
17.225	Unemployment insurance	261,289
17.235	Senior Community Service Employment Program	1,895,898
17.258	WIA Adult Program	14,558,467
17.259	WIA Youth Activities	14,594,581
17.260	WIA Dislocated Workers	18,067,456
17.266	Work Incentives Grant	732,079

**COMMONWEALTH OF MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

<b>CFDA Number</b>	<b>Program title</b>	<b>Expenditures</b>
17.267	WIA Incentive Grants Section 503 Grants to States	\$ 616,397
17.801	Disabled Veterans' Outreach Program (DVOP)	56,757
17.802	Veterans' Employment Program	453,586
17.804	Local Veterans' Employment representative Program	105,423
20.205	Highway Planning and Construction	12,632,649
20.217	Motor Carrier Safety (M, ???)	(4,874)
20.232	Commercial Driver License State Programs	55,243
20.234	Safety Data Improvement Program	192,185
20.505	Federal Transit Metropolitan Planning Grants	2,182,935
20.509	Formula Grants for Other Than Urbanized Areas	2,740,286
20.513	Capital Assistance Program for Elderly Persons and Persons With Disabilities	7,651
20.514	Transit Planning and Research	19,399
20.516	Job Access Reverse Commute	339,580
20.600	State and Community Highway Safety	1,374,028
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	6,500
45.025	Promotion of the Arts Partnership Agreements	521,400
45.310	State Library Program	957,721
66.439	Targeted Watershed Grants	141,540
66.454	Water Quality Management Planning	161,385
66.456	National Estuary Program	80,819
66.461	Regional Wetland Program Development Grants	(2,335)
66.463	Water Quality Cooperative Agreements	2,475
66.511	Office of Research and Development Consolidated Research/Training	25,712
66.605	Performance Partnership Grants	1,619,035
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	6,666
66.802	Superfund State, Political Subdivision, and Indian Tribe Site Specific	864,684
66.805	Leaking Underground Storage Tank Trust Fund Program	97,087
66.817	State and Tribal Response Program Grants	59,422
66.940	Environmental Policy and State Innovation Grants	93,066
81.042	Weatherization Assistance for Low-Income Persons	5,457,940
81.087	Renewable Energy Research and Development	64,933
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	10,000
81.119	State Energy Program Special Projects	213,793
84.002	Adult education State Grant Program	6,810,968
84.010	Title I Grants to Local Educational Agencies	179,951,234
84.011	Migrant education State Grant Program	1,488,587
84.013	Title I Program for Neglected and Delinquent Children	1,042,905
84.027	Special Education Grants to States	214,489,072

**COMMONWEALTH OF MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

<b>CFDA Number</b>	<b>Program title</b>	<b>Expenditures</b>
84.048	Vocational Education Basic Grants to States	\$ 16,686,738
84.069	Leveraging Educational Assistance Partnership	907,142
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	772,418
84.169	Independent Living State Grants	1,033,171
84.173	Special Education Preschool Grants	5,356,791
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	5,784
84.181	Special Education Grants for Infants and Families with Disabilities	5,173,168
84.185	Byrd Honors Scholarships	88,500
84.186	Safe and Drug-Free Schools and Communities State Grants	5,078,431
84.187	Supported Employment Services for Individuals with Severe Disabilities	114,523
84.196	Education for Homeless Children and Youth	693,036
84.206	Javits Gifted and Talented Students Education Grant Program	48,835
84.213	Even Start State Educational Agencies	812,663
84.224	Assistive Technology	231,254
84.243	Tech-Prep Education	1,287,638
84.255	Literacy Programs for Prisoners	182,730
84.282	Charter Schools	1,123,380
84.287	Twenty-First Century Community Learning Centers	12,640,778
84.298	State Grants for Innovative Programs	1,422,095
84.318	Education Technology State Grants	4,328,885
84.323	Special Education – State Personnel Development	243,240
84.332	Comprehensive School Reform Demonstration	(29,163)
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	1,936,548
84.346	Vocational Education Occupational and Employment information State Grants	(694)
84.350	Transition to Teaching	(4,150)
84.357	Reading First State Grants	11,026,123
84.358	Rural Education	104,062
84.365	English Language Acquisition Grants	9,581,569
84.366	Mathematics and Science Partnerships	1,066,170
84.367	Improving Teacher Quality State Grants	41,628,924
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	7,732,931
93.045	Special Programs for the Aging Title III, Part Nutrition Services	13,947,628
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	180,404
93.052	National Family Caregiver Support	3,396,453
93.053	Nutrition Services Incentive Program	1,565,006

**COMMONWEALTH OF MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

<b>CFDA Number</b>	<b>Program title</b>	<b>Expenditures</b>
93.069	Public Health Emergency Preparedness	\$ 5,388,493
93.087	Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	147,948
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	2,243,738
93.110	Maternal and Child Health Federal Consolidated Programs	135,768
93.136	Injury Prevention and Control Research and State and Community Based Programs	371,901
93.150	Projects for Assistance in Transition from Homelessness (PATH)	1,400,903
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	582,079
93.165	Grants To States for Loan Repayment Program	51,500
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	285,448
93.241	State Rural Hospital Flexibility Program	9,993
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	170,466
93.268	Immunization Grants	82,151
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	2,750,187
93.551	Abandoned Infants	31,294
93.556	Promoting Safe and Stable Families	3,932,046
93.566	Refugee and Entrant Assistance State Administered Programs	2,468,685
93.568	Low-Income Home Energy Assistance	78,163,713
93.569	Community Services Block Grant	9,935,380
93.576	Refugee and Entrant Assistance Discretionary Grants	2,900,814
93.590	Child Abuse Prevention Activities	489,735
93.597	Grants to States for Access and Visitation Programs	16,852
93.599	Chafee Education and Training Vouchers Program (ETV)	(4,000)
93.623	Basic Center Grant	100,000
93.630	Developmental Disabilities Basic Support and Advocacy Grants	195,672
93.631	Developmental Disabilities Projects of National Significance	220,000
93.643	Children's Justice Grants to States	120,696
93.645	Child Welfare Services State Grants	(7,786)
93.652	Adoption Opportunities	368,763
93.659	Child Abuse and Neglect State Grants	70,529
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	479,436
93.674	Chafee Foster Care Independence Program	77,026

**COMMONWEALTH OF MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

<b>CFDA Number</b>	<b>Program title</b>	<b>Expenditures</b>
93.779	Centers for Medicare and Medicaid Services (CMS) Research's Demonstrations and Evaluation	\$ 563,742
93.889	National Bioterrorism Hospital Preparedness Program	5,568,438
93.917	HIV Care Formula Grants	4,151,502
93.938	Cooperative Agreements to Support Comprehensive Programs to Prevent the Spread of HIV and Other Important Health Problems	(1,340)
93.941	HIV Demonstration, Research, Public and Professional Education Projects	102,000
93.944	Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	250
93.958	Block Grants for Community Mental Health Services	5,248,658
93.959	Block Grants for Prevention and Treatment of Substance Abuse	19,122,818
93.978	Preventive Health Services Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants	14,150
93.991	Preventive Health and Health Services Block Grant	398,837
93.994	Maternal and Child Health Services Block Grant to the States	2,360,233
94.004	Learn and Serve America School and Community Based Programs	381,277
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	1,729,873
97.029	Flood Mitigation Assistance	130,032
97.036	Public Assistance Grants	6,230,599
97.067	Homeland Security Grant Program	25,870,490
97.074	Law Enforcement Terrorism Prevention Program (LETTP)	5,893,186
97.075	Rail and Transit Security Grant Program	2,687,165
97.078	Buffer Zone Protection Plan (BZPP)	430,657



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**Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

Mr. Martin Benson, Comptroller  
Commonwealth of Massachusetts:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts (the Commonwealth), as of and for the year ended June 30, 2008, which collectively comprise the Commonwealth's basic financial statements and have issued our report thereon dated December 23, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the entities described in note 13 to the Commonwealth's basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants, and other matters did not include those entities separately audited by us as more fully described in note 13 to the Commonwealth's basic financial statements. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for these entities. The findings, if any, included in those reports are not included herein.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Commonwealth's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commonwealth's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data



reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described as 2008 – 01 through 2008 – 11 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commonwealth's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also noted certain additional matters that we reported to management of the Commonwealth in a separate letter dated December 23, 2008.

The Commonwealth's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit The Commonwealth's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Comptroller's Advisory Committee, management of the Commonwealth of Massachusetts, the Honorable Members of the General Court and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

December 23, 2008



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## **Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133**

Mr. Martin Benson, Comptroller  
Commonwealth of Massachusetts:

### **Compliance**

We have audited the compliance of the Commonwealth of Massachusetts (the Commonwealth) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The Commonwealth's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commonwealth's management. Our responsibility is to express an opinion on the Commonwealth's compliance based on our audit.

As discussed in note (2) to the schedule of expenditures of Federal Awards, the Commonwealth's basic financial statements include the operations of certain entities whose federal awards are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2008. Our audit, described below, did not include the operations of the entities identified in note (2) as these entities conducted separate audits in accordance with OMB Circular A-133, if required.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commonwealth's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commonwealth's compliance with those requirements.

As described in item 2008 – 40 in the accompanying schedule of findings and questioned costs, the Commonwealth did not comply with the requirement regarding procurement that are applicable to its Child Care and Development Block Grant, and Child Care Mandatory and Matching Funds of the Child Care and Development Fund programs. Compliance with such requirements is necessary, in our opinion, for the Commonwealth to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Commonwealth complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 2008. However, the results of our auditing





procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008 – 12, 2008 – 14, 2008 – 15, 2008 – 16, 2008 – 17, 2008 – 18, 2008 – 19, 2008 – 20, 2008 – 21, 2008 – 22, 2008 – 23, 2008 – 24, 2008 – 25, 2008 – 26, 2008 – 27, 2008 – 28, 2008 – 29, 2008 – 30, 2008 – 31, 2008 – 32, 2008 – 33, 2008 – 34, 2008 – 35, 2008 – 36, 2008 – 37, 2008 – 38, 2008 – 39, 2008 – 40, 2008 – 41, 2008 – 42, 2008 – 44, and 2008 – 45.

### **Internal Control over Compliance**

The management of the Commonwealth is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Commonwealth's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commonwealth's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and another that we consider to be a material weakness.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008 – 12, 2008 – 13, 2008 – 14, 2008 – 15, 2008 – 16, 2008 – 17, 2008 – 18, 2008 – 19, 2008 – 20, 2008 – 21, 2008 – 22, 2008 – 23, 2008 – 24, 2008 – 25, 2008 – 26, 2008 – 27, 2008 – 28, 2008 – 29, 2008 – 30, 2008 – 31, 2008 – 32, 2008 – 33, 2008 – 34, 2008 – 35, 2008 – 36, 2008 – 37, 2008 – 38, 2008 – 39, 2008 – 40, 2008 – 42, 2008 – 43, and 2008 – 45 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs we consider item 2008 – 40 to be a material weakness.

The Commonwealth's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Commonwealth's responses, and accordingly, we express no opinion on them.



This report is intended solely for the information and use of the members of the Comptroller's Advisory Committee, management of the Commonwealth of Massachusetts, the Honorable Members of the General Court and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 16, 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**(1) Summary of Auditors' Results**

***Basic Financial Statements***

- a) Unqualified opinions were issued on the basic financial statements of the Commonwealth of Massachusetts (Commonwealth) as of and for the year ended June 30, 2008.
- b) The audit reported significant deficiencies in internal control in connection with the basic financial statements of the Commonwealth as of and for the year ended June 30, 2008. The significant deficiencies were not considered material weaknesses.
- c) The audit disclosed no instances of noncompliance that would be material to the basic financial statements of the Commonwealth as of and for the year ended June 30, 2008.

***Single Audit***

- d) The audit disclosed significant deficiencies in connection with the major federal programs of the Commonwealth for the year ended June 30, 2008. A significant deficiency was considered to be a material weakness.
- e) An unqualified opinion was issued on the Commonwealth's compliance with its major federal programs for the year ended June 30, 2008 except for the Child Care and Development Block Grant, and Child Care Mandatory and Matching Funds of the Child Care and Development Fund programs for which the opinion was qualified.
- f) There were audit findings required to be reported under Section 510(a) of OMB Circular A-133 for the year ended June 30, 2008.
- g) The dollar threshold to determine Type A programs was \$30 million. The major federal programs of the Commonwealth for the year ended June 30, 2008 are as follows:

**U.S. Department of Agriculture**

- Food Stamp Cluster (10.551 and 10.561)
- Child Nutrition Cluster (10.555 and 10.559)
- Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)
- Child and Adult Care Food Program (10.558)

**U.S. Department of Housing and Urban Development**

- Community Development Block Grants/State's Program (14.228)
- Section 8 Housing Choice Vouchers (14.871)

**U.S. Department of Labor**

- Unemployment Insurance (17.225)
- WIA Cluster (17.258, 17.259 and 12.260)

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**U.S. Department of Transportation**

- Highway Planning and Construction (20.205)

**U.S. Department of Education**

- Title I Grants to Local Educational Agencies (84.010)
- Special Education Cluster (84.027 and 84.173)
- Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
- Improving Teacher Quality State Grants (84.367)
- Student Financial Assistance Cluster (84.007, 84.032, 84.033, 84.038, 84.063, 84.268, 84.375, 84.376, 93.364 and 93.925)

**U.S. Department of Health and Human Services**

- Immunization Grants (93.268)
- Temporary Assistance for Needy Families (93.558)
- Child Support Enforcement (93.563)
- Low-Income Home Energy Assistance (93.568)
- Child Care Development Fund Cluster (93.575 and 93.596)
- Foster Care – Title IV-E (93.658)
- Adoption Assistance (93.659)
- Social Services Block Grant (93.667)
- State Children’s Insurance Program (93.767)
- Medicaid Cluster (93.775, 93.777 and 93.778)
- Block Grants for Preventive and Treatment of Substance Abuse (93.959)

**Social Security Administration**

- Social Security – Disability Insurance (96.001)

h) The Commonwealth did not qualify as a low-risk auditee for the year ended June 30, 2008.

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

See accompanying pages 26 through 38.

**(3) Findings and Questioned Costs Relating to Federal Awards**

See accompanying pages 39 through 120.

**FINDINGS RELATING TO THE FINANCIAL  
STATEMENTS REPORTED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

# COMMONWEALTH OF MASSACHUSETTS

## Schedule of Findings and Questioned Costs

Year ended June 30, 2008

### Office of the State Comptroller

#### Fixed Asset Additions

Reference: 2008-01

#### Observation

As required by U.S. Generally Accepted Accounting Principles (GAAP), the Commonwealth capitalizes those items that meet its capital asset threshold (generally items greater than \$50,000). During our audit, we noted that the Commonwealth did not capitalize certain fixed assets in the proper fiscal year. During our testing, 15 out of the 30 items selected were recorded as capital additions in the wrong fiscal year. Of these 15, 11 were in the Massachusetts Highway Department, 3 were in the Department of Fish and Game and 1 was in the Information Technology Division. There were several instances where departments did not capitalize the expenditure until one or more fiscal years after the period in which they should have been capitalized. Additionally, as result of the Commonwealth's accounting convention, capital expenditures incurred towards the end of the fiscal year do not get capitalized until the subsequent year. This convention contributes to cutoff issues at year end, resulting in a significant amount of capital expenditures not recorded in the proper fiscal year.

#### Recommendation

We recommend that the Comptroller consider the need to require departments to perform a "hard close" on a more than annual basis. This will require departments to report capital assets on a more regular basis and may reduce the need for significant adjustments at year end. In addition, as part of the close / open instructions, departments should be instructed on the need to record capital assets in a timely manner as soon as practical at June 30.

#### Management's Corrective Action Plan

We have initiated a mid year (close of period 6) and a end of year (close of period 12) review of fixed assets by departments by sending the chief fiscal officer an inventory of capital assets as of that close. We have also asked them to note any additions and deletions not on MMARS. All additions and deletions will be followed up on by Comptroller staff.

We are also in the process of upgrading training, monthly post-audit queries and reports. Finally, we will revisit the decision to cut off fixed asset additions in the so-called accounts payable period, posting accounts payable transactions to the future fiscal year. Finally, we have asked our Quality Assurance Bureau to do a more in depth review and analysis of fixed asset operations statewide.

*Responsible Official* – Eric S. Berman, CPA, Deputy Comptroller, BJ Trivedi, Bureau Director, Financial Reporting and Analysis Bureau

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Office of the State Comptroller**

**Component Unit Information**

**Reference: 2008-02**

**Observation**

The Commonwealth has identified a significant number of component units for reporting in its comprehensive annual financial report. The evaluation and documentation of whether to include or exclude an entity from being designated as a component unit is based on qualitative and quantitative factors. These factors were originally evaluated by the Commonwealth several years ago. Many of the qualitative factors as well as the judgment applied in reaching the final determination to include or exclude a particular component unit were not documented.

**Recommendation**

We recommend that the Commonwealth update its current component unit determinations and supplement its predominately checklist documentation with narratives to support its qualitative and judgmental decisions.

**Management's Corrective Action Plan**

The Financial Reporting and Analysis Bureau will update all component unit evaluations during the spring of FY2009. Already a new component unit has been added (the Commonwealth Energy Technology Center.) This will be accomplished by sending survey's out to the component units in February 2009, due back in March of 2009. Conclusions will be drawn from each and signed off on by the Financial Reporting and Analysis Bureau.

*Responsible Official* – BJ Trivedi, Bureau Director, Financial Reporting and Analysis Bureau

# COMMONWEALTH OF MASSACHUSETTS

## Schedule of Findings and Questioned Costs

Year ended June 30, 2008

### Office of the State Comptroller

#### Timeliness of the Closing Process

Reference: 2008-03

#### Observation

The Commonwealth's fiscal year ends on June 30. The closing process is such that auditable fund trial balances are not available until early to mid-October, mere weeks before the statutory deadline for reporting to the legislature. While the Commonwealth is clearly a very large, complex and decentralized organization, the timing of the closing process is such that the current timelines do not allow for the ability to deal with unexpected difficulties or delays should they arise in the finalization of supplemental budget adjustments, or the closing, financial reporting and audit processes without significant effort by the Comptroller's staff. This compression of the closing process also may not allow sufficient time to fully consider the effects of non-GAAP policies, the effects of new accounting pronouncements, or changes to the reporting entity.

#### Recommendation

The Comptroller's staff should review the current organizational structure, including roles and responsibilities, to ensure that there is an appropriate balance of responsibilities and an appropriate level of skills in the respective functions of the Comptroller's office to expedite the completion of financial reporting. This analysis should also consider whether a hard close of the Commonwealth's financial records take place at interim dates throughout the year such that certain account balances, fixed assets for example, are not reconciled on just an annual basis. While it may not be practical to perform a hard close on an entity-wide basis, there are many accounts within the control of the Comptroller's office for which an interim hard close would facilitate the closing process at year end. Further, the Commonwealth should assess the timelines given to departments for completion of GAAP packages and period 13 reporting to determine if those timelines can be accelerated. Similarly, the documentation to support certain account balances, such as statutory receivables, is comprised of various reports that must be combined to arrive at the balances reported in the Commonwealth's financial statements. These audit trails often are not clear and require a significant commitment of time to tie out and to support explanations during the audit process. As part of the process described above, management should assess opportunities to streamline the documentation of account balances to expedite the closing process.

#### Management's Corrective Action Plan

As the Commonwealth is highly decentralized and budgetary processes are subject to change by the Legislature up until the final days of the statutory basis financial reporting (SBFR) cycle, it is difficult to manage the flow of information needed to prepare the SBFR on a timely basis and have the information auditable and fairly presented. For example, if a payment is made in the accounts payable period (which stretches to August 31,) the disbursement on those payments may not occur until anywhere from a day to 45 days later. Should that payment be eligible for federal funds, that draw will not occur for three to seven days after confirmation of payment. Should that payment be subject to indirect cost recovery, indirect charge runs may not occur until the beginning



**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

of the next month, which may necessitate a further federal grant draw. So at the very least, due to normal processing, certain federal funds eligible activity may not complete until mid to late October.

