



## **COMMONWEALTH OF MASSACHUSETTS**

Independent Auditors' Reports as Required by Title 2 U.S. Code  
of Federal Regulations Part 200, *Uniform Administrative Requirements,  
Cost Principles, and Audit Requirements for Federal Awards and  
Government Auditing Standards* and Related Information

Year ended June 30, 2019

(With Independent Auditors' Report Thereon)

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**Independent Auditors' 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. William McNamara, Comptroller  
Commonwealth of Massachusetts:

We have audited, in accordance with the 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, the basic 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, 2019, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements, and have issued our report thereon dated February 10, 2020. Our report includes a reference to other auditors who audited the financial statements of the entities described in note 14 of the Commonwealth's basic financial statements, as described in our report on the Commonwealth's 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. The financial statements of the Massachusetts Municipal Depository Trust, the Massachusetts Technology Park Corporation and the Massachusetts Life Sciences Center were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Massachusetts Municipal Depository Trust, the Massachusetts Technology Park Corporation and the Massachusetts Life Sciences Center.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered the Commonwealth's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commonwealth's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commonwealth's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 to be material weaknesses. A significant deficiency is a deficiency, or a combination of deficiencies,



in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2019-003 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commonwealth's basic financial statements are free from 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*.

### **The Commonwealth's Responses to Findings**

The Commonwealth's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Commonwealth's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the responses.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commonwealth's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commonwealth's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

Boston, Massachusetts  
February 10, 2020



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## **Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Mr. William McNamara, Comptroller  
Commonwealth of Massachusetts:

### **Report on Compliance for Each Major Federal Program**

We have audited the Commonwealth of Massachusetts' (the Commonwealth) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Commonwealth's major federal programs for the year ended June 30, 2019. The Commonwealth's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

As discussed in note 1 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 accompanying schedule of expenditures of federal awards for the year ended June 30, 2019. Our audit, described below, did not include the operations of the entities identified in note 1 as these entities conducted separate audits in accordance with the Uniform Guidance, if required.

#### *Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the Commonwealth's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 unmodified and modified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the Commonwealth's compliance.

#### *Basis for Qualified Opinion on the Employment Service and WIOA Clusters*

As described in the accompanying schedule of findings and questioned costs, the Commonwealth did not comply with requirements regarding the Employment Service Cluster (CFDA 17.207 and 17.801) and WIOA Cluster (CFDA 17.258, 17.259, and 17.278) as described in findings 2019-005 and 2019-006 for Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for the Commonwealth to comply with the requirements applicable to that program.



### *Qualified Opinion on the Employment Service and WIOA Clusters*

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Commonwealth complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Employment Service and WIOA Clusters for the year ended June 30, 2019.

### *Unmodified Opinion on Each of the Other Major Federal Programs*

In our opinion, the Commonwealth complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

### *Other Matters*

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-007, 2019-009, 2019-010, 2019-012, 2019-014, 2019-016 and 2019-017. Our opinion on each major federal program is not modified with respect to these matters.

The Commonwealth's responses to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Commonwealth is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The Commonwealth's responses and corrective action plans were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plans.

As indicated in Part I to the accompanying Schedule of Findings and Questioned Costs, we have audited the Medicaid cluster and the State Children's Health Insurance Program as a major programs. Also, as indicated in the first paragraph of this report, we performed our audit of compliance using the compliance requirements contained in the OMB Compliance Supplement, including those contained in Section E "Eligibility." For 2019, this section includes eligibility determinations based on Modified Adjusted Gross Income (MAGI-based determination) and states that auditors should re-determine eligibility to ensure beneficiaries qualify for the Medicaid cluster and the State Children's Health Insurance Program and are in the appropriate enrollment category. Our procedures in relation to MAGI-based eligibility determinations were limited to testing compliance based on the Commonwealth's verification plan.

### **Report on Internal Control over Compliance**

Management of the Commonwealth is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commonwealth's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.



A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-005, 2019-006, and 2019-011 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-004, 2019-007 through 2019-010, and 2019-012 through 2019-017 to be significant deficiencies.