Previously, to alleviate this, federal grants receivable are estimated using draws received on behalf of the previous fiscal year until September 30<sup>th</sup>.

To facilitate change, we have submitted legislation downgrading the SBFR from an audit to an attest engagement. That legislation is included in a bill that the Governor submitted on January 28, 2009.

In addition, we will work to strengthen the closing process to shorten the October time pressure without compromising quality.

*Responsible Official* – Eric S. Berman, CPA, Deputy Comptroller, BJ Trivedi Bureau Director, Financial Reporting and Analysis Bureau

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

#### **Office of the State Comptroller**

#### **Preparation of Financial Statements**

#### **Reference: 2008-04**

The preparation of the Commonwealth's financial statements, which includes both the statutory basis financial statements and the comprehensive annual financial report, is a significant undertaking. The preparation of the reports requires the coordination and input of many internal and external parties. The preparation of the statements, and to a large extent the gathering of audit support, is highly dependent upon a single individual. This key dependency exposes the Commonwealth to the risk that significant delays in the preparation of complete and inaccurate financial statements could result should this individual be unavailable for an extended period of time.

#### **Recommendation:**

We recommend that the Comptroller evaluate the resources available to prepare complete and accurate financial statements within the applicable due dates. Adequate resources, cross-functional training and succession planning should be incorporated into the Comptroller's overall departmental plan. In addition, consideration should be given to enhance the skill set of the team through the hiring of employees with CPA certification.

#### **Management's Corrective Action Plan**

We take this comment very seriously. Our office is in the midst of evaluating our mix of employee skills for those employees that prepare the financial reports. As such, we may either hire a CPA unit manager in the Financial Reporting and Analysis Bureau, contingent on budgetary constraints or realign duties. We also take every opportunity to train staff and enhance knowledge transfer not only peer to peer but also from management to staff.

*Responsible Official* – Eric S. Berman, CPA, Deputy Comptroller, BJ Trivedi Bureau Director, Financial Reporting and Analysis Bureau

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

#### **Group Insurance Commission**

#### **Post Employment Benefits Accrual**

**Reference: 2008-05**

#### **Observation**

The Commonwealth provides a variety of life and health insurance plans for its employees and retirees. These plans are administered by the Group Insurance Commission (GIC), a quasi-independent agency of the Commonwealth. By statute, all housing and redevelopment authorities as well as certain municipalities participate in some or all of the GIC plans. These other participants benefit from being part of a larger risk pool, yet remain individually responsible for the premiums associated with their own members.

Under current accounting rules for governments, the Commonwealth is required to record a liability for the future benefits owed to employees and retirees (Other Post-Employment Benefits, or OPEB). For financial reporting purposes, the Commonwealth needs information in order to apportion the liability between the Commonwealth and non-Commonwealth participating employers on an individual claim basis. This information was not available for the preparation of the 2008 financial statements.

The Commonwealth should also ensure that all authorities participating in the pool reimburse the Commonwealth for their share of the cost. There is a risk that authorities could avoid their share of the costs thus burdening other participants in the pool.

#### **Recommendation**

We recommend that the Comptroller and GIC develop policies, procedures and controls to properly reflect the Commonwealth's OPEB liability and to provide participating employers with sufficient information to prepare their own financial reports. We also recommend that the Commonwealth perform a comprehensive review of the participating entities to ensure premium reimbursements are complete and accurate.

#### **Management's Corrective Action Plan**

We are in the process of upgrading our systems to perform this capability, which should be done at some point in FY2010 or FY2011. Until then, we will have to proportionally allocate our claims based upon retiree and survivor enrollment.

*Responsible Official* – Catherine Moore, Budget Director and Program Manger and Robert Johnson, Deputy Director

# COMMONWEALTH OF MASSACHUSETTS

## Schedule of Findings and Questioned Costs

Year ended June 30, 2008

### **Department of Workforce Development**

#### **Reconciliation of Department Cash Accounts**

**Reference: 2008-06**

#### **Observation**

The Department of Workforce Development (the Department or DWD) manages the Unemployment Compensation Trust Fund (the Trust), reported as a Fiduciary Fund in the Statutory Basis Financial Report and as a Proprietary Enterprise Fund in the Comprehensive Annual Financial Report. The Unemployment Trust Fund provides benefits to eligible workers in the Commonwealth who become unemployed through no fault of their own. Funding of the Trust comes from unemployment compensation taxes and fees paid by the Commonwealth's employers, as well as combined wage claims from the federal government and other states. The taxes collected are held by the United States Treasury in the Federal Unemployment Trust Fund. Funds are drawn for the payment of benefits to the unemployed. On a daily basis, the cash management group at DWD reconciles its books to reflect the cash held at the United States Treasury. We noted that the Department did not properly account for outstanding checks. We also noted that the Department did not include its cash reserve held at Sovereign bank along with deposits received from employers not yet transferred into the Trust Fund held at the U.S. Treasury. We also noted that the Department did not properly accrue the claims paid on July 1-3, 2008. These reconciling items were subsequently adjusted in the financial statements.

#### **Recommendation**

We recommend that the Comptroller and DWD evaluate the recording of transactions in MMARS regarding unemployment compensation benefits. Every effort should be made to perform complete and accurate reconciliations to reflect the Department's activities, not the bank's activities. All cash belonging to the Commonwealth should be reflected in the general ledger and ultimately in the financial statements. Proper cut-off should be followed by the Department.

#### **Management's Corrective Action Plan**

With regard to the observation, it should be noted that, in prior years, DWD and the Office of the State Comptroller (OSC) had reported on the basis of cash held at the United States Treasury and had reconciled the reported figures to those appearing in MMARS. The deficiencies noted in the observation will require that a new methodology be formalized which will need to be implemented by staff within the Department and OSC.

OSC and DWD have developed a course of action to implement the recommendation. Specifically, OSC staff will work with DWD in clarifying how certain transactions should be prepared and reported. Additionally, OSC has committed to working with DWD in developing procedures and schedules to ensure proper accounting and timely reporting. These procedures will also include an identification of roles and responsibilities with regard to how the transactions and related activities are formalized both within OSC and DWD.

*Responsible Official* – Barbara McDonough, DWD Chief Fiscal Officer

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Department of Workforce Development**

**Accounts Receivable – Review of the Allowance for Uncollectible Items**

**Reference: 2008-07**

**Observation**

The Department of Workforce Development reserves all accounts receivable over 22 months as uncollectible, and ultimately writes off receivables after 6 years past due. The 22 month period set is based on the Commonwealth's Statutory Law and does not follow Generally Accepted Accounting Principles (GAAP). The Department does not maintain a complete aging report for its accounts receivable, and therefore cannot fully analyze this account.

**Recommendation**

We recommend that the Comptroller and DWD review unemployment insurance accounts receivable and establish an allowance for uncollectible items based on collection experience and other analyses including aging reports.

**Management's Corrective Action Plan**

With regard to the observation, it is important to note that monies owed, while deemed as "uncollectible", remain as active debt and are pursued via administrative and legal avenues. Additionally, while the observation states that write offs occur after 6 years, the Department does not, by policy, write off until the receivable is 8 years past due. Further, all write offs are subject to certification by our Advisory Council.

With regard to the recommendation, the Department will work with the Office of the State Comptroller (OSC) in reviewing the current methodology and threshold for establishing the allowance for uncollectible items to determine if an alternate method and threshold is necessary and feasible. As necessary, DWD will attempt to promulgate any proposed and agreed upon changes to the current methodology and threshold.

It is important to note that a new Revenue/Accounts Receivable system is under development and will provide the ability to perform more in-depth analysis (beginning in Calendar Year 2010) in support of the recommendation.

*Responsible Official* – Barbara McDonough, DWD Chief Fiscal Officer

# COMMONWEALTH OF MASSACHUSETTS

## Schedule of Findings and Questioned Costs

Year ended June 30, 2008

### State Treasurer

#### Reconciliation of Cash Accounts

Reference: 2008-08

#### Observation

As part of the overall cash management process in, certain funds have been established to capture cash transactions. Among these are three funds commonly referred to as the “float funds”. The activity in these funds is intended to represent the outstanding checks of the Commonwealth. As of June 30, 2008, the balance in these float funds was \$162.7 million.

The Treasurer’s Office (TRE) prepares a daily reconciliation between its cash management system and the primary financial institutions. The Treasury cash management system does not incorporate certain traditional reconciling items, such as outstanding checks or activity posted directly to the float funds.

On a monthly basis, a comprehensive Treasury cash management system to MMARS reconciliation is performed by TRE and the Office of the State Comptroller (CTR). However, the activity of the float funds is not completely reconciled each month, thereby decreasing the usefulness of the reconciliation process. In addition, given the Commonwealth’s current cash management process, the utility of the float funds may have outlived their initial intent.

#### Recommendation

Bank to book cash reconciliations should be considered a fundamental business process within any government or business. We recommend that the Commonwealth develop a plan to fully reconcile the float funds. Monthly reconciliations should be performed with the appropriate level of support for any reconciling items that are utilized and should be reviewed by individuals who have access to appropriate supporting documents. There must be a collective effort by CTR and TRE to document and understand the transactions that impact the float funds. Finally, the Commonwealth should review its cash management processes and evaluate the ongoing need of the float funds.

#### Management’s Corrective Action Plan

We agree that there are unresolved reconciling items in the float fund. The Cash Management Division of the Office of the State Treasurer is responsible for reconciling and has reconciled the 20 sub funds in the float fund. During fiscal year 2008, the Treasury retained the services of an auditing firm to assist with identifying unresolved reconciling items from activity related to the remaining sub funds of 11 non-Treasury agencies or departments for fiscal years 2005 and 2006, which was unsuccessful.

In fiscal year 2009, the Treasury began a process to research these variances. Detailed source data for these variances may be difficult and/or time consuming to obtain, but the Treasury has dedicated staff, up to three staff members is performing this research. Additionally, personnel of the Office the State Treasurer meets weekly with

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

the staff of the Office of the Comptroller. A recurring item on the agenda includes discussion about the monthly cash reconciliation.

Through the joint effort between the Office of the State Treasurer and the Office of the Comptroller, bond fund money has been made available to incorporate some of Cash Management operations directly into MMARS. This is expected to reduce manual data entry, allow for direct loads into MMARS, and streamline reconciliation. By using the same system, items that in the past had been reconciliation items due to timing should be reduced or eliminated. This should also reduce the complexity of the current reconciliation process of the float fund.

As a result of this initiative, Cash Management's business processes are being evaluated for enhancements. Treasury agrees there needs to be a discussion about the usefulness and effectiveness of the float fund. Our office is available to meet to discuss options.

*Responsible Official* – James A. MacDonald, Assistant Treasurer, Cash Management Division

# COMMONWEALTH OF MASSACHUSETTS

## Schedule of Findings and Questioned Costs

Year ended June 30, 2008

### **Executive Office of Health and Human Services**

#### **Medicaid Accrual**

**Reference: 2008-09**

#### **Observation**

Participants in the Medicaid program may submit claims several months after the initial date of service. For financial reporting purposes, the Commonwealth is required to estimate the claim runout in order to properly accrue a liability for those incurred but not yet reported (IBNR) claims existing as of June 30. This accrual is based on an analysis of paid claims data as of June 30 and claims paid subsequent to year end with an incurred date prior to year end. During the course of our audit, we noted a number of anomalies in the data used by the Commonwealth to prepare the accrual. In addition, our estimate of the accrual was significantly higher than the amount ultimately recorded by the Commonwealth. This difference was not recorded by the Commonwealth and has been reported to the Advisory Board as a waived audit adjustment.

#### **Recommendation**

We recommend that the Commonwealth review its policies and procedures for preparing the Medicaid accrual. Consideration should be given to enhance the management review of the underlying data, and to ensure all stakeholders understand and agree to the methodology used to calculate the accrual. Part of this consideration should be the timeliness in which the information is gathered and the accrual is calculated.

#### **Management's Corrective Action Plan**

MassHealth believes that our current accrual model has performed well in the past and therefore will take this opportunity to test its current reliability. We plan to run the model using claims data from period one through six. We will make the outcome available for review if desired.

*Responsible Official* – Doug Thompson, CFO MassHealth



**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Department of Revenue**

**Developer Access**

**Reference: 2008-10**

**Observation**

Developers at the Department of Revenue (DOR) are responsible for migrating changes directly into production environment from development environment.

Lack of adequate enforcement of segregation of duties between development of system changes and migration of changes to the production environment increases the risk that unauthorized and/or inappropriate modifications are made to the system.

In addition, lack of a monitoring process designed to identify unauthorized changes increases the risk that unauthorized modifications are not detected in a timely manner.

**Recommendation**

Management should modify security settings to restrict development personnel from migrating changes.

At the very least, where this cannot be achieved, management should implement a process to log and review all changes made to the MassTax system periodically to ensure that all changes performed are authorized, tested and approved.

**Management's Corrective Action Plan**

Developers are required to pass programs through PVCS for change logging. Program logs are kept and reviewed to determine whether unauthorized changes have been migrated into production. During off hours developers are allowed to migrate programs directly into production if the schedule errors.

*Responsible Official* – Richard Gallagher, Chief ADB

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Department of Revenue**

**Developer Access – Job Schedule**

**Reference: 2008-11**

**Observation**

Developers at DOR can submit new/change scheduled jobs without gaining approval from management personnel.

**Recommendation**

Management should modify security settings to restrict development personnel from modifying the job schedule. Where this cannot be achieved, management should implement a process to log and review all changes made to the job schedule to ensure that all changes are authorized and approved.

**Management's Corrective Action Plan**

ADB staff will require proper approval, Project Leader to developer prior to submitting production jobs.

*Responsible Official* – Richard Gallagher, Chief ADB

**FINDINGS AND QUESTIONED COSTS RELATING TO  
FEDERAL AWARDS**

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Department of Public Health**

**Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)**

**Immunization Grants (93.268)**

**Block Grants for Prevention and Treatment of Substance Abuse (93.959)**

<b>Federal Award Number:</b>	<b>4MA700702</b>	<b>Federal Award Year:</b>	<b>2006-2007</b>
	<b>4MA700702</b>		<b>2007-2008</b>
	<b>5H23IP122540</b>		<b>2007</b>
	<b>2H23IP122540</b>		<b>2008</b>
	<b>06BIMASAPT</b>		<b>2005-2007</b>
	<b>BIMASAPT07</b>		<b>2006-2008</b>

**U.S. Department of Health and Human Services**

**Finding Reference: 2008-12**

**Requirement**

Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation that accounts for the total activity for which each employee is compensated (OMB circular A-87, Attachment B Section 8 (H) (1) (2) and (3)).

**Finding**

During our testwork over personnel service costs we noted that the Department charged Federal awards to programs based on budgeted amounts and did not periodically reconcile those amounts to actual amounts benefiting a Federal or non-Federal program. In inquires with Department management we noted one employee with an annual salary of \$48,382 that split their budgeted time between the Immunization Grants Program and the Special Supplemental Nutrition Program for Women, Infants, and Children equally. We also noted two other employees with annual salaries of \$37,206 and \$75,067 who split their time equally between the Immunization Grants program and nonfederal programs. Lastly, we noted 1 employee with an annual salary of \$87,626.50 who splits their time between the Block Grant for the Prevention and Treatment of Substance Abuse program and the Maternal and Child Health Block Grant.

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Further, during our audit we selected 15 employees and tested internal controls over the initiation, review and approval of payroll for five pay periods per employee. In the seventy-five timesheets reviewed, we noted that six timesheet were not approved by the employees' supervisor as required by Department policy.

Questioned costs could not be determined as the appropriate amounts to be charged to each program could not be calculated with the information available at the time.

#### **Recommendation**

The Department should revise their current policies and procedures to conform to the requirements of OMB Circular A-133 and reinforce existing policies and procedures to ensure timesheets are reviewed and approved timely.

#### **Related Noncompliance**

Based on the above, the Department was not in compliance with the stated requirement.

#### **Question Costs**

Cannot be determined

#### **Views of Responsible Officials**

The following updated procedures will be established to comply with OMB circular A-87 regarding supporting documentation for employees who work on multiple activities (and on more than one grant).

- Bi-annual payroll certification. Two payroll certification documents for each DPH federal grant will be distributed to each Bureau Director on a semi-annual basis (January and July) for their signature and approval. The first document will list individuals who are fully funded on the grant in question. The second will list all employees who are split funded with the alternate account indicated from which they are paid. Both Bureau Directors will sign the certification form for the staff persons who are split funded if the grants supporting their payroll costs fall into two separate Bureaus.
- Quarterly payroll query for split funded positions. A quarterly labor history query for each split funded individual will be prepared to verify payroll charges for the previous quarter. That report will be reconciled with the initial split-funding rule request to ensure that the individual's payroll labor distribution matches work activities performed.
- Time Sheets. Time sheets for all non-hospital DPH employees will be modified to reflect the accounts from which staff persons are paid. Staff signatures will certify that that the work they do relates to the account(s) from which they are compensated. For the individuals who are split funded, the percentage of time worked on each grant will be indicated next to the account number. The following certification statement will appear at the bottom of each time sheet; "Employee signatures on this time sheet certify the employee has performed work associated with the account (s) listed." DPH will ensure that the employee supervising the individual's work activities will be signing the time sheets.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Contact: Carol Weisberg, Chief Financial Officer, Department of Public Health

Implementation Date: Full implementation by March 31, 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

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**Department of Workforce Development**

**Unemployment Insurance (17.225)**

**WIA Adult Program (17.258)**

**WIA Youth Activities (17.259)**

**WIA Dislocated Workers (17.260)**

<b>Federal Award Number:</b>	<b>UI-16752-08-55-A-25</b>	<b>Federal Award Year:</b>	<b>2008</b>
	<b>UI-15804-07-55</b>		<b>2007</b>
	<b>UI-15126-06-55</b>		<b>2006</b>
	<b>AA-16034-07-55-A-25</b>		<b>2008</b>
	<b>AA-15485-06-55</b>		<b>2007</b>
	<b>AA-14681-05-55</b>		<b>2006</b>

**U.S. Department of Labor**

**Finding Reference:** 2008-13

**Requirement**

Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant (29 CFR 97.20 (b) (1)).

**Finding**

The Department has established policies and procedures for the preparation of its Federal reports that are to be submitted to the U.S. Department of Labor. During our audit, we noted that for the Unemployment Insurance Program reports ETA 9130, ETA 227, and ETA 2208A, and the WIA programs' report ETA 9103 the Department has the same person entering the report information and certifying the data as being complete and accurate. The lack of supervisory review on program reports increase the risk that reports could be prepared incorrectly and go undetected.

**Recommendation**

We recommend that the Department revised their current policies and procedures such that segregation of duties exists in the preparation of Federal reports.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Views of Responsible Officials**

The Department is addressing this finding and will ensure that a proper segregation of duties exists with regard to data entry and data certification for the noted reports.

Contact: Wayne Kallman, Operations Director

Implementation date: March 31, 2009



**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Massachusetts Highway Department**

**Highway Planning and Construction (20.205)**

**Federal Award Number: BRI-095-1-098-AC Federal Award Year: 2004**

**U.S. Department of Transportation**

**Finding Reference: 2008-14**

**Requirement**

Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit (OMB Circular A-87 Attachment B Section 8 (h) (1)).

**Finding**

During our test work of approximate \$20 million in personnel services costs charged to the program, we noted that the Department failed to provide evidence that an immediate supervisor had reviewed and approved timesheets for two individuals of the 30 sampled who charged hours to program projects as required by the Department's policies and procedures. The two individuals had charged \$868 to program projects for the payroll period tested.

**Recommendation**

We recommend that the Department strengthen existing policies and procedures in order to ensure employee timesheets are reviewed and authorized in order to conform to Department policies and procedures.

**Related Noncompliance**

Based on the above the Department was not in compliance for the two employees with the requirement above.

**Questioned Costs**

\$868

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Views of Responsible Officials**

The Department has established policies and procedures in place in the Administration manual in order to ensure employee timesheets are reviewed and authorized properly. Also, periodically, the Boston Payroll section will send notices to the District payroll staff to ensure compliance with the Department's policies and procedures. The District responsible for this finding has been notified. The Department recognizes this finding as an isolated incident.

Contact: Nancy Christo, Director of Payroll.

Implementation Date: Completed

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

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**Massachusetts Highway Department**

**Highway Planning and Construction (20.205)**

<b>Federal Award Number:</b>	<b>IM-495-9-033-000</b>	<b>Federal Award Year:</b>	<b>2004</b>
	<b>STP-001-S-516-X00</b>		<b>2005</b>
	<b>STP-095-2-107-000</b>		<b>2005</b>
	<b>NH-095-2-106-000</b>		<b>2005</b>
	<b>STP-001-S-571-000</b>		<b>2006</b>

**U.S. Department of Transportation**

**Finding Reference:** 2008-15

**Requirement**

The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate Federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under Sec. 5.5(a)(3)(i) of Regulations, 29 CFR part 5. This information may be submitted in any form desired. Optional Form WH-347 is available for this purpose and may be purchased from the Superintendent of Documents (Federal Stock Number 029-005-00014-1), U.S. Government Printing Office, Washington, DC 20402. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors.

Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:

- That the payroll for the payroll period contains the information required to be maintained under Sec. 5.5(a)(3)(i) of Regulations, 29 CFR part 5 and that such information is correct and complete;
- That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in Regulations, 29 CFR part 3;
- That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract. (29 CFR 5.5(a)(3)(ii) (A) and (B))

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

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#### **Finding**

The Department has established policies and procedures to ensure that the Statement of Compliance be received by the Department within seven days after the regular date of payroll period, including a policy that the Department will not process and approve payment for work completed until the complete certified payrolls were submitted and reviewed.

Sixty different certified payrolls and Statements of Compliance from multiple payroll periods during the year were tested for compliance with the requirements noted above. The following 14 instances of non-compliance were noted.

One district could not provide payroll reports and the accompanying Statements of Compliance in four (4) sample selections. In another two (2) sample selections for that same district, the payroll reports and Statements of Compliance were not dated. As a result, it could not be determined whether the reports were received prior to payment. In another district, there was no evidence that the Statement of Compliance had been received for two (2) cases.

Additionally, for five (5) sample selections in three districts, the payments were made prior to the Department's receipt of the certified payroll reports. Finally, in one (1) case, the Payment Commodity Form signed by the Director of Construction was not dated. Accordingly, we were unable to determine if the Form was approved after the certified payroll report was received.

A similar finding was included in prior year Single Audit report as finding number 2007-12.

#### **Recommendation**

We recommend that the Department strengthen existing policies, procedures and contract provisions to ensure that all contractors and subcontractors submit their certified payrolls within seven days after the pay date of a payroll period.

#### **Related Noncompliance**

Based on the above the Department was not fully in compliance with the requirement above.

#### **Questioned Costs**

None

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Views of Responsible Officials**

Mass Highway is addressing this issue in two steps.

A new web-based software package, EBO, is in the procurement process to allow contractors to file their certified payrolls electronically. This program will allow the payrolls to be viewed as needed electronically, providing more timely receipt and a more reliable resource for the construction field staff to verify receipt of the necessary information than is currently provided by paper files.

In addition, Mass Highway will add a new feature to the computer application used by the construction staff to process Contractor pay estimates. The new feature will require that the Resident Engineer verify, by answering a question in the program, that certified payrolls have been received before the pay estimate can be completed. It is expected that this control can be implemented to coincide with having EBO in place, currently targeted for early 2009.

Pending these electronic improvements, the importance of compliance with the Davis Bacon reporting requirements has been reviewed with the construction staff.

Contact: Michael McGrath, Director of Construction.

Implementation Date: June 1, 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Massachusetts Highway Department**

**Highway Planning and Construction (20.205)**

**Federal Award Number: All Federal Award Year: All**

**U.S. Department of Transportation**

**Finding Reference: 2008-16**

**Requirement**

A State DOT or LPA must have a sampling and testing program for construction projects to ensure that materials and workmanship generally conform to approved plans and specifications (23 CFR Section 637.205).

**Finding**

The Massachusetts Highway Department's has established an independent assurance program that requires all materials used in construction projects to be sampled and tested in accordance with the Department's Guide Schedule for Sampling and Testing Materials contained in the 1987 Materials Manual.

During our testwork of the Department's compliance with the requirement, we noted that the Department does not have a formal system in place to track the projects included in the Independent Assurance Program. As a result, we could not determine whether sampling and testing was performed for all materials requiring sampling and testing.

**Recommendation**

We recommend that the Department formalize the Independent Assurance Program in accordance with the Federal regulation and implement policies and procedures in order to comply with the requirements.

**Related Noncompliance**

Based on the above the Department was not in compliance with the requirement above.

**Questioned Costs**

None

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

#### **Views of Responsible Officials**

The Department acknowledges that a refined procedure for monitoring and tracking the Independent Assurance Program (IA's) is beneficial. To refine the process and correct this insufficient course of action in the long term, R&M is currently working closely with IT (using Mass Highway's SAM project software) to electronically identify the possibility of an IA on a project strictly from the quantities listed under each item in the Contract. Using the SAM software will provide a web based medium for construction field staff and R&M staff to coordinate and flag activities for each material. As an immediate response R&M has assigned one individual to be the focal point and lead the IA program. He will coordinate with field staff concerning the timing of IA's and will assign an inspector to perform the tests on a specified day. After receiving the IA information, it will be reviewed and then noted both in the project files and on a newly developed database summarizing IA project results. This will improve IA continuity and reporting.

Contact: John Grieco, Director of Research and Materials

Implementation Date: June 30, 2008

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Westfield State College**

**Federal Perkins Loan Program (84.038)**

**Federal Award Number:** None

**Federal Award Year:** None

**U.S. Department of Education**

**Reference:** 2008-17

**Requirement**

To participate in the Federal Perkins Loan program, an institution shall enter into a participation agreement with the Secretary. The agreement provides that the institution shall use the funds it receives solely for the purposes specified in this part and shall administer the program in accordance with the Act, this part and the Student Assistance General Provisions regulations, 34 CFR part 668. The agreement further specifically provides, among other things, that (a) The institution shall establish and maintain a Fund and shall deposit into the Fund (1) FCC received under this subpart; (2) Except as provided in paragraph (a)(1) of Sec. 674.7 (i) ICC equal to at least three-seventeenths of the FCC described in paragraph (a)(1) of this section in award year 1993-94; and (ii) ICC equal to at least one-third of the FCC described in paragraph (a)(1) of this section in award year 1994-95 and succeeding award years; (3) ICC equal to the amount of FCC described in paragraph (a)(1) of Sec. 674.7 for an institution that has been granted permission by the Secretary to participate in the ELO under the Federal Perkins Loan program; (4) Payments of principal, interest, late charges, penalty charges, and collection costs on loans from the Fund; (5) Payments to the institution as the result of loan cancellations under Section 465(b) of the Act; (6) Any other earnings on assets of the Fund, including the interest earnings of the funds listed in paragraphs (a)(1) through (4) of this section net of bank charges incurred with regard to Fund assets deposited in interest-bearing accounts (34 CFR 674.8(a)(1 to 6).

**Finding**

To participate in the Federal Perkins Loan (FPL) program, an institution must enter into a participation agreement with the U.S. Department of Education (DOE). The agreement provides that the institution shall use the funds it receives solely for the administration of the program. Further, the Federal Student Aid Handbook, Chapter 3 Volume 4 provides guidance on maintaining and accounting for the receipt of FPL funds. According to the Handbook, if a college is required to maintain an interest bearing account or investment account for other federal funds, the college may use one account for FPL funds and all other federal funds. However, if the college chooses to maintain one account, it must determine the amount of any interest earned on the FPL funds and retain those funds for use in the FPL program. A college may deduct from the interest earned any bank or service charges incurred as a result of maintaining the fund assets in an interest bearing account, and deposit only the net earnings.



## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

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Our review identified that WSC used a third party loan servicer to service the collection of these loans following the student's departure from the WSC. The servicer deposited student payments into the WSC's main operating account two or three times per month. Although the main operating account is an interest bearing account, WSC did not identify the interest attributable to the FPL fund account. As a result, the FPL interest was co-mingled with other funds. Interests earned on deposits were transferred to a general interest account of the WSC.

According to WSC finance officials, they were aware of the federal requirement to maintain Federal funds in an interest bearing account; however, they were not aware of the program requirement regarding the identification of and retention of interest earned on FPL funds maintained in this interest bearing account. They also stated they did not determine the amount of program interest income it earned on the FPL funds.

To determine the amount of FPL interest earned during the fiscal year, we calculated the average monthly FPL deposit balance and multiplied the average balance by an average of the interest rate identified on WSC's monthly bank statements. As a result, we determined that WSC earned approximately \$2,095 in interest income on its FPL funds during the fiscal year 2008. In addition, during our discussions with WSC, officials acknowledged that this practice and condition may have been in place in prior years and may have resulted in additional interest earned on FPL deposits that were not accounted for in the FPL fund.

#### **Recommendation**

We recommend that WSC establish policies and procedures to ensure that interest earned on Federal Perkins Loan deposits are retained and used in accordance with Federal regulations.

#### **Related Noncompliance**

WSC was not in compliance with the above stated requirements.

#### **Questioned Costs**

\$2,095

#### **Views of Responsible Officials and Corrective Actions**

All interest earned during FY 2008 (\$2,095) has been added to the Federal Perkins Loan fund. A system has been established to calculate the interest earned monthly in that fund to ensure proper allocation going forward.

Contact: Lisa Freeman, Assistant Vice President, Finance

Implementation Date: Immediate

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**Westfield State College**

**Federal Supplemental Educational Opportunity Grants (84.007)**

**Federal Work Study Program (84.033)**

**Federal Perkins Loan Program (84.038)**

**Federal Pell Grant Program (84.063)**

**Federal Award Number: Multiple**

**Federal Award Year: 2007 to 2008**

**U.S. Department of Education**

**Reference: 2008-18**

**Requirement**

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs as outlined in this section and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (34 CFR Sections 668.22(a)(1) through (a)(3)).

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to ED or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (34 CFR Section 668.173(b)).

**Finding**

WSC did not correctly calculate the return of Title IV Funds for 16 of 25 students in our sample. Our review also identified that for six of the students WSC did not process the return of Title IV funds within the 45-day limit as required by federal regulations.

During our audit we noted that the WSC's Student Financial Aid office incorrectly calculated 16 of our sample of 25 student refunds of Title IV program funds. These refunds resulted from students officially withdrawing from WSC enrollment prior to the completion of the enrollment period. Our analysis determined that additional funds should have been retained for 13 students. Also, 2 students had completed more than sixty percent of the calendar

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

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days in the payment period and had earned one hundred percent or all of their Title IV awards, therefore, WSC was not required to return the amount of unused Title IV funds, and one student received a return adjustment due to a death in the family.

Specifically, we found that WSC did not use the correct starting and ending dates for the spring semester. According to the WSC Academic Calendar, the starting date for the semester was January 22, 2008, and the ending date was May 7, 2008. Refund calculations performed by WSC identified a starting date of January 20, 2008 and a scheduled end date of May 6, 2008. Consequently, when SFA officials calculated the percentage of Title IV funds earned by each student these percentages were not calculated according to the actual start and end dates of the semester. Our analysis found that WSC had returned \$21,786 in Title IV funds. According to the actual start and end dates, WSC should have returned \$23,060. As a result of these incorrect calculations, WSC returned \$1,274 less in unearned Title IV funds to the United States Department of Education (DOE).

We further noted that WSC did not return Title IV program funds to the DOE in a timely manner. In our sample of the 25 students that officially withdrew from the college during the audit period, we identified six students that had refunds calculated but were returned after the forty-five day limit had expired.

We identified that the WSC processed its returns of Title IV funds by electronic funds transfers and the processing of these returns ranged from 47 to 56 days. Of the six Title IV returns that were not processed timely, two returns were processed at 47 days, one return was processed at 48 days, two returns were processed at 54 days, and one return was processed at 56 days. WSC's SFA policy requires the SFA office to make appropriate adjustments to financial aid based on the withdrawal date submitted by the Office of the Registrar. Refunds are then calculated based on this date. However, the WSC policy does not address the 45-day time frame. Consequently, the WSC did not comply with federal regulations regarding the processing of the six Title IV refunds in a timely manner.

#### **Recommendation**

We recommend that WSC establish and/or strengthen existing policies and procedures to ensure that Title IV refunds are calculated correctly and returned to DOE in time frames in accordance with Federal regulations.

#### **Related Noncompliance**

WSC was not in compliance with the above stated requirements.

#### **Questioned Costs**

\$1,274

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Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Views of Responsible Officials and Corrective Actions**

The Financial Aid Office will strengthen its policies and procedures regarding the Return of Title IV Funds to include:

1. Verifying semester start and end dates according to the Registrar's Office
2. Obtaining the withdrawal list from the Registrar's Office on a weekly basis
3. Processing the Return of Title IV Funds calculation within 30 days of notification

Contact: Catherine Ryan, Director of Financial Aid

Implementation Date: Immediate

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**Westfield State College**

**Federal Work Study Program (84.033)**

**Federal Award Number: PO33A071959      Federal Award Year: 2007 to 2008**

**U.S. Department of Education**

**Reference: 2008-19**

**Requirement**

The institution may use FWS funds only for awards to students, a Job Location and Development (JLD) Program, Work-Colleges Program, administrative costs, and transfers to FSEOG (34 CFR Sections 675.18 and 675.33).

The student's wages are earned when the work is performed. The institution shall pay the student at least once per month. The Federal share must be paid by check or similar instrument the student can cash on his or her endorsement, or as authorized by the student, by crediting FWS funds to a student's account or by EFT to a bank account designated by the student. The institution may only credit the account for tuition, fees, institutional room and board, and other school-provided goods and services (34 CFR Section 675.16).

The institution must also establish and maintain program and fiscal records that include a certification by the student's supervisor, an official of the institution or off-campus agency that each student has worked and earned the amount being paid. The certification must include or be supported by, for students paid on an hourly basis, a time record showing the hours each student worked in clock time sequence, or the total hours worked per day;(34 CFR 675.19 (b)(2)(i)).

**Finding**

Westfield State College's (WSC) has established policies and procedures for maintaining, monitoring and controlling WSC's student Federal Work Study (FWS) payroll records and files in accordance with both Federal and State regulations. Our review identified that WSC policies and procedures require all FWS student employees to accurately complete and submit time sheets on a weekly basis to his or her supervisor. Individual time sheets list the name and social security number of each student as well as the dates, time in and time out and total hours for each work day. In addition, the FWS student is required to sign and date each time sheet. The student signature certifies that the FWS student worked the hours documented on each time sheet and that these hours are true and correct. Each department supervisor then submits a Master Time sheet to the payroll office that summarizes the employees working in the department as well as the hours worked on a daily basis. The Master Time sheet is then submitted to the payroll office and the FWS payroll is prepared from each Master Time sheet. According to SFA policies and procedures, individual time sheets are kept at the department and are not to be submitted to the payroll office. According to the supervisor in the payroll department, FWS student

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

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employees are then paid according to the hours documented on the Master Time sheet. During our audit, we reviewed Master Time sheets for accuracy and authorizations as well as supporting documentation listed on individual student time sheets.

Our audit procedures included tests for proper authorization, supporting documentation, accuracy, completeness, timeliness, and adherence to award specifications. In our sample of 60 students, which involved a review of 692 timesheets or timecards taken from payrolls in the fall 2007 and the spring 2008 semesters, we noted the following:

- 11 students did not have individual time sheets to support the hours worked in accordance with the Master Time Sheets submitted to the payroll department. We found a total of 16 missing time sheets or time cards for these eleven students. Notwithstanding these missing student timesheets or timecards the Master Time sheets were prepared and submitted for payment by the department supervisor. As a result, there is no assurance that these 11 students earned FWS compensation totaling \$626.
- 35 FWS students with 393 time sheets or time cards totaling \$19,590 did not include the signature/initials of the student. We found that 14 of the 35 students had never submitted a time sheet or time card with a signature certifying or attesting to their time worked.
- Master time sheets submitted to the WSC payroll department by the Athletic Department and Woodward Center for five work weeks during our audit period did not have a department supervisor's signature, nor were they dated certifying supervisory review and authorization as required by Federal regulations. These Master Time sheets included the department summary of hours worked totaling \$2,832 for 63 individual students' time sheets or time cards.
- 17 students in the Athletic Department signed and dated 98 time sheets that included 392 hours for future dates that had not been worked. For example, one student had signed and dated his time sheet December 4, 2007, but the time sheet included 2 hours for December 10, 2007 and three hours for December 11, 2007. We also identified another student that had signed and dated his time sheet on September 28, 2007 and included 6.5 hours for October 1, 2007, 3.5 hours for October 2, 2007 and 3.5 hours for October 3, 2007. This resulted in questionable FWS payments totaling \$3,138
- There were discrepancies between student time sheets and Master Time sheets prepared by department supervisors. We found that Master Time sheets were calculated incorrectly resulting in both overpayments and underpayments to students. Our audit found 6 instances where student work hours documented on the Master Time sheet were less than the hours on the individual time sheet completed by the student. This resulted in underpayments to students totaling \$338. We also found 36 instances where work hours documented on the Master Time sheet exceeded hours on the individual student time sheet. This resulted in overpayments to students in the amount of \$1,700.

Questioned costs were determined by adding the overpayments and amounts that could not be substantiated noted above.

# COMMONWEALTH OF MASSACHUSETTS

## Schedule of Findings and Questioned Costs

Year ended June 30, 2008

### **Recommendation**

We recommend that WSC establish and/or strengthen existing policies and procedures to ensure that federal regulations related to the Federal Work Study program are complied with.

### **Related Noncompliance**

WSC was not in compliance with the above stated requirements.

### **Questioned Costs**

\$27,886

### **Views of Responsible Officials and Corrective Actions**

Westfield State College has taken immediate steps to address the issues raised relative to our processing of FWS payroll.

The payroll supervisor and the FWS coordinator have reviewed the Westfield State College Student Employment Handbook to ensure that it is a comprehensive statement of our policies and procedures. The handbook is distributed to each FWS supervisor and timekeeper. We recognize that merely providing a clear set of instruction is not sufficient to achieve an acceptable level of compliance. To that end, we have scheduled a mandatory training for all supervisors and timekeepers to be held on February 6, 2009.

The Payroll office has begun internal audits of departmental payroll and timekeeping practices. Each week members of the payroll staff review the documentation which supports the master departmental timesheets of several departments. Departments are informed generally that these reviews will be conducted; however, there is no prior notification of the timing of specific departmental reviews. These visits also provide opportunities for one-on-one training in situations where issues have been identified. Our goal is to visit each department at least twice each semester, with some departments reviewed more frequently. The Athletic Department has been the focus of particular attention. To ensure compliance with all procedures, a staff member within the department, a Bookkeeper II, performs an audit of every individual timesheet prior to entering the hours worked on the master timesheet.

The reporting day for submission of timesheets will be moved back one week to ensure that no time is reported prior to it having been worked. Because our work week ends on Saturday, some students have submitted timesheets earlier in the week reflecting that they were scheduled to work on the weekend. While we are confident the work was done as indicated on the timesheet, we can resolve any question by moving the reporting day. This is a practice which has worked well for our Public Safety Department for several years. We believe that extending it across campus will be equally effective.

Contact: Deborah Gentile, Payroll Manager

Implementation date: Immediate

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Westfield State College**

**Federal Family Education Loans (84.032)**

**Federal Award Number:** None

**Federal Award Year:** None

**U.S. Department of Education**

**Reference:** 2008-20

**Requirement**

A school shall unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary or the guaranty agency, as appropriate; within 30 days if it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has enrolled at that school but has ceased to be enrolled on at least a half-time basis; has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; has ceased to be enrolled on a full-time basis, or has changed his or her permanent address (34 CFR 682.610(c)(2)).