The Commonwealth's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Commonwealth is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The Commonwealth's responses and corrective action plans were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plans.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements. We issued our report thereon dated February 10, 2020, that referred to the reports of other auditors and contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*KPMG LLP*

Boston, Massachusetts  
March 27, 2020

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

CFDA number	Federal agency, program, or cluster title	Passed through to subrecipients	Federal expenditures
	U.S. Department of Agriculture:		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ —	\$ 4,736,977
10.093	Voluntary Public Access and Habitat Incentive Program	137,552	137,552
10.170	Specialty Crop Block Grant Program – Farm Bill	371,341	387,291
10.171	Organic Certification Cost Share Programs	60,560	68,106
10.331	Beginning Farmer and Rancher Development Program	19,629	506,744
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	64,478,712	72,652,928
10.558	Child and Adult Care Food Program	68,712,650	69,710,568
10.560	State Administrative Expenses for Child Nutrition	—	4,712,239
10.572	WIC Farmers' Market Nutrition Program	—	551,395
10.575	Farm to School Grant Program	—	68,997
10.576	Senior Farmers Market Nutrition Program	—	525,711
10.578	WIC Grants To States	25,002	87,547
10.579	Child Nutrition Discretionary Grants Limited Availability	234,351	243,282
10.582	Fresh Fruit and Vegetable Program	3,603,814	3,730,462
10.664	Cooperative Forestry Assistance	255,564	1,267,176
10.676	Forest Legacy Program	1,041,936	1,712,808
10.680	Forest Health Protection	—	32,476
10.868	Rural Energy for America Program	34,257	41,089
10.931	Agricultural Conservation Easement Program	784,974	1,054,652
10.932	Regional Conservation Partnership Program	17,845	17,845
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	—	1,141,962,326
10.561	State Administrative Matching Grants for the Supplemental Nutritional Assistance Program	6,207,803	71,738,173
	Total SNAP Cluster	<u>6,207,803</u>	<u>1,213,700,499</u>
	Child Nutrition Cluster:		
10.555	National School Lunch Program	324,190,898	324,190,898
10.559	Summer Food Service Program for Children	7,966,029	8,259,188
	Total Child Nutrition Cluster	<u>332,156,927</u>	<u>332,450,086</u>
	Food Distribution Cluster:		
10.565	Commodity Supplemental Food Program	179,201	187,320
10.568	Emergency Food Assistance Program administrative costs	796,786	952,396
	Total Food Distribution Cluster	<u>975,987</u>	<u>1,139,716</u>
	Total U.S. Department of Agriculture	<u>479,118,904</u>	<u>1,709,536,146</u>
	U.S. Department of Commerce:		
11.407	Interjurisdictional Fisheries Act of 1986	—	179,267
11.419	Coastal Zone Management Administration Awards	—	2,650,827
11.420	Coastal Zone Management Estuarine Research Reserves	37,543	642,764
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreement Program	53,538	69,261
11.454	Unallied Management Projects	—	1,153,356
11.463	Habitat Conservation	16,627	70,201
11.472	Unallied Science Program	754,682	770,224
11.474	Atlantic Coastal Fisheries Cooperative Management Act	5,042	261,967
11.549	State and Local Implementation Grant Program	—	321,644
	Total U.S. Department of Commerce	<u>867,432</u>	<u>6,119,511</u>
	U.S. Department of Defense:		
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	—	1,498,477
12.400	Military Construction, National Guard	—	2,439,582
12.401	National Guard Military Operations and Maintenance (O&M) Projects	—	39,007,680
	Total U.S. Department of Defense	<u>—</u>	<u>42,945,739</u>
	U.S. Department of Housing and Urban Development:		
14.181	Supportive Housing for Persons with Disabilities	749,274	749,274
14.228	Community Development Block Grants / State's Program	28,726,458	30,096,192
14.231	Emergency Shelter Grants Program	4,071,023	4,250,928
14.238	Shelter Plus Care	164,417	164,417
14.239	HOME Investment Partnerships Program	—	229,425,805
14.241	Housing Opportunities for Persons with AIDS	353,488	353,488
14.267	Continuum of Care Program	8,832,894	10,246,497
14.275	Housing Trust Fund	1,157,116	1,388,444
14.326	Project Rental Assistance Program of Section 811	369,857	369,857

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

CFDA number	Federal agency, program, or cluster title	Passed through to subrecipients	Federal expenditures
14.401	Fair Housing Assistance Program State and Local	\$ —	\$ 1,001,619
14.880	Family Unification Program	2,305,543	2,305,543
14.881	Moving to Work Demonstration Program	270,044,909	275,948,997
14.896	Family Self-Sufficiency Program	796,806	796,806
	Section 8 Project-Based Cluster:		
14.182	Section 8 New Construction and Substantial Rehabilitation	18,003,994	21,373,562
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	6,799,362	6,934,106
	Total Section 8 Project-Based Cluster	<u>24,803,356</u>	<u>28,307,668</u>
	Housing Voucher Cluster:		
14.871	Section 8 Housing Choice Vouchers	5,947,602	5,947,602
	Total Housing Voucher Cluster	<u>5,947,602</u>	<u>5,947,602</u>
	Total U.S. Department of Housing and Urban Development	<u>348,322,743</u>	<u>591,353,137</u>
	U.S. Department of the Interior:		
15.608	Fish and Wildlife Management Assistance	—	21,055
15.614	Coastal Wetlands Planning, Protection and Restoration Act	1,000,000	1,000,000
15.616	Clean Vessel Act Program	860,871	1,078,274
15.622	Sportfishing and Boating Safety Act	26,010	26,010
15.631	Partners for Fish and Wildlife	—	30,532
15.634	State Wildlife Grants	—	46,952
15.657	Endangered Species Conservation – Recovery Implementation Funds	—	13,156
15.677	Hurricane Sandy Disaster Relief Activities-FWS	285,612	394,118
15.904	Historic Preservation Fund Grants-In-Aid	260,500	949,418
15.916	Outdoor Recreation Acquisition, Development and Planning	1,954,639	1,954,639
15.925	Agricultural Water Enhancement Program	43,369	43,369
15.947	Boston Harbor Islands Partnership	—	50,828
15.957	Emergency Supplemental Historic Preservation Fund	—	453,271
15.980	National Ground-Water Monitoring Network	—	65,545
15.981	Water Use and Data Research	—	30,624
15.929	Save America's Treasures	—	1,428
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration Program	—	8,056,221
15.611	Wildlife Restoration and Basic Hunter Education	—	1,660,834
	Total Fish and Wildlife Cluster	<u>—</u>	<u>9,717,055</u>
	Total U.S. Department of the Interior	<u>4,431,001</u>	<u>15,876,274</u>
	U.S. Department of Justice:		
16.017	Sexual Assault Services Formula Program	401,757	422,545
16.021	Justice Systems Response to Families	1,819	5,523
16.321	Antiterrorism Emergency Reserve	—	3,858
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	130,720	511,579
16.543	Missing Children's Assistance	4,215	366,766
16.550	State Justice Statistics Program for Statistical Analysis Centers	—	129,378
16.554	National Criminal History Improvement Program	—	1,039,790
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	—	668,915
16.575	Crime Victim Assistance	32,816,975	38,602,627
16.576	Crime Victim Compensation	—	7,286,352
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	—	4,115
16.582	Crime Victim Assistance/Discretionary Grants	106,637	139,742
16.585	Drug Court Discretionary Grant Program	114,725	220,483
16.588	Violence Against Women Formula Grants	2,001,720	3,497,006
16.593	Residential Substance Abuse Treatment for State Prisoners	40,068	155,760
16.606	State Criminal Alien Assistance Program	—	105,778
16.609	Project Safe Neighborhoods	—	191,891
16.710	Public Safety Partnership and Community Policing Grants	—	782,201
16.738	Edward Byrne Memorial Justice Assistance Grant Program	1,484,384	2,552,124
16.741	Forensic DNA Capacity Enhancement Program	—	1,304,819
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	27,327	225,676
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	175,096	273,447
16.746	Capital Case Litigation Initiative	—	7,786
16.750	Support for Adam Walsh Act Implementation Grant Program	—	193,214
16.751	Edward Byrne Memorial Competitive Grant Program	122,399	376,915
16.754	Harold Rogers Prescription Drug Monitoring Program	—	58,143
16.812	Second Chance Act Prisoner Reentry Initiative	385,842	846,110
16.816	John R. Justice Prosecutors and Defenders Incentive Act	39,878	43,373