**Finding**

Westfield State College's (WSC) policy is to report student enrollment to a contracted third party, the National Student Clearinghouse (NSC), approximately once each month. WSC utilized the NSC to facilitate its responsibility to notify the National Student Loan Data System (NSLDS) of changes in the enrollment status of students. WSC did not have written policies and procedures for reporting student status changes and verifying that the changes were timely and accurately reported to the NSLDS. WSC is ultimately responsible to ensure that NSLDS is properly and timely notified of all student enrollment status changes.

During our audit we noted the following in our sample of 30 students who received Federal Family Education Loans:

- WSC did not notify and update NSLDS for 11 students in our sample with any changes in their enrollment status although the students had withdrawn and had ceased to be enrolled. Of these 11, one student had officially notified the WSC of his withdrawal on December 12, 2007 but was not reported to the NSLDS on the next scheduled transmission on January 16, 2008. The student's status was still not reported on another scheduled transmission on June 23, 2008 substantially beyond the 60-day limit to report.
- For eight students in our sample, WSC had not reported their enrollment status to the NSLDS within the 60-day time limit as required under federal regulations. The range of delayed reporting for these students was between 15-29 days beyond the 60-day limit to report.



## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Timely reporting of enrollment data for federal student loan borrowers is critical because student enrollment status determines the date a federal loan borrower enters a grace or repayment period, the timing of the government's payment of interest subsidies, and whether a borrower is eligible for in-school deferment privileges.

#### **Recommendation**

We recommend that WSC implement written policies procedures to ensure the timely reporting of enrollment data to NSLDS in accordance with federal regulations requirements.

#### **Related Noncompliance**

WSC was not in compliance with the above stated requirement.

#### **Questioned Costs**

None

#### **Views of Responsible Officials and Corrective Actions**

We will fully document the procedures used to produce enrollment and degree reports run through the Banner student information system. We will process full withdrawals and course withdrawals that may affect changes in status on a weekly basis. We will consider increasing its report submission from once a month to twice a month. Also, we will alter our enrollment report submission schedule to align with the Clearinghouse's receipt of NSLD SSCR's.

As a result of working with the Audit Resource Team at the Clearinghouse, we now have a stronger understanding of how the NSLDS SSCR's are received and processed by the Clearinghouse. Altering our submission schedule will ensure more recent and accurate data is received by the Clearinghouse in time to edit the SSCR sent from the NSLDS.

Contact: John Ohotnicky, Registrar

Implementation date: Ongoing, by June 30, 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Mount Wachusett Community College**

**Federal Family Education Loans (84.032)**

**Federal Award Number:** None

**Federal Award Year:** None

**U.S. Department of Education**

**Reference:** 2008-21

**Requirement**

A school shall unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary or the guaranty agency, as appropriate; within 30 days if it discovers that a If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has enrolled at that school but has ceased to be enrolled on at least a half-time basis; has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; has ceased to be enrolled on a full-time basis, or has changed his or her permanent address (34 CFR 682.610(c)(2).

**Finding**

Mount Wachusett Community College's (MWCC) policy is to report student enrollment to a contracted third party, the National Student Clearinghouse (NSC), three times during the semester and once at the conclusion of each semester to include graduating students. WMCC utilized the NSC to facilitate its responsibility to notify the National Student Loan Data System (NSLDS) of changes in the enrollment status of students. However, MWCC is ultimately responsible to ensure that NSLDS is properly and timely notified of all student enrollment status changes.

During our audit we noted the following in our sample of 30 students who received Federal Family Education Loans:

- MWCC did not report to NSLDS through NSC eight students in our sample with any changes in their enrollment status although the students had withdrawn and had ceased to be enrolled at MWCC. Of the eight students, four were discovered by MWCC after their final submission of student enrollment status changes had been made for the spring semester. MWCC had planned to include these students in their next scheduled transmission in September 2008, but since that scheduled transmission would be past the 60-day requirement, MWCC was required to report these enrollment changes within 30 days. MWCC did not report the other four students to NSLDS through NSC because incorrect withdrawal data was inputted into the Banner system, two students had incorrect withdrawal dates, one had the wrong social security number and one was reported as a half time student and not withdrawn.

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

- For 11 students in our sample, MWCC had not timely reported their enrollment status changes to NSLDS through NSC within the 60-day time limit as required under federal regulations. The range of delayed reporting for these students was between 28 to 68 days beyond the 60-day limit to report. MWCC believes the reason that it did not report in a timely manner the 11 students to NSLDS was caused by an update of the Banner software system, which is used to manage students' records and accounts. MWCC believes this caused the reporting indicator used to track students' withdrawals was not set properly or eliminated from the system during a system update. Subsequently, when the student status reports were run on January 28<sup>th</sup> and March 14<sup>th</sup> the 11 withdrawals indicated above were not included. The reporting problem was identified and an update to the system was performed on March 15<sup>th</sup> to incorporate the tracking indicator back into the system. The problem was resolved when the student status reports were run on April 28<sup>th</sup> and all students with changes in their enrollment status subsequent to the original system update were reported to NSLDS through NSC.

Timely reporting of enrollment data for federal student loan borrowers is critical because student enrollment status determines the date a federal loan borrower enters a grace or repayment period, the timing of the government's payment of interest subsidies, and whether a borrower is eligible for in-school deferment privileges.

Subsequent to the audit date, MWCC has adopted a policy to submit student enrollment status changes on a monthly basis to ensure that they are complying with the federal regulations.

#### **Recommendation**

We recommend that MWCC improve existing procedures to ensure the timely reporting of enrollment data to NSLDS in accordance with federal regulations requirements.

#### **Related Noncompliance**

MWCC was not in compliance with the above stated requirement.

#### **Questioned Costs**

None

#### **Views of Responsible Officials and Corrective Actions**

Mount Wachusett Community College has made significant changes to its Enrollment Status Reporting process. These changes include implementing procedures to strengthen its policies and procedures to endure timely and accurate reporting and controls to verify information reported to NSLDS. Details of these changes are as follows:

1. Electronic reporting to the National Student Clearinghouse (NSC) was completed by the MWCC Institutional Research Office during the 2007 calendar year and discrepancies were resolved by the Records Office. The reporting was moved to the Records Office in January 2008 and the entire process is now completed by the Records office. This has streamlined the process and provided the Records Office with a full understanding of the NSC requirements and reports.

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

2. Reporting was changed to monthly beginning September 2008 and electronic data is sent to the NSC the third week of every month. Discrepancy reports and reject reports are completed immediately following the submission. This has greatly improved the accuracy of data and the timing of reporting withdrawals.
3. A manual check of withdrawals and drop outs has been implemented to insure that the extract of electronic data is accurate. Initially all withdrawals and drop outs were verified against the NSC reported data. All withdrawal data was reported accurately during the months of September, October, and November, 2008. Beginning December, 2008, the Records Office began checking a random sample of withdrawn students against the NSC reported data. The Records Office will continue to complete a monthly check of withdrawals against the NSC reported data to insure that electronic reporting is working properly.
4. The Records Office receives monthly discrepancy reports and completes those reports within one week of receipt. A reject report is received and completed to insure that all students are loaded properly and reported timely.
5. The Records Office employee responsible for the NSC reporting communicates monthly to the Director of Student Records and Financial Management regarding all NSC reporting activities and the reporting requirements are monitored closely.
6. The Director of Student Records and Financial Management will conduct an annual audit of Enrollment Status Reporting requirements using the process completed by the Independent State Auditors. The following procedures will be completed during that annual audit:
  - a. A random sample of 30 students will be selected.
  - b. The academic record of each student will be pulled.
  - c. The NSC reported data will be verified against the academic record.
  - d. The National Student Loan Data System (NSLDS) information will be verified against the NSC reported data.
  - e. All dates of attendance and reported dates will be verified against the federal reporting requirements to insure that MWCC is reporting data within the 60-day time limits.

All data not meeting the federal reporting requirements will be noted and adjustments will be made to the processes to insure 100% compliance with all federal reporting regulations.

Contact: JoEllen Soucier, Director of Student Records and Financial Management

Implementation Date: September 15, 2008

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Bristol Community College**

**Federal Work Study Program (84.033)**

**Federal Award Number: P033A071832      Federal Award Year: 2007 to 2008**

**U.S. Department of Education**

**Reference: 2008-22**

**Requirement**

The institution may use FWS funds only for awards to students, a Job Location and Development (JLD) Program, Work-Colleges Program, administrative costs, and transfers to FSEOG (34 CFR Sections 675.18 and 675.33).

The student's wages are earned when the work is performed. The institution shall pay the student at least once per month. The Federal share must be paid by check or similar instrument the student can cash on his or her endorsement, or as authorized by the student, by crediting FWS funds to a student's account or by EFT to a bank account designated by the student. The institution may only credit the account for tuition, fees, institutional room and board, and other school-provided goods and services (34 CFR Section 675.16).

The institution must also establish and maintain program and fiscal records that include a certification by the student's supervisor, an official of the institution or off-campus agency that each student has worked and earned the amount being paid. The certification must include or be supported by, for students paid on an hourly basis, a time record showing the hours each student worked in clock time sequence, or the total hours worked per day; (34 CFR 675.19 (b)(2)(i))

**Finding**

Bristol Community College's (BCC) has established policies and procedures for maintaining, monitoring and controlling BCC's student Federal Work Study (FWS) payroll records and files in accordance with both Federal and State regulations.

Our audit procedures included tests for proper authorization, supporting documentation, accuracy, completeness, timeliness, and adherence to award specifications. In our sample of 126 students, which involved a review of 201 timesheets taken from payrolls in the fall 2007 and the spring 2008 semesters, we noted the following:

- Timesheets are pre-printed at the beginning of each semester with a preprinted name of a supervisor which may not be the actual supervisor assigned to the student.

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

- Timesheets are prepared and submitted to the payroll department in advance resulting in estimating hours that may be worked during the week.
- Timesheets are not designed for a students' signature to attest to the number of hours worked.
- 26 of the 201 timesheets reviewed totaling \$4,563 were not signed by the supervisor listed on the timesheet.
- Seven timesheets of the 201 timesheets reviewed totaling \$1,034 had the supervisors' stamped signature. It was noted that two supervisors had authorized someone else who worked for them to use a rubber stamp with their name to approve the timesheets in their absence.
- Five timesheets totaling \$830 were signed before the student had worked the indicated hours.

When apprised of the weaknesses noted in our audit, BCC personnel immediately began development of a system that included monitoring mechanisms with required supporting documentation in a consistent format, to ensure Federal Work Study compliance with federal guidelines and internal policies and procedures.

Questioned costs were determined by adding the above noted amounts.

#### **Recommendation**

We recommend that BCC establish and/or strengthen existing policies and procedures to ensure that federal regulations related to the Federal Work Study program are complied with.

#### **Related Noncompliance**

BCC was not in compliance with the above stated requirements.

#### **Questioned Costs**

\$6,427

#### **Views of Responsible Officials and Corrective Actions**

Bristol Community College concurs with the audit recommendations relative to improvement of internal controls within its FWS program. Further, the College agrees with the recommendation to review and revise existing FWS policies and procedures to strengthen internal controls and provide for monitoring of departmental compliance.

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Specifically the following changes have been implemented:

- The Financial Aid Office has updated all FWS timesheets to include the supervisor's name.
- The Financial Aid Office has updated the FWS timesheets to include the student's name. The students are required to sign their timesheet to attest to the number of hours worked.
- The Financial Aid Office has revised its policy and will no longer accept a stamped supervisor's signature.

With respect to the condition of non-compliance indicating that timesheets are prepared and submitted to the payroll department in advance, the College believes we are in compliance.

- There is no pre-paying or estimating of Federal Work Study time sheets and all adjustments, edits and reconciliations are finalized before the Federal Work Study payroll is submitted. Federal Work Study payroll time sheets are required to be submitted in advance (Thursday, of the end of the work week) in order to make funds available in a timely manner, as required by Chapter 149: Section 148 of state statutes. Students who may work on Friday and Saturday would put their expected time on the time sheet which is due before the time has been worked. Input of these Federal Work Study time sheets and initial reconciliation is done on Friday by the Payroll Office. Work study supervisors are then to contact the Financial Aid Office on the following Monday for any edits for those students who have not worked hours after the time sheet has been submitted and those edits are done by the Payroll Office. The Payroll Department will then perform a final updated reconciliation of Federal Work Study funds and then submit the payroll for processing on Tuesday. Therefore, no one is prepaid, and there is no estimation of time worked in this completed process.

Contact: Steve Ozug, VP of Enrollment Services

Implementation date: December 31, 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Bristol Community College**

**Federal Family Education Loans (84.032)**

**Federal Award Number:** None

**Federal Award Year:** None

**U.S. Department of Education**

**Reference:** 2008-23

**Requirement**

A school shall unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary or the guaranty agency, as appropriate; within 30 days if it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has enrolled at that school but has ceased to be enrolled on at least a half-time basis; has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; has ceased to be enrolled on a full-time basis, or has changed his or her permanent address (34 CFR 682.610(c)(2)).

**Finding**

Bristol Community College's (BCC) policy is to report student enrollment to a contracted third party, the National Student Clearinghouse (NSC), twice for each semester. This semester reporting is done once during the semester and once at the conclusion of the semester and provided a special report to include the graduating students at year-end. BCC utilized the NSC to facilitate its responsibility to notify the National Student Loan Data System (NSLDS) of changes in the enrollment status of students. However, BCC is ultimately responsible to ensure that NSLDS is properly and timely notified of all student enrollment status changes.

During our audit we noted the following in our sample of 30 students who received Federal Family Education Loans:

- BCC did not report to NSLDS through NSC four students with changes in their enrollment status although the students had graduated and had ceased to be enrolled at the BCC. BCC had planned to include these students in their next scheduled transmission on September 18, 2008, but had not notified the NSLDS through NSC of their enrollment status as of October 28, 2008.
- For 13 students, BCC had not timely reported their enrollment status changes to NSLDS through NSC within the 60-day time limit as required under federal regulations. The range of delayed reporting for these students was between 35 to 145 days beyond the 60-day limit to report. BCC believes the reason that it did not report in a timely manner the 13 students to NSLDS through NSC was caused by students who may have been drop deleted in the Banner software system, which is used to manage students' records and accounts or NSC not timely forwarding the student status change data on graduation or withdrawal to NSLDS.



# COMMONWEALTH OF MASSACHUSETTS

## Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Timely reporting of enrollment data for federal student loan borrowers is critical because student enrollment status determines the date a federal loan borrower enters a grace or repayment period, the timing of the government's payment of interest subsidies, and whether a borrower is eligible for in-school deferment privileges.

### **Recommendation**

We recommend that BCC implement procedures to ensure the timely reporting of enrollment data to NSLDS in accordance with federal regulations requirements.

### **Related Noncompliance**

BCC was not in compliance with the above stated requirement.

### **Questioned Costs**

None

### **Views of Responsible Officials and Corrective Actions**

Bristol Community College concurs with the audit recommendation to implement and document a procedure of times and accurate reporting of enrollment data to the National Student Loan Data System (NSLDS) in accordance with the requirement of federal regulations 34 CFR 682.610 (c)(2).

Bristol Community College has changed its submission schedule to the National Student Clearinghouse to be the first of every month. This change should capture all changes to student status in a more timely fashion and report them as required by NSSC policies and guidelines.

To remedy the delay in student enrollment status changes will be the education of and communication to all faculty on the need to comply with attendance policies. Faculty will be instructed on how to accurately and promptly report students who no longer attend class. They will also be monitored to ensure compliance with a timely reporting requirement. Follow up to enrollment verifications and monthly reminders to maintain accurate student withdrawal dates will be sent electronically to all faculty through each semester. This change will be implemented in FY09.

Contact: David Allen, Director of Financial Aid

Implementation date: June 30, 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Massachusetts Rehabilitation Commission**

**Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)**

**Federal Award Number:** H126A080028D      **Federal Award Year:** 2007 - 2008  
H126A070028E      2008 - 2009

**U.S. Department of Education**

**Finding Reference:** 2008–24

**Requirement**

The State VR Agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless (Section 102(a)(6) of the Act (29 USC 722(a)(6)):

- Exceptional and unforeseen circumstances beyond the control of the State VR agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or
- The State VR Agency is exploring an individual’s abilities, capabilities, and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from VR services.

**Finding**

The Massachusetts Rehabilitation Commission (Department) has created client database reports that are designed to provide management with the capability to monitor cases where eligibility has not been determined within 30, 45 and 60 days from the application date.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

A review of the client database reports as of June 30, 2008 disclosed that eligibility was not determined within 60-days of the application date for 2,318 (25%) of the 9,429 cases received during the period of July 1, 2007 to April 30, 2008, as follows:

<b>Number of days above 60 in which eligibility was not determined</b>	<b>Number of cases not in compliance</b>	<b>% of cases</b>
61 – 99 days	1,558	67%
100 – 149 days	498	22%
150 – 199 days	169	7%
200 plus days	93	4%
Total	<u>2,318</u>	

In addition, as of June 30, 2008, eligibility had not yet been determined for 649 of the 2,318 cases noted above. Furthermore, Department records indicated that eligibility had not yet been determined for an additional 13 cases that were received prior to July 1, 2007.

We noted that the Department has not implemented policies and procedures that document the monitoring process of the client database reports , e.g., how often the reports should be reviewed, how the review should be documented, including the resolution of any issues identified during the review. Without documented policies and procedures, there is no assurance that the monitoring process is consistently conducted by all managers to either prevent cases from becoming non-compliant or to detect cases that are non-complaint with regulations.

Both federal and state regulations permit an extension of time beyond 60 days for exceptional and unforeseen circumstances beyond the Department’s control, provided that the Department and the individual agree to an extension of time. In the cases noted above, there was no documentation on record that an extension of time was agreed to.

**Recommendation**

We recommend that the Department establish policies and procedures in order to ensure eligibility determination are done within timeframes promulgated by Federal regulations.

**Related Noncompliance**

Based on the above the Department was not in compliance with the requirement above.

**Questioned Costs**

None

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Views of Responsible Officials and Corrective Actions**

The Massachusetts Rehabilitation Commission already has a policy on timely eligibility determinations. We recognize that improvements in this area are important for compliance purposes. In terms of actions the following have been implemented:

- We will complete an analysis of compliance by office.
- Offices with major compliance issues will be required to submit a formal corrective action plan.
- Notification to all managers that their performance will partly be based on compliance with time in status standards.

We will evaluate counselor performance as above. We are issuing a monthly status report by office tracking eligibility determination times.

Contact Person:           Kasper Goshgarian           Deputy Commissioner MRC  
                                  Joan Phillips                   Assistant Commissioner VR Program

Implementation date:    January 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Massachusetts Rehabilitation Commission**

**Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)**

**Federal Award Number:** H126A080028D      **Federal Award Year:** 2007 - 2008  
H126A070028E      2008 - 2009

**U.S. Department of Education**

**Finding Reference:** 2008–25

**Requirement**

Sources of program income include, but are not limited to, payments from the Social Security Administration for rehabilitating Social Security beneficiaries, payments received from workers' compensation funds, fees for services to defray part or all of the costs of services provided to particular individuals, and income generated by a State-operated community rehabilitation program.

Except as indicated below, program income, whenever earned, must be used for the provision of VR services and the administration of the State Plan under the State Vocational Rehabilitation Services Program. Program income is considered earned when it is received (Section 108 of the Act (29 USC 728); 34 CFR Section 361.63).

The State VR Agency is authorized to treat program income as a deduction from total allowable costs or as an addition to the grant funds to be used for additional allowable program expenditures, in accordance with 34 CFR Sections 80.25(g)(1) or (2) (34 CFR Section 361.63).

**Finding**

The primary source of income for the program consists of reimbursement from the Social Security Administration (SSA) for expenses incurred in assisting Social Security beneficiaries to achieve gainful employment as program participants. The Massachusetts Rehabilitation Commission (Department) submits expense claims for reimbursement to the SSA. Monthly SSA transmits funds (program income) directly to the Commonwealth based on approved claims. The program income is used by the Department to pay for services on behalf of program clients. The Department prepares a cash deposit form for the amount of the program income received and submits the form to the Office of State Treasurer (OST) for recording in the State's accounting system, MMARS.