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

CFDA number	Federal agency, program, or cluster title	Passed through to subrecipients	Federal expenditures
16.820	Post-conviction Testing of DNA Evidence to Exonerate the Innocent	\$ 15,268	\$ 172,177
16.827	Justice Reinvestment Initiative	136,183	160,789
16.842	Opioid Affected Youth Initiative	—	160,169
16.922	Equitable Sharing Program	—	587,377
	Total U.S. Department of Justice	<u>38,005,013</u>	<u>61,096,428</u>
	U.S. Department of Labor:		
17.002	Labor Force Statistics	—	1,848,273
17.005	Compensation and Working Conditions	—	121,234
17.225	Unemployment Insurance	2,252,743	1,517,640,059
17.235	Senior Community Service Employment Program	1,565,072	1,689,403
17.245	Trade Adjustment Assistance Workers	1,028,918	12,642,842
17.268	H-1B Job Training Grants	573,876	573,876
17.271	Work Opportunity Tax Credit Program	—	4,047
17.273	Temporary Labor Certification for Foreign Workers	7,682	706,320
17.277	Workforce Investment Act (WIA) National Emergency Grants	2,069,013	2,555,043
17.281	WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	176,494	349,211
17.285	Apprenticeship USA Grants	304,359	647,465
17.286	Hurricanes and Wildfires of 2017 Supplemental– National Dislocated Worker Grants	741,740	741,740
17.504	Consultation Agreements	—	1,353,765
17.600	Mine Health and Safety Grants	—	94,331
	Employment Service Cluster:		
17.207	Employment Service Wagner-Peyser Funded Activities	5,416,491	14,300,306
17.801	Disabled Veterans' Outreach Program	252,287	2,738,759
	Total Employment Services Cluster	<u>5,668,778</u>	<u>17,039,065</u>
	WIOA Cluster:		
17.258	WIA/WIOA Adult Program	11,131,553	13,578,029
17.259	WIA/WIOA Youth Activities	11,703,804	13,358,903
17.278	WIA/WIOA Dislocated Worker Formula Grants	11,032,207	16,664,577
	Total WIOA Cluster	<u>33,867,564</u>	<u>43,601,509</u>
	Total U.S. Department of Labor	<u>48,256,239</u>	<u>1,601,608,183</u>
	U.S. Department of Transportation:		
20.218	National Motor Carrier Safety	—	4,034,720
20.232	Commercial Driver License State Programs	—	166,805
20.237	Commercial Vehicle Information Systems and Networks	—	96,038
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	—	1,795,488
20.320	Rail Line Relocation and Improvement	—	394,777
20.505	Federal Transit Metropolitan Planning Grants	3,081,734	3,477,006
20.509	Formula Grants for Other Than Urbanized Areas	3,606,151	4,222,166
20.528	Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	—	1,003,865
20.614	Safety Incentive Grants for Use of Seatbelts	—	60,075
20.700	Pipeline Safety	—	1,587,961
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	118,495	210,790
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	13,660,781	570,212,845
20.219	Recreational Trails Program	1,257,780	1,795,187
	Total Highway Planning and Construction Cluster	<u>14,918,561</u>	<u>572,008,032</u>
	Federal Transit Cluster:		
20.526	Bus and Bus Facilities Formula Program	723,072	723,072
	Total Federal Transit Cluster	<u>723,072</u>	<u>723,072</u>
	Transit Services Programs Cluster:		
20.513	Enhanced Mobility for Seniors and Individuals with Disabilities	1,417,009	6,647,429
20.516	Job Access Reverse Commute	95,081	98,023
20.521	New Freedom Program	156,759	156,968
	Total Transit Services Programs Cluster	<u>1,668,849</u>	<u>6,902,420</u>
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	1,452,557	4,631,602
20.616	National Priority Safety Programs	859,257	4,132,601
	Total Highway Safety Cluster	<u>2,311,814</u>	<u>8,764,203</u>
	Total U.S. Department of Transportation	<u>26,428,676</u>	<u>605,447,418</u>

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

CFDA number	Federal agency, program, or cluster title	Passed through to subrecipients	Federal expenditures
21.016	U.S. Department of the Treasury: Equitable Sharing	\$ —	\$ 1,960,542
30.002	Equal Employment Opportunity Commission: Employment Discrimination State and Local Fair Employment Practices Agency Contracts	—	2,402,320
45.025	National Endowment for the Arts: Promotion of the Arts Partnership Agreements	891,865	891,865
45.149	Promotion of the Humanities Division of Preservation and Access	—	83,321
45.310	State Library Program	610,259	3,107,274
	Total National Endowment for the Arts	<u>1,502,124</u>	<u>4,082,460</u>
47.076	National Science Foundation: Education and Human Resources	26,799	42,455
	Total National Science Foundation	<u>26,799</u>	<u>42,455</u>
59.061	Small Business Administration: State Trade and Export Promotion Pilot Grant Program	344,802	344,802
64.014	U.S. Department of Veterans Affairs: Veterans State Domiciliary Care	—	2,960,125
64.015	Veterans State Nursing Home Care	—	16,245,651
	Total U.S. Department of Veterans Affairs	<u>—</u>	<u>19,205,776</u>
66.032	U.S. Environmental Protection Agency: State Indoor Radon Grants	—	166,338
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	—	468,055
66.040	State Clean Diesel Grant Program	—	13,387
66.454	Water Quality Management Planning	171,013	487,716
66.456	National Estuary Program	472,189	1,400,971
66.461	Regional Wetland Program Development Grants	—	89,178
66.472	Beach Monitoring and Notification Program Implementation Grants	—	235,917
66.605	Performance Partnership Grants	1,782,753	15,397,784
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	—	16,382
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	—	363,770
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	—	114,921
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	—	206,083
66.708	Pollution Prevention Grants Program	34,932	39,931
66.802	Superfund State, Political Subdivision, and Indian Tribe Site Specific Cooperative Agreements	—	879,966
66.804	State and Tribal Underground Storage Tanks Program	—	502,328
66.805	Leaking Underground Storage Tank Trust Fund Program	—	749,602
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	—	69,956
66.999	Environmental Protection Agency – Miscellaneous	—	1,844,215
	Total U.S. Environmental Protection Agency	<u>2,460,887</u>	<u>23,046,500</u>
81.041	U.S. Department of Energy: State Energy Program	—	1,013,084
81.042	Weatherization Assistance for Low-Income Persons	7,135,656	7,713,987
81.086	Conservation Research and Development	5,000	68,056
	Total U.S. Department of Energy	<u>7,140,656</u>	<u>8,795,127</u>
84.002	U.S. Department of Education: Adult education State Grant Program	6,075,340	8,090,583
84.010	Title I Grants to Local Educational Agencies	227,185,339	239,488,592
84.011	Migrant Education State Grant Program	1,192,605	1,359,528
84.013	Title I Program for Neglected and Delinquent Children	151,179	1,725,885
84.048	Vocational Education Basic Grants to States	13,107,110	15,312,427
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	1,021,424	40,554,907
84.144	Migrant Education Coordination Program	33,179	33,179
84.161	Rehabilitation Services Client Assistance Program	—	245,900
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	—	674,022
84.181	Special Education Grants for Infants and Families with Disabilities	2,969,737	8,141,400
84.187	Supported Employment Services for Individuals with Severe Disabilities	187,721	675,306
84.196	Education for Homeless Children and Youth	742,967	1,083,293
84.282	Charter Schools	3,538,035	3,762,780
84.287	Twenty-First Century Community Learning Centers	17,791,552	18,670,461
84.323	Special Education – State Personnel Development	16,909	175,822