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Our review of the program income recorded in MMARS for the period July 1, 2007 to June 30, 2008, disclosed the following:

- Three SSA reimbursements totaling \$250,102 (\$198,744 received in December 14, 2007, \$24,889 received on January 26, 2008, and \$26,469 received on March 26, 2008) were not recorded in the program's income appropriation. The reimbursements were recorded in two other Department appropriations in error. In all cases the cash deposit forms were completed correctly by the Department.
- Two transactions were incorrectly recorded in the program's income appropriation account on June 26, 2008 totaling \$75,420. These transactions involved other state agencies and were not Department program income.

The net result of the above errors was an understatement of \$174,682 in the Department's program income appropriation account.

As a result of the understatement in program income, the Department's December 31, 2007, March 31, 2008 and June 30, 2008 SF-269 reports were also understated. After the discovery of the understatements, the Department corrected the reported program income on the September 30, 2008 SF-269 report.

The above errors were not detected because the Department's internal controls did not include a reconciliation of SSA reimbursements to MMARS to ensure that all program income is completely and accurately recorded. The lack of reconciliations can result in undetected, incorrect or invalid transactions being made to the VR program income appropriation account.

#### **Recommendation**

We recommend that the Department develop policies and procedures in order to ensure program income are completely and accurately recorded.

#### **Related Noncompliance**

Based on the above the Department was not in compliance with the requirement above.

#### **Questioned Costs**

\$174,682

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Views of Responsible Officials and Corrective Actions**

We have reviewed our procedures and found this error to be an extreme exception that would have been detected within the department had the auditors not found it first. The revenue was received by the department but had been credited to the wrong account by the State Treasures Office.

We recognize our responsibilities to reconcile our revenue in a timely manner and with established procedures for staff to follow.

We have reinforced our procedures to reconcile CD forms (Cash Deposit) with the Comptrollers MMARS 341 Document Direct Report in order to confirm that funds received are credited to the correct appropriation.

Contact: Ann Murphy, Chief Accountant MRC

Implementation date: August 2008

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Department of Elementary and Secondary Education**

**Improving Teacher Quality (Title II) (84.367)**

**Title I Grants to Local Education Agencies (84.010)**

<b>Federal Award Number:</b>		<b>Federal Award Year:</b>	
S010A050021		2006	
S010A050021A		2006	
S010A060021		2007	
S010A060021A		2007	
S010A070021		2008	
S010A070021A		2008	
S367A0500020		2006	
S367A0500020A		2006	
S367A0600020		2007	
S367A0600020A		2007	
S367A0700020		2008	
S367A0700020A		2008	

**U.S. Department of Education**

**Finding Reference:** 2008-26

**Requirement**

Significant expansion of enrollment means a substantial increase in the number of students attending a charter school due to a significant event that is unlikely to occur on a regular basis, such as the addition of one or more grades or educational programs in major curriculum areas. The term also includes any other expansion of enrollment that the SEA determines to be significant (34 CFR 76.787).

An SEA must allocate funds under a covered program in accordance with this subpart to any charter school LEA that-(i) Opens for the first time or significantly expands its enrollment during an academic year for which the State awards funds by formula or through a competition under the program (34 CFR 76.789 (b) (1)(i)).

**Finding**

The Department of Education in conjunction with the terms outlined in 34 CFR 76.787 defined significant expansion as a charter school's enrollment based on Oct. 1 SIMS is at least 10% greater than the previous year; and the charter school is expanding for one of the following reasons; 1) adding one or more grades according to a growth plan; 2) a Board of Education approved amendment to the school's charter to increase enrollment; and 3) relocation to new space that allows for approved expansion previously restricted by inadequate facilities.



## COMMONWEALTH OF MASSACHUSETTS

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Year ended June 30, 2008

During our test work over the Improving Teacher Quality Program, we determined that the Massachusetts Department of Elementary and Secondary Education did not make any allocations for new or significantly expanded charter schools.

Further, during our test work over the Title I Grants to Local Education Agencies Program, we determined that one charter school out of a sample of 14 did not meet the definition of a significantly expanded charter school but were granted \$29,217 in Title I program funds for being a significantly expanded charter school.

#### **Recommendation**

The Department should improve existing controls to ensure that significantly expanded charter schools are properly allocated Federal program funds.

#### **Related Noncompliance**

Based on the above, the Department was not in compliance with the stated requirement.

#### **Questioned Costs**

\$29,217 (84.010)

#### **Views of Responsible Officials**

The Charter School office has a staff member that monitors charter school expansion and the file is reviewed ensure that charter schools are allocated the amount to which they are entitled each year. We acknowledge that during an internal period of staff transition, the Improving Teacher Quality Program did not make any allocations for new or significantly expanded charter schools in FY 2008. This had been done for FY 2009 prior to the auditors commencing field work for the 2008 program period. It was determined that once we discovered the omission that it was too late to allot funds that could be properly expended. The Title I amount in question was an oversight.

Contact Person: Elizabeth Losee, Administrator

Implementation Date: November 1, 2008

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Department of Elementary and Secondary Education**

**Improving Teacher Quality (Title II) (84.367)**

<b>Federal Award Number:</b>	<b>S367A0500020</b>	<b>Federal Award Year:</b>	<b>2006</b>
	<b>S367A0500020A</b>		<b>2006</b>
	<b>S367A0600020</b>		<b>2007</b>
	<b>S367A0600020A</b>		<b>2007</b>
	<b>S367A0700020</b>		<b>2008</b>
	<b>S367A0700020A</b>		<b>2008</b>

**U.S. Department of Education**

**Finding Reference:** 2008–27

**Requirement**

A local educational agency (LEA) (except a local educational agency identified for improvement under Section 6316 (c) of this title or subject to corrective action under Section 6316 (c)(9) of this title may transfer not more than 50 percent of the funds allocated to it (including funds transferred under subparagraph (C)) under each of the provisions listed in paragraph (2) for a fiscal year to one or more of its allocations for such fiscal year under any other provision listed in paragraph (2). A local educational agency identified for improvement under Section 6316 (c) of this title may transfer not more than 30 percent of the funds allocated to it (including funds transferred under subparagraph (C)) under each of the provisions listed in paragraph (2) for a fiscal year— (i) to its allocation for school improvement for such fiscal year under Section 6303 of this title; or (ii) to any other allocation for such fiscal year if such transferred funds are used only for local educational agency improvement activities consistent with Section 6316 (c) of this title (20 USC 7305b)

**Finding**

In order to be compliant with the requirements, the Department was allowed to transfer up to 50% of each year’s non-administrative allocation to other eligible programs, however, LEA’s identified for improvement may only transfer up to 30% of their base and LEA’s requiring corrective action may not transfer any funds.

During our test work over for the program we selected a sample of 30 LEA’ and noted that five LEA’s were in corrective action status and had transferred program funds in noncompliance of the requirement stated above. The five LEA’s transferred \$413,690 in Federal fiscal year 2007 program funds.

**Recommendation**

The Department should improve their policies and procedures to ensure LEA are transferring funds in accordance with Federal regulations.

**COMMONWEALTH OF MASSACHUSETTS**

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**Related Noncompliance**

Based on the above, the Department is not in compliance with the stated requirement

**Questioned Costs**

\$413,690

**Views of Responsible Officials**

The Department acknowledges that Corrective Action districts were indeed allowed to flex in FY07. The Title IIA team was not aware that these districts were in Corrective Action at the time of the reviews, and therefore, incorrectly approved them for transferring funds, when they should not have been. Further, although these incorrectly approved districts were in Corrective Action status the fiscal year prior, the Title IIA review team did not sync this information with a subsequent year's review.

The team has mitigated this issue by collaborating with the Title I and Accountability team to establish a list of districts with funding transfer stipulations, before the Title IIA reviews take place. This has allowed reviewers to flag districts with flexing funds provisions before their grant applications are reviewed.

Contact Person: Elizabeth Losee, Administrator

Implementation Date: March 1, 2009

**COMMONWEALTH OF MASSACHUSETTS**

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Year ended June 30, 2008

**Department of Transitional Assistance**

**Temporary Assistance for Needy Families (93.558)**

<b>Federal Award Number:</b>	<b>0702MATANF</b>	<b>Federal Award Year:</b>	<b>2007</b>
	<b>0802MATANF</b>		<b>2008</b>

**U.S. Department of Health and Human Services**

**Finding Reference:** 2008-28

**Requirement**

If the State agency responsible for administering the State plan approved under Title IV-D of the Social Security Act determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for TANF, the State TANF agency must (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance. HHS may penalize a State for up to five percent of the SFAG for failure to substantially comply with this required State child support program (42 USC 608(a)(2) and 609(a)(8); 45 CFR Sections 264.30 and 264.31).

**Finding**

During our audit we selected 30 recipients who were reported to the Department by the State IV-D agency (Department of Revenue) for not cooperating in establishing paternity, or in establishing, modifying or enforcing a child support order. For each selection, we verified that the recipient's grant was terminated or reduced by an amount of not less than 25 percent. We noted two exceptions in our sample.

In one of the 30 cases selected we noted that the recipient was properly sanctioned on August 9, 2007 in accordance with the Federal regulations. However, the sanction was inadvertently removed from the system on August 23, 2007 and not added back into the system until November 1, 2007. As such, Federal assistance was required to be terminated or reduced by an amount of not less than 25 percent during this period but was not.

In a second case, we noted that the recipient was not sanctioned until 74 days after the notice of non-cooperation was received.

Questioned costs were calculated by the Federal share of amount that the receipt should have been sanctioned during the period August 23, 2007 to November 1, 2007 (\$406) and the amount that the second recipient should have been sanctioned for the 74 days (\$189).

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Recommendation**

We recommend that the Department reinforce its policies and procedures to ensure adherence to Federal regulations.

**Related Noncompliance**

Based on the above the Department was not in compliance with the requirement above.

**Questioned Costs**

\$595

**Views of Responsible Officials**

The Department agrees with the finding. The Department will issue a Field Operations memo to its entire Transitional Assistance Office (TAO) staff reminding Case Managers to closely monitor child support cooperation by the heads of households in their caseloads and to ensure that timely case reviews produce prompt notification to the Department of Revenue (DOR). Additionally, in the Field Operations memo, TAO staff will be afforded the opportunity to access the Department's Training Unit for additional support.

Contact: John Augeri, Assistant Commissioner for Field Operations

Implementation Date: June 30, 2009

**COMMONWEALTH OF MASSACHUSETTS**

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Year ended June 30, 2008

**Department of Transitional Assistance**

**Temporary Assistance for Needy Families (93.558)**

<b>Federal Award Number:</b>	<b>0702MATANF</b>	<b>Federal Award Year:</b>	<b>2007</b>
	<b>0802MATANF</b>		<b>2008</b>

**U.S. Department of Health and Human Services**

**Finding Reference:** 2008–29

**Requirement**

An individual convicted under Federal or State law of any offense which is classified as a felony and which involves the possession, use, or distribution of a controlled substance (as defined the Controlled Substances Act (21 USC 802(6)) is ineligible for assistance if the conviction was based on conduct occurring after August 22, 1996. A State shall require each individual applying for assistance under TANF to state in writing whether the individual or any member of their household has been convicted of such a felony involving a controlled substance. However, a State may by law exempt individuals or limit the time period of this prohibition (21 USC 862a).

**Finding**

In implementing the above requirement the Commonwealth through law established that individuals who are otherwise exempt or who have been out of prison for over twelve months are eligible for TANF assistance. We noted that the paper application for TANF benefits has a question regarding drug related felonies occurring after August 22, 1996; however, this question does not appear in the BEACON System application work-flow used by caseworkers.

During our audit, we selected 90 recipients of program benefits and re-performed the recipient’s eligibility including testing for the requirement stated above. We noted that in one of the cases selected the recipient had a copy of a certificate of release letter in the case file stating a release date of March 30, 2007 which was determined to be related to a drug felony. The release date was within twelve months of receiving benefits as such, the recipient was ineligible to receive benefits.

Question costs were determined by taking the Federal share of benefits paid to the recipient during the period under audit.

**Recommendation**

We recommend that the Department modify its existing policies and procedures to ensure that applicants are aware of and state in writing compliance with this requirements during the application process.

**COMMONWEALTH OF MASSACHUSETTS**

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**Related Noncompliance**

Based on the above the Department was not in compliance with the requirement above.

**Questioned Costs**

\$323

**Views of Responsible Officials**

The Department agrees with this finding. This was an isolated exception where there was a failure by a Case Manager to review documentation properly.

The Department will issue a Field Operations memo to its entire Transitional Assistance Office (TAO) staff reminding Case Managers of the importance of proper review of documentation relating to this finding. Additionally, in the Field Operations memo, TAO staff will be afforded the opportunity to access the Department's Training Unit for additional support.

Contact: John Augeri, Assistant Commissioner for Field Operations

Implementation Date: June 30, 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Department of Transitional Assistance**

**Temporary Assistance for Needy Families (93.558)**

<b>Federal Award Number:</b>	<b>0702MATANF</b>	<b>Federal Award Year:</b>	<b>2007</b>
	<b>0802MATANF</b>		<b>2008</b>

**U.S. Department of Health and Human Services**

**Finding Reference:** 2008–30

**Requirement**

A State may not provide assistance for a minor child who has been or is expected to be absent from the home for a period of 45 consecutive days or, at the option of the State, such period of not less than 30 and not more than 180 consecutive days unless the State grants a good cause exception, as provided in its State Plan (42 USC 608(a) (10)).

A State may not provide assistance for an individual who is a parent (or other caretaker relative) of a minor child who fails to notify the State agency of the absence of the minor child from the home within five days of the date that it becomes clear to that individual that the child will be absent for the specified period of time (42 USC 608(a) (10) (C)).

**Finding**

The Department has defined this eligibility requirement in the approved State Plan. During our audit we selected 60 recipients who had a minor child removed from their home by the Commonwealth’s Department of Youth Services (DYS) or Department of Children and Families (DCF) for over 120 consecutive days, which is the period of time specified in the approved State Plan. We noted the following matters in four of the 54 recipients selected:

- For three recipients that had a DCF match in the BEACON system, the Department determined that the match appeared as “Informational Data Received” in the system instead of “Child in Placement”, which would require Department action. The three recipients had a dependent removed from the home by DCF for a period of 144, 189 and 271 consecutive days, yet the dependent remained active and received benefits after 120 days. None of the three recipients had good cause exceptions documented in the case file.
- For another one recipient, a dependent was removed from the home by DYS for a period of 149 consecutive days yet the dependent remained active and received benefits after 120 days. The receipt also failed to notify the Department of the absence of the child within five days of knowledge of the absence. The recipient did not have a good cause exceptions documented in the case file.



**COMMONWEALTH OF MASSACHUSETTS**

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Questioned costs were calculated by taking the Federal share of the benefits paid for the dependents after 120 days of absence from the home.

**Recommendation**

We recommend that the Department improve its existing policies and procedures in order to ensure compliance with the stated federal requirements.

**Related Noncompliance**

Based on the above the Department was not in compliance with the requirement above.

**Questioned Costs**

\$5,021

**Views of Responsible Officials**

The Department agrees with this finding.

Regarding the DCF match, the “Informational Data Received” error was due to a defect in the Department’s match with DCF. On October 6, 2008, the Department corrected the defects so that now, in cases such as the three discovered during the audit, the data field would correctly read “Child In Placement.”

Regarding the DYS match, this exception was caused by worker error in failing to remove the recipient from benefits. The Department’s Director of the Fraud Investigations and Data Matching Unit will conduct a training session with staff that processes the DYS match to ensure that all policies and procedures are met. Additionally, Data Matching Unit staff will be afforded the opportunity to access the Department’s Training Unit for additional support.

Contact: Mark S. Miller, Associate Commissioner for Program Integrity  
Kristin Naugler Killeen, Director of Fraud Investigations and Data Matching

Implementation Date: June 30, 2009

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Year ended June 30, 2008

**Department of Transitional Assistance**

**State Administrative Matching Grants for Food Stamp Program (10.561)**

**Temporary Assistance for Needy Families (93.558)**

**Medical Assistance Program (93.778)**

<b>Federal Award Number:</b>	<b>4MA400402</b>	<b>Federal Award Year:</b>	<b>2007</b>
	<b>4MA420409</b>		<b>2008</b>
	<b>0702MATANF</b>		<b>2007</b>
	<b>0802MATANF</b>		<b>2008</b>

**U.S. Department of Health and Human Services**

**U.S. Department of Agriculture**

**Finding Reference: 2008-31**

**Requirement**

The State shall submit a cost allocation plan for the State agency as required below to the Director, Division of Cost Allocation (DCA), in the appropriate HHS Regional Office. The plan shall: (1) Describe the procedures used to identify, measure, and allocate all costs to each of the programs operated by the State agency; (2) Conform to the accounting principles and standards prescribed in Office of Management and Budget Circular A-87, and other pertinent Department regulations and instructions; (3) Be compatible with the State plan for public assistance programs described in 45 CFR Chapter II, III and XIII, and 42 CFR Chapter IV Subchapters C and D; and (4) Contain sufficient information in such detail to permit the Director, Division of Cost Allocation, after consulting with the Operating Divisions, to make an informed judgment on the correctness and fairness of the State's procedures for identifying, measuring, and allocating all costs to each of the programs operated by the State agency (45 CFR 95.507 (a)).

**Finding**

The Department using a Public Assistance Cost Allocation Plan (PACAP) annually distributes approximately \$164 million direct and indirect costs to benefiting federal and non-federal programs using numerous different methodologies. On behalf of the Department of Transitional Assistance, the Executive Office of Health and Human Services' Federal Reporting Unit (FRU) has the responsibility for preparing and maintaining the PACAP, which identifies certain direct and indirect costs to be charged to federal and non-federal programs. The FRU has established certain internal controls to ensure amounts claimed in the PACAP agree with the Commonwealth's accounting system, MMARS and amounts claimed are appropriate and in accordance with Federal regulations. During our audit we noted the following:

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

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- The Department did not have a process in place to timely identify changes made by other agencies to Departmental data in MMARS. We noted that for the quarter ended March 31, 2008, there was an additional \$97,944 in costs that could have been included in the PACAP. This was due to adjustments made to MMARS that the Department was unaware of until it completed the reconciliation in September of 2008.
- All of the adjustments to the PACAP were not monitored. As a result, the fringe benefits rate of 1.33% for unemployment insurance, universal health and Medicare was not being computed on regular employees, only contractors. This resulted in an under recovery of \$687,556 for the first three quarters of fiscal year 2008.

#### **Recommendation**

The Department should improve existing policies and procedures to ensure amounts claimed are complete and accurate.

#### **Related Non-Compliance**

Based on the above, the Department was not in compliance with the above requirement.

#### **Questioned Costs**

None

#### **Views of Responsible Officials and Corrective Action**

The Department agrees with this finding and acknowledges that this was an oversight. The necessary corrections and retro-active adjustments have been made by EOHHS Federal Revenue unit to bring in the appropriate revenue to the Commonwealth. Additionally, checking on the fringe rate has been added to the Federal Revenue unit's quarterly checklist.

Contact: Janice Axelrod, EOHHS Director of Federal Revenue  
Easton Hill, EOHHS Assistant Director of Federal Revenue for TANF and Food Stamps

Implementation Date: The corrective action regarding the under claiming will begin March 30, 2009.  
  
The corrective action plan regarding the fringe rate was implemented for quarter ending 10/1/2008 and all retro-active adjustments have been made.

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**Department of Revenue**

**Child Support Enforcement (93.563)**

**Federal Award Number:** G0704MA4004      **Federal Award Year:** 2007  
G0804MA4004      2008

**U.S. Department of Health and Human Services**

**Finding Reference:** 2008-32

**Requirement**

For all cases referred to the IV-D agency or for those being applied for under Section 302.33 of this chapter, the IV-D agency must open all cases by establishing case records and determine necessary action by assessing : (1) Solicit necessary and relevant information from the custodial parent and other relevant sources and initiate verification of information, if appropriate; and (2) If there is inadequate location to proceed with the case, request additional information or refer the case for further location attempts, as specified in Section 303.3 (CFR 303.2 (B)).