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

CFDA number	Federal agency, program, or cluster title	Passed through to subrecipients	Federal expenditures
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	\$ 15,308	\$ 15,308
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	1,394,890	2,196,394
84.358	Rural Education	34,763	34,763
84.365	English Language Acquisition Grants	13,818,497	14,778,436
84.366	Mathematics and Science Partnerships	573,838	627,184
84.367	Improving Teacher Quality State Grants	31,066,767	34,688,537
84.369	Grants for State Assessments and Related Activities	—	6,746,777
84.372	Statewide Data Systems	555,005	1,848,986
84.377	School Improvement Grants	4,465,100	4,611,671
84.419	Preschool Development Grants	13,761,523	15,714,778
84.421	Disability Innovation Fund	40,448	1,074,179
84.424	Student Support and Academic Enrichment Program	10,914,158	11,476,185
84.938	Hurricane Education Recovery	15,444,865	15,618,078
84.999	Department of Education – Miscellaneous	—	165,623
	Special Education Cluster (IDEA):		
84.027	Special Education Grants to States	257,970,918	288,273,206
84.173	Special Education Preschool Grants	6,812,388	8,684,641
	Total Special Education Cluster (IDEA)	<u>264,783,306</u>	<u>296,957,847</u>
	Total U.S. Department of Education	<u>630,881,565</u>	<u>746,548,831</u>
	National Archives and Records Administration:		
89.003	National Historical Publications and Records Grants	4,876	25,708
	U.S. Election Assistance Commission:		
90.401	Help America Vote Act Requirements Payments	—	5,280,822
	U.S. Department of Health and Human Services:		
93.041	Neglect, and Exploitation Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse,	4,535	103,207
93.042	Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	—	398,758
93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	572,540	573,258
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	—	222,842
93.051	Alzheimer's Disease Demonstration Grants to States	276,337	311,790
93.052	National Family Caregiver Support	3,816,900	3,922,246
93.069	Public Health Emergency Preparedness	4,585,436	13,557,707
93.070	Environmental Public Health and Emergency Response	26,246	2,395,306
93.071	Medicare Enrollment Assistance Program	444,727	444,815
93.072	Lifespan Respite Care Program	—	66,258
93.073	Birth Defects and Developmental Disabilities – Prevention and Surveillance	705,172	1,258,861
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	17,755	142,807
93.087	Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	57,146	90,140
93.090	Guardianship Assistance	—	5,593,830
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	751,758	972,465
93.103	Food and Drug Administration Research	—	1,884,486
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	634,440	1,227,016
93.110	Maternal and Child Health Federal Consolidated Programs	84,108	848,765
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	251,540	2,128,538
93.127	Emergency Medical Services for Children	1,500	117,708
93.130	Primary Care Services Resource Coordination and Development	—	150,435
93.136	Injury Prevention and Control Research and State and Community Based Programs	942,755	5,175,645
93.150	Projects for Assistance in Transition from Homelessness	1,692,505	1,694,310
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	374,576	622,571
93.165	Grants to States for Loan Repayment	—	550,000
93.184	Disabilities Prevention	176,292	453,353
93.197	Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	—	349,346
93.217	Family Planning Services	2,675,061	2,796,001
93.234	Traumatic Brain Injury State Demonstration Grant Program	—	138,124
93.235	Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	192,125	405,958
93.236	Grants for Dental Public Health Residency Training	—	28,179
93.240	State Capacity Building	—	542,099
93.241	State Rural Hospital Flexibility Program	—	292,989
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	4,035,504	9,458,171
93.251	Universal Newborn Hearing Screening	55,259	242,583

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

CFDA number	Federal agency, program, or cluster title	Passed through to subrecipients	Federal expenditures
93.262	Occupational Safety and Health Program	\$ —	\$ 732,309
93.268	Immunization Cooperative Agreements	23,479	77,268,177
93.270	Adult Viral Hepatitis Prevention and Control	—	581,938
93.276	Drug-Free Communities Support Program Grants	4,102	112,030
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	—	200,706
93.296	State Partnership Grant Program to Improve Minority Health	44,000	214,471
93.301	Small Rural Hospital Improvement Grant Program	61,020	61,020
93.305	National State Based Tobacco Control Programs	169,042	1,543,474
93.314	Early Hearing Detection and Intervention Information System Surveillance Program	—	245,548
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	—	5,415,026
93.324	State Health Insurance Assistance Program	642,788	910,069
93.336	Behavioral Risk Factor Surveillance System	—	339,607
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	128,696	915,316
93.367	Flexible Funding Model – Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs	—	321,112
93.369	ACL Independent Living State Grants	136,861	342,373
93.426	Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	50,173	882,064
93.432	ACL Centers for Independent Living	85,158	1,320,555
93.435	Innovative State and Local Public Health Strategies to prevent and Manage Diabetes and Heart Disease and Stroke-	330,582	802,851
93.464	ACL Assistive Technology	—	584,709
93.469	Assistive Technology Alternative Financing Program	—	521,460
93.500	Pregnancy Assistance Fund Program	1,033,683	1,135,274
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	—	184,587
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease and Emerging Infections Program Cooperative Agreements	—	283,306
93.535	Affordable Care Act Program for Early Detection of Certain Medical Conditions Related to Environmental Health Hazards	1,009,407	1,124,875
93.539	PPHF 2012: Prevention and Public Health Fund (Affordable Care Act) – Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	—	186,290
93.556	Promoting Safe and Stable Families	—	4,529,962
93.563	Child Support Enforcement	—	70,426,672
93.566	Refugee and Entrant Assistance State Administered Programs	2,038,867	11,809,995
93.568	Low-Income Home Energy Assistance	150,045,413	151,381,849
93.569	Community Services Block Grant	16,928,729	17,927,508
93.576	Refugee and Entrant Assistance Discretionary Grants	144,021	170,649
93.583	Refugee and Entrant Assistance Wilson / Fish Program	330,979	1,524,981
93.584	Refugee and Entrant Assistance Targeted Assistance Grants	198,306	203,596
93.586	State Court improvement Program	—	415,520
93.590	Child Abuse Prevention Activities	537,076	546,662
93.597	Grants to States for Access and Visitation Programs	—	104,838
93.599	Chafee Education and Training Vouchers Program	—	1,257,273
93.600	Head Start	—	175,002
93.603	Adoption Incentive Payments	—	67,483
93.624	ACA – State Innovation Models: Funding for Model Design and Model Testing Assistance	—	1,316,201
93.630	Developmental Disabilities Basic Support and Advocacy Grants	175,920	1,347,484
93.631	Developmental Disabilities Projects of National Significance	—	300,990
93.634	ACA Support for Demonstration Ombudsman Programs Serving Beneficiaries of State Demonstrations to Integrate Care for Medicare-Medicaid	230,519	759,583
93.643	Children's Justice Grants to States	—	299,731
93.644	Adult Medicaid Quality: Improving Maternal and Infant Health Outcomes in Medicaid and CHIP	—	34,090
93.645	Child Welfare Services State Grants	—	2,727,779
93.658	Foster Care Title IV-E	—	119,727,520
93.659	Adoption Assistance	—	29,369,825
93.667	Social Services Block Grant	—	79,037,965
93.669	Child Abuse and Neglect State Grants	—	463,092
93.671	Family Violence Prevention and Services / Grants for Battered Women's Shelters Grants to States and Indian Tribes	1,983,095	2,051,459
93.674	Chafee Foster Care Independence Program	—	3,096,310
93.729	ARRA –Health Information Technology and Public Health	—	117
93.733	Performance – financed in part by the Prevention and Public Health Fund (PPHF-2012) Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	—	176,278
93.735	State Public Health Approaches for Ensuring Quiltline Capacity – Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)	—	310,690