**Finding**

During our testwork of the Departments' compliance with requirement above, we noted that the Department failed to open a case by establishing a case record within the required time frame for eleven out of the 70 cases selected for testwork. The eleven cases were not opened within 20 days as required by Federal regulation.

A similar finding was included in the prior year single audit report as finding 2007-33.

**Recommendation**

We recommend that the Department strengthen existing policies and procedures in order to comply with required time frames for establishing a case record.

**Related Noncompliance**

Based on the above the Department was not fully in compliance with the requirement above.

**Questioned Costs**

None

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#### Views of Responsible Officials and Corrective Actions

The errors cited in the finding relate to the Child Support Enforcement Division (CSE) taking appropriate actions on cases within federally mandated timeframes. Specifically, the finding was that CSE failed to open and assess new cases within 20 days.

CSE does have policies and procedures directing that cases be processed in accordance with the timeframes, but processing of new cases is less automated and relies heavily on manual intervention by staff. Following is a summary of the steps CSE has taken to improve performance in this area:

- CSE regional staff have reviewed the workflow for case intake and establishment to identify steps that could be taken to improve and streamline processes.
- CSE engaged a vendor to design and implement an automated workflow management system that includes imaging, document generation, and workflow management. CSE is currently engaged in a technology roadmap initiative that has just completed and which will take CSE to the next steps with its automated workflow management system. Imaging will be implemented in all offices within the next six months. With workflow management tools, CSE can ensure that all federal timeframes and regulations are met.
- CSE plans to utilize data warehousing technology to provide management reports and data to allow staff to proactively and effectively manage caseloads with the goals of improving performance and service to customers and meeting case processing timeframes. The requirements definition and general system design phases of the project have been completed and the technical design is underway. Development and implementation will be completed by early next year.
- CSE continues to deliver the training program, launched in 2007, that is mandatory for all staff and delivered on a regular basis. A portion of the program covers the mandated timeframes for case processing in order to ensure that all staff are aware of the timeframes. CSE is investigating the possibility of using eLearning technology to make the training even more accessible to staff and also delivers the information on time standards to all new staff who join CSE.

Contact: Paul Cronin, Associate Deputy Commissioner

Implementation date: October 1, 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Department of Revenue**

**Child Support Enforcement (93.563)**

**Federal Award Number:** G0704MA4004      **Federal Award Year:** 2007  
G0804MA4004      2008

**U.S. Department of Health and Human Services**

**Finding Reference:** 2008-33

**Requirement**

The State IV-D agency must attempt to secure medical support information, and establish and enforce medical support obligations for all individuals eligible for services under 45 CFR Section 302.33. Specifically, the State IV-D agency must determine whether the custodial parent have satisfactory health insurance other than Medicaid. If not, the agency must petition the court or administrative authority to include medical support in the form of health insurance coverage in all new or modified orders for support. The agency is also required to establish written criteria to identify cases not included above, where there is high potential for obtaining medical support based on: (a) available evidence that health insurance may be available to the absent parent at a reasonable cost, and (b) facts (as defined by the state) which are sufficient to warrant modification of existing support order to include health coverage for a dependent child(ren). For cases meeting this established criteria, the agency shall petition the court or administrative authority to modify support orders to include medical support in the form of health insurance coverage (45 CFR Sections 303.31(b)(1)-(4)).

For non-TANF cases, the agency shall petition for medical support when the individual is a Medicaid recipient or with consent of the individual if not a Medicaid recipient (45 CFR 303.31(c)).

In cases where medical support was ordered, the agency is required to verify that it was obtained. If it was not obtained, the agency should take steps to enforce the health insurance was not available at a reasonable cost (45 CFR Section 303.31(b)(7)).

**Finding**

During our testwork of the Department's compliance with securing and enforcing medical support obligations, we noted that in one of thirty cases selected for testwork the Department failed to determine if health insurance was available at a reasonable cost from an employer of a non-custodial parent

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

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**Recommendation**

We recommend that the Department strengthen existing policies and procedures in order to comply with required time frames for establishing a case record.

**Related Noncompliance**

Based on the above the Department was not fully in compliance with the requirement above.

**Questioned Costs**

None

**Views of Responsible Officials and Corrective Action**

The errors cited in the finding relate to the Department's taking appropriate actions to notify a noncustodial parent's employer of the order to obtain health insurance.

The Department enforces orders requiring a parent to provide health insurance coverage by sending a National Medical Support Notice (NMSN) to a noncustodial parent's employer. The NMSN is generated automatically from the Department's automated system, COMETS.

The Department is working on system enhancements to better track medical support orders and enforcement of those orders. The enhancements will also ensure an NMSN is generated timely on cases where the court order provides for insurance coverage only and there is no cash child support component. (This was the fact pattern in the one error case cited.) Business requirements and programming documentation are underway.

Contact: Paul Cronin, Associate Deputy Commissioner

Implementation date: October 1, 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

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**Department of Children and Families (Formerly Department of Social Services)**

**Foster Care – Title IV-E (93.658)**

**Social Service Block Grant (93.667)**

<b>Federal Award Number:</b>	<b>0701MA1401</b>	<b>Federal Award Year:</b>	<b>2007</b>
	<b>0801MA1401</b>		<b>2008</b>
	<b>G-0701MASOSR</b>		<b>2007</b>
	<b>G-0801MASOSR</b>		<b>2008</b>

**U.S. Department of Health and Human Services**

**Reference:** 2008–34

**Requirement**

A Treasury-State agreement documents the accepted funding techniques and methods for calculating interest agreed upon by us and a State and identifies the Federal assistance programs governed by this subpart A. If anything in a Treasury-State agreement is inconsistent with this subpart A, that part of the Treasury-State agreement will not have any effect and this subpart A will govern (31 CFR 205.6 (a)).

**Finding**

In accordance with the Cash Management Improvement Act (CMIA) of 1990, the Comptroller of the Commonwealth, on behalf of the Commonwealth of Massachusetts, enters into a Treasury State Agreement (TSA), with the United States Department of the Treasury. This agreement, used to improve the transfer of federal funds between the Federal government and the Commonwealth, specifies the applicable federal programs, entities covered, and the funding techniques to be used for the drawdown of federal funds. The Department of Children and Families (Department) enters into an annual sub-agreement with the Office of the State Comptroller (OSC) acknowledging and agreeing to the federal funding techniques listed in the TSA.

The Department receives federal funds for the Foster Care, and the Social Services Block Grant (SSBG) programs on a reimbursement basis which are included in the State's TSA. These federal programs are not part of the Commonwealth's Automated Central Draw process. For these programs, the Commonwealth has implemented a non-central draw process where the Department notifies the Office of the State Treasurer (OST) of the amounts to drawdown for reimbursement to the Commonwealth's General Fund. The process consists of using the Massachusetts Management Accounting and Reporting System (MMARS) to identify disbursements paid with Commonwealth funds eligible for Federal reimbursement. The disbursements are divided into two components; benefit/service payments (MMARS Payments) and direct and indirect administrative costs (Cost Allocation Plan (CAP)).



## COMMONWEALTH OF MASSACHUSETTS

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The Executive Office of Health and Human Service's Federal Revenue Claiming Unit (FRCU) initiates the Department's drawdown process by completing queries of MMARS expenditures, summarizing the data, and preparing the Cash Deposit (CD) and Smartlink payment request documents for the Department. Upon the review and approval by the FRCU Director, these documents are forward by electronic mail to the DSS Budget Director, who reviews, completes and approves the forms. The CD and payment request for the federal funds drawdown are faxed to the State Treasurer's Office. Our review of the Foster Care program noted the MMARS queries were processed as of the 15<sup>th</sup> and 31<sup>st</sup> of each month. The SSBG program MMARS queries were processed once per quarter for the first three quarters of fiscal year 2008 and twice in the fourth quarter of fiscal year 2008.

We noted that the Commonwealth's TSA for the Foster Care and SSBG programs for payments to vendors and employees (payroll) the Commonwealth must drawdown funds from the United States Treasury using the average clearance technique as defined in the TSA.

The average clearance technique is defined such that the Commonwealth requests funds such that they are deposited by ACH on the dollar-weighted average day of clearance for the disbursement, in accordance with the clearance pattern in Exhibit II of the TSA. The dollar-weighted average day of clearance for each of the programs is 3 days.

Our audit procedures noted that the drawdown process used by the Commonwealth does not replicate the average clearance techniques defined in the TSA. We noted that in two sampled draws for the Foster Care program it took 12 and 45 days respectively to process a drawdown request from the time the MMARS query was made to the submittal of the drawdown request to the State Treasurer. We also noted that in two sampled draws for the SSBG program it took 16 and 42 days respectively to process a drawdown request from the time the MMARS query was made to the submittal of the drawdown request to the State Treasurer.

We did note that the drawdown process used by the Commonwealth for the Foster Care and SSBG programs does not draw down Federal funds in advance of disbursement of the dollar-weighted average day of clearance.

#### **Recommendation**

We recommend that the Department strengthen existing policies and procedures to ensure that the Treasury-State agreement drawdown techniques agree with the actual methods used to drawdown Federal funds.

#### **Related Noncompliance**

Based on the above, the Department was not in compliance with the stated requirement.

#### **Questioned Costs**

None

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

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#### **Views of Responsible Officials and Corrective Actions**

##### Views of Responsible Officials:

At the beginning of FY08, with the filling of the 6-month vacant position of Budget Director, DSS implemented a new control to the Federal Draw process. Namely, the DSS Budget Director would review all draw recommendations from the EHS Federal Revenue Unit prior to processing. This new control was in lieu of having the EHS Revenue Manager for DSS review the draws. The intent was to have a senior member of the agency's finance team with intimate knowledge of the agency's spending activities review the use of current expenditures for Federal draws to enhance accuracy. Unfortunately, while adjusting to the time management constraints of the new role and processes, delays in draws occurred.

##### Corrective Actions:

DSS is committed to meeting the requirements of the recently approved TSA. The audit finding has highlighted the urgency associated with processing draws promptly. The Budget Office has incorporated this business process into its operations to ensure timeliness of draws. The EHS Federal Revenue Claiming Unit will continue to forward draw recommendations on a biweekly basis. In addition, DSS staff have worked with EHS Federal Revenue Claiming staff to update the TSA for FY09 to reflect DSS' usual business practice of biweekly draw requests for SSBG and Title IV-E funds.

Contact: Ellen Finnegan, Department of Children and Families, CFO

Implementation date: January 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Department of Children and Families (Formerly Department of Social Services)**

**Promoting Safe and Stable Families (93.556)**

**Refugee and Entrant Assistance – State Administered Programs (93.566)**

**Chafee Education and Training Vouchers Program (ETV) (93.599)**

**Foster Care Title IV-E (93.658)**

**Adoption Assistance (93.659)**

**Child Abuse and Neglect State Grants (93.669)**

**Family Violence Prevention and Services/Grants for Battered Women’s Shelters Grants to States and Indian Tribes (93.671)**

**Chafee Foster Care Independence Program (93.674)**

**Federal Award Number:**

**Federal Award Year:**

**U.S. Department of Health and Human Services**

**Finding Reference: 2008–35**

**Requirement**

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity report (2 CFR 225 Appendix B 8 (h) (3) and (4)).

In addition, charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit (2 CFR 225 Appendix B 8 (h) (1)).

**Finding**

The Department of Children and Families uses a Public Assistance Cost Allocation Plan (PACAP) which annually distributes approximately \$860 million in direct and indirect costs to benefiting federal and non-federal programs using approximately 78 methodologies. Of that \$860 million, approximately \$783 million or 91% of the costs in the PACAP are related to payroll. While the majority of the payroll is assigned to final cost objectives using an allocation methodology, such as the Random Moment Time Study, some payroll is charged directly to federal grants or federally funded interagency agreements.

# COMMONWEALTH OF MASSACHUSETTS

## Schedule of Findings and Questioned Costs

Year ended June 30, 2008

In reviewing payroll charged to the Department's Federal programs we noted the following:

- Support for annual salaries and wages charged directly to federal grants or federally funded interagency agreements of \$2,247,791 and \$890,716 in related fringe benefits, did not have payroll certifications to comply with the requirement above. Questioned costs for the program's that are affected are shown below.
- Support in accordance with the generally accepted practice of the governmental unit for one of the two weeks in a bi-weekly payroll could not be provided for one individual out of the 60 individuals tested. Questioned costs could not readily be determined for the one week as the individual was part of the RMTS and the salary costs were allocated to various programs including Foster Care and Adoption.

### **Recommendation**

We recommend that the Department established policies and procedures to ensure that charges to Federal awards are in accordance with Federal regulations

### **Related Non-Compliance**

Based on the above, the Department is not in compliance with the above requirement.

### **Questioned Costs**

\$662,248 – 93.556

\$42,584 – 93.566

\$107,305 – 93.599

\$146,239 – 93.669

\$456,510 – 93.671

\$1,723,621 – 93.674

Cannot be determined – 93.658 and 93.659

### **Views of Responsible Officials and Corrective Actions**

In the past, DCF's human resource/payroll division had prepared for managers of 100% federally funded employees a certification statement acknowledging the work and the appropriateness of the work by these federally funded employees. In recent years, where human resources/payroll activities were reorganized and consolidated, the processes to prepare and complete these certification statements were dropped.

DCF's CFO has re-introduced this process to the agency and effective FY09, semi-annual certification statements will be completed by supervising managers of 100% federally funded employees and filed within the office of the CFO.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

The single state audit did detail one example of incomplete supporting documentation for one employee's time. While this represents an instance of a lapse in practice, it does not represent a systemic problem with the Department's practices. DCF's CFO will re-issue guidance to senior managers within the agency reminding them of the requirements associated with payroll time/attendance and its supporting documentation.

Contact: Ellen Finnegan, Department of Children & Families, CFO

Implementation Date: January 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Department of Children and Families (Formerly Department of Social Services)**

**Foster Care Title IV-E (93.658)**

**Adoption Assistance (93.659)**

**Social Services Block Grant (93.667)**

<b>Federal Award Number:</b>	<b>0701MA1401</b>	<b>Federal Award Year:</b>	<b>2007</b>
	<b>0801MA1401</b>		<b>2008</b>
	<b>0701MA1407</b>		<b>2007</b>
	<b>0801MA1407</b>		<b>2008</b>
	<b>G-0701MASOSR</b>		<b>2007</b>
	<b>G-0801MASOSR</b>		<b>2008</b>

**U.S. Department of Health and Human Services**

**Finding Reference: 2008-36**

**Requirement**

The State shall promptly amend the cost allocation plan and submit the amended plan to the Director, Division of Cost Allocation (DCA) if any of the following events occur: (1) The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes in Federal law or regulations, or significant changes in program levels, affecting the validity of the approved cost allocation procedures. (2) A material defect is discovered in the cost allocation plan by the Director, DCA or the State. (3) The State plan for public assistance programs is amended so as to affect the allocation of costs. (4) Other changes occur which make the allocation basis or procedures in the approval cost allocation plan invalid (45 CFR 509 (a)).

**Finding**

The Department of Children and Families uses a Public Assistance Cost Allocation Plan (PACAP) which annually distributes approximately \$860 million in direct and indirect costs to benefiting federal and non-federal programs using approximately 78 methodologies. One methodology, the Random Moment Time Study (RMTS), allocates approximately \$140 million or 16.3% of the costs in the PACAP.

During the year the Department implemented a new electronic notification and response RMTS. In its corresponding PACAP amendment, the Department sought and received approval from DCA to sample sufficient observations to ensure 2,000 valid moments are obtained. In reviewing a summary of responses received for the entire year, it was noted that the minimum of 2,000 valid responses was not obtained in any quarter and the Department did not seek a waiver from DCA to allow for less than 2,000 valid moments. The responses, which include out of office responses, received for each quarter were: Quarter 1- 1,897; Quarter 2-1,937; Quarter 3 - 1,965 and Quarter 4 -1,945.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Questioned costs cannot be determined as the effect on the RMTS of not obtaining 2,000 valid responses is unknown.

**Recommendation**

The Department should implement policies and procedures to obtain a plan waiver or improve existing policies and procedures in order to increase the number of valid responses above the required limit.

**Related Non-Compliance**

Based on the above, the Department is not in compliance with the above requirement.

**Questioned Costs**

Cannot be determined

**Views of Responsible Officials and Corrective Actions**

In July 2007, the Department switched from a paper-based RMTS to an e-mail notification web-based RMTS. Results were closely monitored by DCF and discussed at monthly status meetings and other internal DCF operations meetings. In response to the decline, the Department quickly instituted new monthly reports to area managers to enhance their ability to provide oversight. First, area managers were provided with monthly RMTS results for the participants in their office. Following that, area managers were provided with reports of all moments assigned to their offices at the beginning of each month. Additionally, area managers were added to the "cc" line of the reminder e-mails that are sent to caseworkers 24 and 48 hours following the assignment of a moment if it is not completed. These efforts resulted in a marked improvement throughout the year, and responses were close to the minimum 2,000.

In July 2008, the RMTS sample size was increased to 3,235 per quarter and DCF received 2,271 responses in Q1 FY09. In Q2 FY09, DCF received 2,210 responses. DCF will continue to monitor response rates to ensure minimum response rates are met.

Contact: Janice Axelrod

Implementation Date: July 2008

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Department of Children and Families (Formerly Department of Social Services)**

**Promoting Safe and Stable Families (93.556)**

**Refugee and Entrant Assistance – State Administered Programs (93.566)**

**Chafee Education and Training Vouchers Program (ETV) (93.599)**

**Child Welfare Services State Grants (93.645)**

**Foster Care Title IV-E (93.658)**

**Adoption Assistance (93.659)**

**Social Services Block Grant (93.667)**

**Child Abuse and Neglect State Grants (93.669)**

**Family Violence Prevention and Services/Grants for Battered Women’s Shelters Grants to States and Indian Tribes (93.671)**

**Chafee Foster Care Independence Program (93.674)**

<b>Federal Award Number:</b>	<b>0701MA1401</b>	<b>Federal Award Year:</b>	<b>2007</b>
	<b>0801MA1401</b>		<b>2008</b>
	<b>0701MA1407</b>		<b>2007</b>
	<b>0801MA1407</b>		<b>2008</b>
	<b>G-0701MASOSR</b>		<b>2007</b>
	<b>G-0801MASOSR</b>		<b>2008</b>

**U.S. Department of Health and Human Services**

**Finding Reference: 2008–37**

**Requirement**

To be allowable under Federal awards, costs must meet the following general criteria: (a) Be necessary and reasonable for proper and efficient performance and administration of Federal awards; (b) Be allocable to Federal awards under the provisions of 2 CFR part 225; (c) Be authorized or not prohibited under State or local laws or regulations; (d) Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items; (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit; (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost; (g) Except as otherwise provided for in 2 CFR part 225, be determined in accordance with generally accepted accounting principles; (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation; (i) Be the net of all applicable credits; and (j) Be adequately documented (2 CFR 225 Appendix A - Section C, Basic Guidelines.).



## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

#### Finding

The Department of Children and Families uses a Public Assistance Cost Allocation Plan (PACAP) which annually distributes approximately \$860 million in direct and indirect costs to benefiting federal and non-federal programs using approximately 78 methodologies. We reviewed, among other methodologies, the reasonableness of the FTE count methodology which is used to allocate state-wide fringe benefits, travel, facility support and telecommunication costs. During our audit we noted that the Department has contracted with a third-party to prepare and maintained the PACAP.

During our review of the PACAP for the quarter ending March 31, 2008, we noted the following for the FTE count methodology:

- The non-reimbursable cost pool was not allocated its allocable share of state-wide fringe benefits, travel, facility support and telecommunication costs. The Department determined that this resulted in an overcharged of \$9,000 Federal Financial Participation (FFP) to Foster Care and \$612 FFP across seven other Federal programs.
- The eight FTE counts which allocated 25 different cost pools were each off by five FTEs out of total FTE of approximately 3,600. This caused the allocations to the cost pools to be inequitable to the final receivers. The Department determined that this resulted in an overcharge of \$4,267 FFP to Foster Care and \$143 across seven other Federal programs.

We also noted during our review of the Department's PCAP the following:

- The costs of the third party who prepares the PACAP for quarter ended March 31, 2008 was improperly allocated due to an error in the data entry of statistical information. This resulted in a gross under charge of \$23,135 to Foster Care.
- Fringe benefits were allocated to Federal programs through the PACAP allocation methodologies when fringe benefits had already been directly charged to Federal programs. This resulted in an overcharge to seven non-major Federal programs of \$206,615.
- The 1.33% Unemployment, Universal Health and Medicare tax fringe benefit rate was not allocated to Plan Department 3.3 Support Costs for \$11,744 in consultant costs. This misallocated \$156 in gross costs to other departments.

Questioned costs of \$206,615 for the seven non-major programs is presented below. Questioned costs for the Foster Care, Adoption Assistance and Social Service Block Grant programs cannot be determined as the proper allocation of the items noted above cannot be determined at this time.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Recommendation**

The Department should strengthen its existing policies and procedures to ensure compliance with federal requirements.

**Related Non-Compliance**

Based on the above, the Department is not fully in compliance with the above requirement.

**Questioned Costs**

\$42,463 – 93.556

\$4,036 – 93.566

\$8,351 – 93.599

\$6,914 – 93.645

\$9,092 – 93.669

\$29,437 – 93.671

\$106,322 – 93.674

Cannot be determined – 93.658, 93.659, and 93.667

**Views of Responsible Officials and Corrective Actions**

The errors above are all human data entry errors. Beginning with quarter ending December 31, 2008, DCF's revenue vendor will add additional quality control checks to the existing CAP quality control checklist. This checklist is reviewed with EHS at the time the claim is submitted. The checklist will be revised to specifically detect the errors above to ensure that they are not repeated in the future, and will be reviewed with EHS each quarter.

Contact: Janice Axelrod

Implementation Date: February 11, 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Department of Early Education and Care**

**Child Care and Development Block Grant (93.575)**

**Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596)**

**Temporary Assistance for Needy Families (93.558)**

<b>Federal Award Number:</b>	<b>G-0701MACCDF</b>	<b>Federal Award Year:</b>	<b>2006 to 2009</b>
	<b>G-0801MACCDF</b>		<b>2007 to 2010</b>
	<b>0702MATANF</b>		<b>2007</b>
	<b>0802MATANF</b>		<b>2008</b>

**U.S. Department of Health and Human Services**

**Reference: 2008-38**

**Requirement**

OMB Circular A-133 states a pass-through entity is responsible for:

- Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and those performance goals are achieved.
- Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

**Finding**

During state fiscal year 2008, the Department received more than \$194 million of Child Care Development Fund grant funds. The EEC, acting as the pass-through entity disbursed a majority of these federal funds to contracted child care providers and Child Care Resource and Referral Agencies (CCR&R) (subrecipients) for early education and child care services. We noted that the Department had contracts with approximately 240 child care providers and 13 CCR&Rs.

In addition, the Department received approximately \$234 million in a suballocation from the Department of Transitional Assistance, \$136 million to be used by the CCR&Rs to provide daycare services for Temporary Assistance for Needy Families (TANF) eligible families.

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

In response to the prior year finding, the Department implemented numerous improvements and controls to ensure compliance with Federal subrecipient requirements. These improvements included restructuring its fiscal monitoring unit, hired an experience audit professional as the Director of Audit Resolution and increased the number of fiscal monitoring staff from one to four. In addition, the Department developed new policies and procedures detailed in the Department's *Fiscal Monitoring Guide for Purchased Services and Grants* and developed and implemented a fiscal monitoring database that stores electronic files for each subrecipient including all communications, annual risk assessments, site visit reports, corrective action plans as well as other relevant documents. A site visit schedule was also developed to complete all CCR&R site visits by mid-November 2008.

The *Fiscal Monitoring Guide for Purchased Services and Grants* became operational in April of 2008 and site visits resumed in May of 2008. The Department determined that the highest priority for on-site reviews would be the CCR&Rs which constituted approximately 49% of budgeted funds and the two largest CCR&Rs would have on-site review conducted first.

During our testwork we noted the following regarding the Department's monitoring of its subrecipients as of June 30, 2008:

- The Department conducted only two on-site monitoring reviews of the CCR&Rs which received approximately \$111 million in Child Care Development Funds and TANF funds.
- The Department only conducted one on-site monitoring review of its approximately 240 providers.

A similar finding was included in the prior year single audit report as finding 2007-35.

#### **Recommendation**

We recommend that the Department continue with its implementation of its new policies and procedures to ensure that it is monitoring its subrecipients in accordance with Federal regulations.

#### **Related Noncompliance**

The Department was not in compliance with the above requirements.

#### **Questioned Costs**

None

#### **Views of Responsible Officials and Corrective Actions**

EEC has made significant progress in addressing this Fiscal Year 2007 audit issue. We restructured the fiscal monitoring unit and hired an experienced audit professional as EEC's Director of Audit Resolution. In addition, since the audit, EEC has increased the number of Fiscal Monitors from one to four. The new Director of Audit Resolution has developed a comprehensive system of internal controls to ensure compliance with all mandated monitoring and reporting requirements for the approximately 300 contracted social service providers receiving

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

these funds. In doing so, EEC has built upon the strengths of its current system, while including new procedures to specifically address the auditors' concerns regarding timeframes for on-site monitoring and follow-up, eligibility, financial review and recoupment. These controls will ensure that federal and state funds are used only for their authorized purposes and in compliance with relevant laws and regulations.

We are also pleased to report that EEC has another direct opportunity to monitor eligibility determinations performed by sub-recipients through the federally mandated Improper Authorization for Payment initiative. On September 5, 2007, the Administration for Children and Families (ACF), the agency that oversees the Child Care Bureau (CCB), issued a final rule to revise the Child Care Development Fund (CCDF) regulations to require states to measure and report on error rates in their expenditure of CCDF funding. The new regulations focus on the measurement and reporting of errors made in eligibility determinations and payment authorizations because ACF believes that improper authorizations are the source for many improper payments. Given that eligibility and authorization are the first steps in the child care subsidy process, errors made in these two steps are likely to affect the administration of the entire subsidy program. As such, the methodology for measuring improper payments outlined in the new regulations focuses on eligibility determinations and requires states to review a sample of their child care subsidy case records for the preceding federal fiscal year (October 1<sup>st</sup> to September 30<sup>th</sup>) in order to determine whether these subsidies were properly authorized.

The regulations establish a three year rotational cycle for the reporting of improper payments, with the first group of states required to complete their case reviews and submit their reports to ACF by June 30, 2008. States in the first reporting group will examine errors during federal fiscal year 2007. Massachusetts is included in the second reporting cycle and, therefore, will be reviewing errors during federal fiscal year 2008 (October 1, 2007-September 30, 2008). Although Massachusetts has until June 30, 2009 to complete its case reviews and submit its error rate report to ACF, we have already completed many phases of the reporting process and have submitted certain deliverables to ACF since October 2008.

Contact: Alda Rego-Weathers, Deputy Commissioner for Administration

Implementation Date: Completed

# COMMONWEALTH OF MASSACHUSETTS

## Schedule of Findings and Questioned Costs

Year ended June 30, 2008

### Department of Early Education and Care

#### Child Care and Development Block Grant (93.575)

#### Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596)

Federal Award Number: G-0701MACCDF Federal Award Year: 2006 to 2009  
G-0801MACCDF 2007 to 2010

### U.S. Department of Health and Human Services

Reference: 2008-39

#### Requirement

Applicable credits refer to those receipts or reduction of expenditure type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the governmental unit relate to allowable costs, they shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate (OMB Circular A-87).

#### Finding

According to regulations promulgated by the Office of the State Comptroller (OSC), departments are required to follow certain procedures relative to the collection of outstanding debt. In that regard, each agency is responsible for accounting for, recording, reporting, and depositing funds for all services. Departmental revenues that are not collected at the point of service are generated through the initiation of billings by departments. As part of the accounting cycle, once bills are generated, departments must maintain accurate records for all payments made to the Commonwealth as well as all unpaid bills. These unpaid bills represent an accounts receivable balance on the Commonwealth's Billing and Accounts Receivable Subsystem (BARS) or an agency's accounting system. Accounts receivable balances must be managed, monitored, and "aged", a process by which all unpaid bills are categorized by the number of days each billing has been outstanding or unpaid. All long-outstanding accounts receivable that are past due should be aggressively pursued by departments so that the accounts do not become uncollectible and have to be written off, since the older a receivable gets, the less likely it will be collected.

During our testwork, we noted that the Department began utilizing BARS for its detailed accounts receivable system in June of 2008. As of June 30, 2008 EEC's accounts receivable balance was \$58,191.

For the Department's current practice, due to BARS limitations the reimbursement of all owed funds to the Commonwealth general fund presumes all recouped funds were only state funds and does not consider the reimbursement of federal funds awarded to the Department. The Department's process to review information

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

related to collected revenue does not consider the review and appropriate credit distribution of recouped funds to all funding streams, including Federal grants.

Question costs cannot be determined on the potential account receivable balance of \$58,191 as the collectability, participating federal programs and federal participation percentages are not readily determinable and the amounts previously recouped during the fiscal year related to these Federal programs is unknown.

A similar finding was included in the prior year single audit report as finding 2007-36.

**Recommendation**

We recommend that the Department continue to develop procedures that ensure that amounts due to the Department are properly credited to benefiting programs.

**Related Noncompliance**

The Department was not in compliance with the above requirements.

**Questioned Costs**

Cannot be determined

**Views of Responsible Officials and Corrective Actions**

EEC has made significant progress in addressing this audit finding from Fiscal Year 2007. We developed and maintain a detailed accounts receivable tracking and reporting system (BARS) and have revised our Internal Control Plan to include detailed procedures for maturing, monitoring, and reconciling accounts receivable.

Subsequent to implementation of BARS in June 2008, as detailed in your report, it was determined that limitations inherent in this system preclude EEC from properly crediting disallowed sub-recipient funding to be accurately tracked and recorded as either due back to EEC for re-obligation or due back to the federal government and accordingly credited. EEC is currently working in conjunction with the Office of State Comptroller (OSC) to resolve this matter to ensure that all disallowed sub-recipient funds are either re-obligated or returned to the federal government.

Contact: Alda Rego-Weathers, Deputy Commissioner for Administration

Implementation Date: October 1, 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Department of Early Education and Care**

**Child Care and Development Block Grant (93.575)**

**Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596)**

**Federal Award Number:   G-0701MACCDF   Federal Award Year:    2006 to 2009**  
**G-0801MACCDF    2007 to 2010**

**U.S. Department of Health and Human Services**

**Reference:    2008-40**

**Requirement**

When procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds. The State will ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section (45 CFR 92.36 (a) (b)).

**Finding**

The Commonwealth has established policies and procedures that are to be used for all Commonwealth procurements. These policies and procedures are set out in 801 CMR 21:00 *Procedures of Commodities or Services, Including Human and Social Services* and 815 CR 2.00 *Grants and Subsidies*.

The Department's predecessor, the Office of Child Care Services, was initially responsible for the procurement of four requests of responses related to the services provided by the federally funded child care programs. These contracts are still currently being used in support of the federally funded child care programs and were originally procured from 1998 to 2001 and received multiple extensions from the State's procurement oversight agency through June 30, 2005 due to programmatic and organizational changes.

Our testwork noted that under State procurement regulations the Department was required to perform a new procurement for the four requests of responses related to the services provided by the federally funded child care programs currently in use for the period beginning July 1, 2005. As of the date of our fieldwork, the Department has not yet initiated a new procurement.

The primary factor in not procuring new requests of responses was due to the fact that the Department of Early Education and Care was created effective July 1, 2005 and the implementation of new child care contracts became problematic when the Office of Child Care Services was abolished and more recently the contract was



**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

not renewed for the project manager of the Procurement Management Team and there was turnover at the Commissioner and Board level which has slowed down the Department's efforts.

A similar finding was included in the prior year single audit report as finding 2007-37.

**Recommendation**

We recommend that the Department implement policies and procedures to ensure that procurements are done in accordance with State regulations.

**Related Noncompliance**

The Department was not in compliance with the above requirements.

**Questioned Costs**

None

**Views of Responsible Officials and Corrective Actions**

The FY2008 single state audit includes a finding related to EEC's non-compliance with the Commonwealth's competitive procurement requirements under 801 CMR 21:00. While the Department is still in the process of coming into full compliance with these requirements, the Procurement Management Team (PMT) has made very significant progress in organizing a competitive bid for the Income Eligible Financial Assistance contract program, the Department's largest contract, which will be posted on the Commonwealth's procurement website (Comm-PASS) within the next six weeks.

Upon completion of the procurement process for this contract, the PMT will follow the same work plan to put the remaining contracts out to bid according to the schedule shown in the table below.

<b>Contract</b>	<b>Fiscal Year</b>
Voucher Management	Research & Plan 2009 and award in 2010
Supportive	Research & Plan 2009/2010 and award in 2011
Other Contracts	Research & Plan 2009/2010 and award in 2011

The PMT did experience a delay in moving forward with the Income Eligible contract bid during the early part of calendar year 2008, due to significant changes in leadership at the Department and Board level. However, in June of 2008, the PMT engaged a new project manager and adopted a detailed project plan, making steady and constructive progress throughout the remainder of the year. The Board of Early Education and Care approved the criteria and guidelines for the Request for Response (RFR) recommended by the PMT on January 13, 2009 after discussing the procurement at four Board meetings since September, 2008. The PMT expects to continue this steady progress culminating with the award of bids in June of 2009.

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

It should be noted that a great deal of work has been done outside of the review period covered by the audit (June 2008 through December 2008). Much of the work conducted during the period of observation was related to the project's research and planning activities. This research also included a comprehensive assessment of early education resources for each of the 351 cities and towns in the Commonwealth, a survey of the services provided through contracts with Family Child Care Systems and research into the child care procurement practices in other states.

Additionally, the PMT issued a Request for Information (RFI) in October of 2008 to collect program quality data from interested providers and to test the feasibility of potential policy changes. The Department received a very strong response to the RFI, with more than 300 licensed center-based providers, 57 family child care systems and 100 school districts responding.

The Department is eager to share any additional information on the Income Eligible RFR that your office may request.

Contact: Alda Rego-Weathers, Deputy Commissioner for Administration

Implementation Date: See above

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Executive Office of Health and Human Services**

**State's Children Health Insurance Program (SCHIP) (93.767)**

**Federal Award Number: 05-0805MA5021 Federal Award Year: 2008**

**U.S. Department of Health and Human Services**

**Reference: 2008-41**

**Requirement**

States have flexibility in determining eligibility levels for individuals for whom the State will receive enhanced matching funds within the guidelines established under the Act. Generally, a State may not cover children with higher family income without covering children with a lower family income, nor deny eligibility based on a child having a preexisting medical condition. States are required to include in their State plans a description of the standards used to determine eligibility of targeted low-income children. State plans should be consulted for specific information concerning individual eligibility requirements (42 USC 1397bb(b)).

**Finding**

We reviewed the Massachusetts Title XXI State Plan Amendment effective July 1, 2006. Based on our review of the amendment, we noted that the review process for eligibility and enrollment matters is consistent with the standard procedures used for the Commonwealth's Medical Assistance Program. The Medical Assistance Program procedures include a requirement that a re-determination of eligibility be completed at least every 12 months.

In our selection of 30 program participants with total claims paid of \$1,597,922 we noted eight participants did not have re-determinations made after 12 months of program participation. Executive Office research on the eight participant found that the participants were from households in which the adults were covered under the State's non-Federally participating health insurance program, Commonwealth Care, and the children were covered under the State's Children Health Insurance Program. Due to policy concerns regarding the impact of the re-determination process on the new Commonwealth Care population the Executive Office delayed the re-determinations of certain participants in these mixed households.

The Executive Office also provided evidence that the eight participants noted above were in fact eligible at the time of their required re-determination

**Questioned Costs**

None

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Views of Responsible Officials**

The state agrees with the finding.

Contact: Joseph Sousa, Senior Policy Analyst, MassHealth Operations, Policy Implementation  
Unit

Implementation Date: December 1, 2008



**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Related Noncompliance**

Based on the above the Executive Office was not fully in compliance with the requirement above.

**Questioned Costs**

Cannot be determined

**Views of Responsible Officials**

During FY08, EOHHS has been completing a quarterly reconciliation of all CMS 64 expenditures which are paid through MMIS compared to MMARS on a regular basis, as part of the corrective action plan for the FY07 Single State Audit. EOHHS was able to reconcile SFY08 to \$3.3M on gross expenditures of approximately \$10.5B. This represents a variance of approximately .032% between expenditures tracked on MMIS and MMARS. EOHHS is in the process of implementing a new claims processing system, NewMMIS. Since the NewMMIS will radically change the source material for claiming on the CMS 64, in order to avoid duplication of effort, EOHHS will continue attempts to further reconcile this report once the NewMMIS system is fully implemented.

In addition to the reconciliation between the CMS 64, MMIS and MMARS, EOHHS continues to reconcile, on a quarterly basis, the CMS 64, with background and source materials from MMIS, and MMARS for expenditures which were not paid through MMIS. Reconciliations of over \$1B per quarter continue to be reconciled to an immaterial variance. Due to this reconciliation, EOHHS has confidence that the internal accounting systems are operating effectively. EOHHS feels strongly that this finding should not include any "questioned costs", and that the "Cannot be determined" statement is inaccurate.

EOHHS will continue to reconcile quarterly Medicaid claims on the CMS 64 with MMARS. Once NewMMIS is in place, EOHHS will redesign the report to reflect changes which have been made in NewMMIS. EOHHS will attempt to identify any variances in the reconciliation upon implementation of NewMMIS.

Contact: Janice Axelrod EOHHS Director of Federal Revenue Claiming

Implementation Date: June 30, 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Executive Office of Health and Human Services**

**Medical Assistance Payments (93.778)**

**State Children's Health Insurance Plan (SCHIP) (93.767)**

<b>Federal Award Number:</b>	<b>05-0805MA5021</b>	<b>Federal Award Year:</b>	<b>2008</b>
	<b>05-0805MA5128</b>		<b>2008</b>

**U.S. Department of Health and Human Services**

**Reference: 2008-43**

**Requirement**

Funds can only be used for Medicaid benefit payments (as specified in the State plan, Federal regulations, or an approved waiver), expenditures for administration and training, expenditures for the State Survey and Certification Program, and expenditures for State Medicaid Fraud Control Units (42 CFR Sections 435.10, 440.210, 440.220, and 440.180).

States have general flexibility in allocating their individual allotments toward activities needed to conduct the SCHIP (42 USC 1397ee(a)). In addition to expenditures for child health assistance under the plan for targeted low-income children, other allowable activities, to the extent permitted by 42 USC 1397ee(c), include payment of other child health assistance for targeted low-income children; expenditures for health services initiatives for improving the health of children (targeted and other low income) under the plan; expenditures for outreach activities; and other reasonable costs incurred by the State to administer the plan (42 USC 1397ee).

State agencies shall review the ADP system security of installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices (45 CFR 95.621 (f) (3)).

**Finding**

The Executive Office used the Medicaid Management Information System (MMIS) to adjudicate claims for the State Children's Health Insurance and the Medical Assistance Programs. MMIS processed over \$5 billion in claims this fiscal year for the two programs. During our audit, we performed procedures to test that claims are appropriately authorized and accurately processed. As part of those procedures we were informed that periodic reviews of MMIS and the Executive Offices LAN end-user access were performed by management. However, we noted that the management reviews of end-user access are informal in nature, and formal documentation evidencing review was not retained by the Executive Office. Lack of adequate periodic review of logical access rights increases the risk that access becomes inappropriate over time, as the environment evolves (i.e. users gain additional responsibilities, job transfers, etc.) and that inappropriate and/or unauthorized access is not detected and remedied timely.

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

#### **Recommendation**

We recommend that management should require that user access reviews be formally performed and documented by appropriate personnel on a periodic basis to verify that user access is commensurate with job responsibilities and to specifically detect high-risk segregation of duties conflicts.

#### **Views of Responsible Officials**

EHS accepts the finding, and in response will review the ADP risk analysis and system security policies and procedures to ensure compliance by implementing and documenting the following during fiscal year 2009:

1. A policy requiring that user access reviews be formally performed and documented by appropriate personnel to verify that user access is commensurate with job responsibilities and to specifically detect high-risk segregation of duties conflicts;
2. A policy establishing requirements of least privilege and separation of duties where appropriate; and
3. Procedures related to periodic review that includes defined responsibilities, documentation requirements, and frequency of review.

Contact: Russ Murray, EHS IT Acting Chief Security Officer

Implementation Date: By June 30, 2009



## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

#### Executive Office of Health and Human Services

#### Medical Assistance Payments (93.778)

**Federal Award Number:** 05-0805MA5128      **Federal Award Year:** 2008

#### U.S. Department of Health and Human Services

**Reference:** 2008-44

#### Requirement

There are specific requirements that must be followed to ensure that individuals meet the financial and categorical requirements for Medicaid. These include that the State or its designee shall re-determine the eligibility of Medicaid recipients with respect to circumstances that may change (e.g., income eligibility), at least every 12 months. The agency may consider blindness and disability as continuing until the review physician or review team determines that the recipient's blindness or disability no longer meets the definition contained in the plan. There must be procedures designed to ensure that recipients make timely and accurate reports of any changes in circumstances that may affect their eligibility. The State must promptly re-determine eligibility when it receives information about changes in a recipient's circumstances that may affect his or her eligibility (42 CFR Section 435.916).

#### Finding

During our testwork, we selected 30 program participants receiving benefits from the Medical Assistance program. In order to continue eligibility, the Executive Office is required to re-determine the eligibility of program recipients with respect to circumstances that may change at least every 12 months. In our selection of 30 program participants with total claims paid of \$7,051,467 we noted that the re-determinations for three program participants were not performed after 12 months of program participation

Executive Office research on the three participant found that the participants were from households in which the adults were covered under the State's non-Federally participating health insurance program, Commonwealth Care, and the children were covered under the State's Medical Assistance Program. Due to policy concerns regarding the impact of the re-determination process on the new Commonwealth Care population the Executive Office delayed the re-determinations of certain participants in these mixed households.

The Executive Office also provided evidence that the three participants noted above were in fact eligible at the time of their required re-determination

#### Questioned Costs

None



**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Information Technology Division**

**State Administrative Matching Grants Program for Food Stamp Program (10.561)**  
**National School Lunch Program (10.555)**  
**Summer Food Service Program for Children (10.559)**  
**Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)**  
**Child and Adult Care Food Program (10.558)**  
**Community Development Block Grants/State's Program (14.228)**  
**Section 8 Housing Choice Vouchers (14.871)**  
**Unemployment Insurance (17.225)**  
**WIA Adult Program (17.258)**  
**WIA Youth Activities (17.259)**  
**WIA Dislocated Worker (17.260)**  
**Highway Planning and Construction (20.205)**  
**Title 1 Grants to Local Educational Agencies (84.010)**  
**Special Education Grants to States (84.027)**  
**Special Education Pre-School Grants (84.176)**  
**Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)**  
**Improving Teacher Quality State Grants (84.367)**  
**Immunization Grants (93.268)**  
**Temporary Assistance for Needy Families (93.558)**  
**Child Support Enforcement (Title IV-D) (93.563)**  
**Low-Income Home Energy Assistance (93.568)**  
**Child Care and Development Block Grant (93.575)**  
**Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596)**  
**Foster Care - Title IV-E (93.658)**  
**Adoption Assistance (93.659)**  
**Social Services Block Grant (93.667)**  
**State Children's Insurance Program (93.767)**  
**State Medicaid Fraud Control Units (93.775)**  
**State Survey and Certification of Health Care Providers and Suppliers (93.777)**  
**Medicaid Assistance Program (93.778)**  
**Block Grants for Prevention and Treatment of Substance Abuse (93.959)**  
**Social Security Disability Insurance (96.001)**

**U.S. Department of Agriculture**  
**U.S. Department of Housing and Urban Development**  
**U.S. Department of Labor**  
**U.S. Department of Transportation**  
**U.S. Department of Education**  
**U.S. Department of Health and Human Services**

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

#### **Social Security Administration**

**Reference:** 2008-45

#### **Requirement**

A comparison of the revenue generated by each billed service (including total revenues whether or not billed or collected) to the actual allowable costs of the service will be made at least annually, and an adjustment will be made for the difference between the revenue and the allowable costs (2 CFR Part 225 Appendix C, Section G 4).

#### **Finding**

The Information Technology Division (ITD) is part of the Executive Office of Administration and Finance. It is the central provider of information technology services for the approximately 170 agencies in the Executive Department. The ITD Data Center is a fee for service operation. The total allowable cost of the Division's 2007 mail and computer services was approximately \$70 million and it collected approximately \$47 million in revenue.

Billing rates are established using a combination of prior year actual and current year projected costs. Final rates must be prepared for a fiscal year once the underlying information relating to the certified financial statements becomes available. Traditionally, this is no later than the January following the June 30 close of the previous fiscal year. Computation of the 2007 actual rates, which should have been finalized by June 30, 2008, was not completed until October 2008. The resulting adjustments for over or under billings to federal programs have not been made. While all services had a net cost under recovery of \$23 million, the exact impact on federal programs could not be readily determined.

#### **Recommendation**

The Information Technology Division should complete the computation of the previous year's actual rates and notify federally funded agencies of any over or under recoveries by June 30 of the next fiscal year.

#### **Related Noncompliance**

The Division was not in compliance with this requirement.

#### **Questioned Costs**

Cannot be determined

#### **Views of Responsible Officials and Corrective Actions**

ITD's deadline was in mid-July 2008. We did not meet that deadline. We completed our rate calculations and adjustments in October 2008 and sent them out to our customers at that time.

We are training a staff person to provide us with additional help. It is our intent to meet future deadlines.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

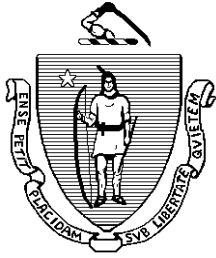
Concerning our deadline, ITD negotiated an extension to the June 30<sup>th</sup> deadline to extend it to mid-July to coincide with the issuance of the final Statewide chargeback invoice. This negotiation took place in 1999 and was negotiated with Philip Simard of the US Department of Health and Human Services, Division of Cost Allocation. (Refer to OMB Circular A-87 Attachment C, D.4 "Extensions may be granted by the cognizant agency on a case-by-case basis.")

Contact: Edward Shapiro, CPA

Implementation Date: January 8, 2009

**Summary of Prior Year's Findings  
and Questioned Costs**

(Not Covered by Auditors' Reports)



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**Commonwealth of Massachusetts**  
**Summary Schedule of Prior Year Audit Findings**  
**FY 2008**

The attached schedule lists the finding reference number, agency, program, and description for each of the findings included in the fiscal year 2007 Single Audit Report. The Schedule then indicates a "Y" if the corrective action plan (CAP) was fully implemented and a "P" if the CAP was partially implemented.

<b>Department</b> <b><u>Finding</u></b>	<b><u>Corrective</u></b> <b><u>Action</u></b>
Department of Public Health <b>Finding Number 2007-08: Coverage of high risk vendors was inadequate.</b>	Y
Department of Education <b>Finding Number 2007-09: Department is not receiving all A-133 Reports timely.</b>	Y
Department of Education <b>Finding Number 2007-10: Mid - Cycle reviews not done in accordance with policy.</b>	Y
Department of Education <b>Finding Number 2007-11: Excess cash on hand at LEAs.</b>	Y

Department  
**Finding**

**Corrective  
Action**

Massachusetts Highway Department

P

**Finding Number 2007-12: Not receiving certification from vendors.**

*The Corrective Action Plan for audit finding 2007-12 has been initiated but not completed. IT has been consulted about revisions to the Site Access Module (SAM) as have the District Construction Engineers. An approach to the programming change has been identified that will support the requirement for certified payrolls and will also support the operation of the MHD field office.*

*The plan is to modify the system to allow estimates to be held in a new "Draft" status (preventing processing for payment) until the payrolls are received but also allowing later estimates to continue to be entered into the system so that the Resident Engineer can keep accurate records of the progress on the job.*

*The programming changes were delayed due to conflicting priorities but are underway at this time. The importance of this requirement is understood however it is expected that there may be some complications in defining the details of this revision and careful testing will be required as it is essential that the statewide construction program for MHD not be interrupted as the change is implemented.*

Massachusetts Highway Department

Y

**Finding Number 2007-13: No evidence of suspension and debarment certification from certain vendors.**

Massachusetts Highway Department

Y

**Finding Number 2007-14: Not getting all A-133 reports from subrecipients.**

Massachusetts Highway Department

Y

**Finding Number 2007-15: Not following sampling plan for the one item selected.**

North Shore Community College

Y

**Finding Number 2007-16: Issues with notifying Federal Clearinghouse.**

North Shore Community College

Y

**Finding Number 2007-17: Issues with the internal controls around work study.**

North Shore Community College (NSC)

P

**Finding Number 2007-18: Bring issues with ESL forward to single audit report.**

*NSC still in negotiations with federal government.*

Springfield Technical Community College

Y

**Finding Number 2007-19: Outstanding checks not dealt with timely.**

Springfield Technical Community College

Y

**Finding Number 2007-20: Internal control and compliance matters surrounding work study.**

Springfield Technical Community College

Y

**Finding Number 2007-21: Issues with notifying Federal Clearinghouse.**

Massachusetts Rehabilitation Commission

Y

**Finding Number 2007-22: Not following equipment policies and procedures.**



Department <u>Finding</u>	<u>Corrective Action</u>
Department of Transitional Assistance <b>Finding Number 2007-23: CAP Plan needs to be revised to reflect org changes and changes in activities.</b>	Y
Department of Transitional Assistance <b>Finding Number 2007-24: DTA CAP- Random Moment Study statistics do not agree.</b>	Y
Department of Transitional Assistance <b>Finding Number 2007-25: DTA CAP – internal controls over CAP claiming not functioning</b>	Y
Department of Transitional Assistance <b>Finding Number 2007-26: Double charging of vacation in lieu and sick leave.</b>	Y
Department of Transitional Assistance <b>Finding Number 2007-27: No monitoring of EEC TANF sub allocation.</b>	Y
Department of Transitional Assistance <b>Finding Number 2007-28: \$832,157 in 2005 admin expenses claimed in 2006 grants.</b>	Y
Department of Transitional Assistance <b>Finding Number 2007-29: No support for obligated unliquidated on ACS-196.</b>	Y
Department of Transitional Assistance <b>Finding Number 2007-30: ACF-196 does not reconcile to MMARS.</b>	Y
Department of Transitional Assistance <b>Finding Number 2007-31: Payroll costs not appropriately charged to programs.</b>	Y
Department of Revenue <b>Finding Number 2007-32: Non-compliance with securing and supporting medical support obligations</b>	P

*The Child Support Enforcement Division (CSE) does have policies and procedures directing that cases be processed in accordance with the timeframes, but processing of new cases is less automated and relies heavily on manual intervention by staff. In the past six months CSE regional staffs have reviewed the workflow for case intake and establishment to identify steps that could be taken to improve and streamline processes. Additionally, CSE is engaged in conversations with the Probate and Family Court to develop a more streamlined method to handle cases in need of modification.*

Department  
**Finding**

**Corrective  
Action**

Department of Revenue

**P**

**Finding Number 2007-33: Cases not opened within the required time frame under Section 302.33.**

*The errors cited relate to the Child Support Enforcement Division's (CSE) taking appropriate actions on cases within federally mandated timeframes. CSE does have policies and procedures directing that cases be processed in accordance with the timeframes, but processing of new cases is less automated and relies heavily on manual intervention by staff. Following is a summary of CSE's progress and steps toward improvement in this area: In the past six months CSE regional staffs have reviewed the workflow for case intake and establishment to identify steps that could be taken to improve and streamline processes.*

*CSE is currently engaged in its technology roadmap initiative that must be completed before CSE can move forward to the next steps with its automated workflow management system that includes imaging, document generation, and workflow management. The requirements and design phase of the project have been completed. With workflow management tools, CSE can ensure that all federal timeframes and regulations are met.*

*CSE continues to deliver the training program launched in 2007 that is mandatory for all staff and delivered on a regular basis. A portion of the program covers the mandated timeframes for case processing in order to ensure that all staff are aware of the timeframes.*

Department of Revenue

**P**

**Finding Number 2007-34: Based on Federal Audit Report – costs incurred at courts are not allowable.**

*Court costs as claimed were considered "questioned costs" but would be considered allowable if the State develops and implements an acceptable process for determining allowable IV-D expenditures.*

*DOR/CSE hired a consultant to develop an acceptable process for determining allowable IV-D expenditures and such a plan was developed and submitted to the regional federal office of Child Support Enforcement in Boston in May 2007. The methodology is still under review by both the regional office of OCSE and the federal Office of Cost Allocation for its recommendation to OCSE. DOR/CSE is in the process of revising some of the data in the proposal and plans to resubmit the methodology with the revised data in the summer of 2008.*

Early Education and Child Care

**Y**

**Finding Number 2007-35: Inadequate monitoring of sub-recipients.**

*As of October 2007, EEC restructured its fiscal monitoring unit and hired an experienced audit professional as EEC's Director of Audit Resolution. In addition, since the audit, EEC has increased the number of contract monitoring coordinators (Fiscal Monitors) from one to four.*

*The Director of Audit Resolution has developed a comprehensive system of internal controls to ensure compliance with all mandated monitoring and reporting requirements for the approximately 258 contracted social service providers receiving these funds. In doing so, EEC has built upon the strengths of its current system, while including new procedures to specifically address the auditors' concerns regarding timeframes for on-site monitoring and follow-up, eligibility, financial review and recoupment. An on-site monitoring tool was operational in April of this year, with site visits of sub-recipients resuming in May 2008. These controls will ensure that federal and state funds are used only for their authorized purposes and in compliance with relevant laws and regulations.*

Department  
**Finding**

**Corrective**  
**Action**

Early Education and Child Care

**P**

**Finding Number 2007-36: Disallowed sub-recipient amounts not returned to Federal Government.**

*On March 31, 2008, EEC began working with the Office of the State Comptroller (OSC) to begin implementation of the Commonwealth's Billing Accounts Receivable Subsystem (BARS) to collect all outstanding debt. By doing this, EEC will be able to accurately reflect recoupments as accounts receivable on the Commonwealth's financial reporting system. This will enable EEC to better monitor, track and ensure that all funds both state and federal are properly collected, recorded and credited. In addition, on June 24, 2008, after extensive assistance from the Office of the State Comptroller, EEC secured a Lock Box through the Commonwealth's Treasurer. After this required Lock Box became operational the Department, on June 26, 2008, entered all current outstanding recouped amounts into BARS, to ensure full compliance with the OSC's 815 CMR 9.05 Department Internal Control Debt Collection Obligations.*

*The Department's Director of Audit Resolution is currently working with the OSC and the Regional Director of Administration for Children & Families (ACF) U.S Department of Health and Human Services to ensure that EEC is in full compliance with Federal regulations governing the recording and reporting of Child Care Development Fund (CCDF) funds. Specifically that disallowed sub-recipient amounts can be accurately tracked and recorded as either due back to EEC for re-obligation or due back to the federal government.*

Early Education and Child Care

**P**

**Finding Number 2007-37: Sub-recipient contracts not bid in accordance with State requirements.**

*In May 2007, the Department formed a procurement management team (PMT) to develop the Request for Response (RFR) to re-procure approximately \$100 million in contracts for financial assistance for approximately 15,000 income eligible children through center based child care providers and family child care systems. EEC's new procurement will use current data and research to generate best quality and economic value to the Commonwealth while also ensuring that services are prioritized to families in locations where the greatest need exists. EEC anticipates that the criteria for the new contracts will be brought to the board for a vote in the Fall of 2008, with the release of the RFR shortly thereafter. Awards will be announced in the Spring/ Summer of 2009, with an anticipated start date of September 2009 for new contracts.*

*EEC is currently conducting data and policy analysis to establish new policies and draft the income eligible RFR criteria for Board consideration. Several internal teams are meeting regularly and the overall project is being coordinated by a project manager. A survey of family child care systems has been completed and the results are currently being analyzed. In addition, at least one Request for Information (RFI) of providers to gather information about the impact of current policies as well as potential changes is currently being developed and will be released later this summer.*

*The current timeline allows EEC to establish updated payment, quality, and reimbursement policies, which will provide the key foundation for the re-procurement of EEC's other contracted services over the next two years. These other contracted services include the Child Care Resource and Referral Services (voucher management and child care resource and referral), Supportive Child Care Services, Homeless Child Care Services, and Non-Traditional Hours Child Care Services. These new bids will be informed by the audit findings, as well as by the mission and goals of our Department.*

Department of Social Services

**Y**

**Finding Number 2007-38: Internal Control over preparation and review.**

Department <u>Finding</u>	<u>Corrective Action</u>
Department of Social Services <b>Finding Number 2007- 39: In 8 of 60 instances, actual observation count did not match CAP. \$128M was allocated with these methodologies.</b>	Y
Mass Health <b>Finding Number 2007- 40: ADP review not done in past two years.</b>	Y
Mass Health <b>Finding Number 2007- 41: CMS 64 Report and MMIS not reconciled to MMARS.</b> <i>EOHHS has implemented a reconciliation process for current MMIS consistent with the CAP. The reconciliation was within .005 % of claims. We will modify this process for NewMMIS planned for Winter, 2009 implementation.</i>	P
Mass Health <b>Finding Number 2007- 42: Have not obtained updated disclosures.</b> <i>EOHHS implemented the corrective actions filed at the conclusion of the single state audit. Subsequently, MassHealth Provider Operations identified other opportunities for improvement and required our contractor, CST, to develop and implement a more comprehensive corrective action plan.</i>	P
Mass Health <b>Finding Number 2007- 43: Three cases from Massachusetts Commission for the Blind have case file/eligibility issues.</b>	Y
Mass Health <b>Finding Number 2007- 44: No agreement in place for designated State Survey agency.</b>	Y
Mass Health <b>Finding Number 2007- 45: Not reporting emergency services for undocumented aliens on CMS-64.</b> <i>EOHHS has requested that federal reports be reprogrammed to identify and report emergency services payments for undocumented aliens on Line 27. This request will be placed in the systems development queue. Detailed specifications for the change will be developed, followed by programming work, quality assurance testing, and implementation.</i>	P
Mass Health <b>Finding Number 2007- 46: IT Controls over MMIS.</b>	Y
Mass Health <b>Finding Number 2007- 47: SCHIP- Two cases with exceptions are not eligible.</b>	Y

Department  
**Finding**

**Corrective  
Action**

Office of the Comptroller

**Finding Number 2007- 48: SCHIP- Not drawing down in accordance with the TSA.**

Y

Office of the Comptroller

**Finding Number 2007- 49: Not drawing down TANF funds in accordance with the TSA.**

Y

Office of the Comptroller

**Finding Number 2007- 50: Not drawing down in accordance with the TSA.**

Y

Office of the State Treasurer

**Finding Number 2007- 51: Uncashed checks not returned within required timeframes.**

P

*On a monthly basis the Office of the State Treasurer (Treasury) has communicated a list of checks purged from the 0398 and 1776 accounts to the Executive Office of Health and Human Services (EOHHS). EOHHS supplied the Treasury with a letter restating our requirements for settings on these accounts and provided our understanding of federal and state requirements. Treasury has put in place requirements for 90 state dating and 180 purging on these accounts.*