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

CFDA number	Federal agency, program, or cluster title	Passed through to subrecipients	Federal expenditures
93.745	PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	\$ —	\$ 1,608
93.747	Elder Abuse Prevention Interventions Program	—	226,236
93.753	Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health Program	—	116,137
93.757	State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health financed in part by Prevention and Public Health Funding	187,188	1,087,470
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds	471,713	1,951,103
93.767	State Children's Health Insurance Program	—	708,050,148
93.773	Medicare Hospital Insurance	—	11,332,030
93.788	Opioid STR	14,564,873	17,442,514
93.791	Money Follows the Person Rebalancing Demonstration	—	18,693
93.800	Organized Approaches to Increase Colorectal Cancer Screening	—	587,129
93.810	Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	—	783,453
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases	—	648,817
93.817	Hospital Preparedness Program Ebola Preparedness and Response Activities	745,000	825,882
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	4,926,483	6,450,270
93.881	The Health Insurance Enforcement and Consumer Protections Grant Program	—	171,312
93.889	National Bioterrorism Hospital Preparedness Program	2,324,339	4,136,141
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	807,385	3,100,845
93.913	Grants to States for Operation of Offices of Rural Health	—	169,929
93.917	HIV Care Formula Grants	19,085,016	29,639,065
93.928	Special Projects of National Significance	—	143,325
93.940	HIV Prevention Activities Health Department Based	2,866,185	7,563,546
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome and Human Immunodeficiency Virus Infection in Selected Population Groups	—	459,755
93.944	Human Immunodeficiency Virus/ Acquired Immunodeficiency Virus Syndrome Surveillance	—	434,708
93.945	Assistance Programs for Chronic Disease Prevention and Control	—	72,659
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	24,438	446,738
93.958	Block Grants for Community Mental Health Services	12,436,396	12,700,668
93.959	Block Grants for Prevention and Treatment of Substance Abuse	15,658,349	36,033,349
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	4,898	2,232,796
93.981	Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	26,880	229,432
93.991	Preventive Health and Health Services Block Grant	636,979	2,986,604
93.994	Maternal and Child Health Services Block Grant to the States	2,148,477	11,764,935
	<b>Aging Cluster:</b>		
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	11,431,417	12,915,169
93.045	Special Programs for the Aging Title III, Part Nutrition Services	16,205,198	16,354,923
93.053	Nutrition Services Incentive Program	2,146,653	5,769,428
	Total Aging Cluster	<u>29,783,268</u>	<u>35,039,520</u>
	<b>TANF Cluster:</b>		
93.558	Temporary Assistance for Needy Families	—	364,252,795
	Total TANF Cluster	<u>—</u>	<u>364,252,795</u>
	<b>CCDF Cluster:</b>		
93.575	Child Care and Development Block Grant	—	140,528,340
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	—	75,337,489
	Total CCDF Cluster	<u>—</u>	<u>215,865,829</u>

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

CFDA number	Federal agency, program, or cluster title	Passed through to subrecipients	Federal expenditures
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	\$ —	\$ 5,751,215
93.777	State Survey and Certification of Health Care Providers and Suppliers	—	8,605,432
93.778	Medical Assistance Program	—	10,731,891,409
	Total Medicaid Cluster	—	10,746,248,056
	Total U.S. Department of Health and Human Services	305,404,000	12,880,164,315
	Social Security Administration:		
96.008	Social Security Benefits Planning, Assistance, and Outreach Program	—	225,726
	Disability Insurance/SSI Cluster:		
96.001	Social Security Disability Insurance	—	46,419,513
	Total Disability Insurance/SSI Cluster	—	46,419,513
	Total Social Security Administration	—	46,645,239
	U.S. Department of Homeland Security:		
97.008	Non-Profit Security Program	52,647	52,647
97.012	Boating Safety Financial Assistance	—	1,515,718
97.023	Community Assistance Program State Support Services Element	—	202,716
97.029	Flood Mitigation Assistance	—	14,970
97.036	Public Assistance Grants	20,015,962	22,873,043
97.039	Hazard Mitigation Grant	6,849,696	7,371,993
97.041	National Dam Safety Program	—	136,554
97.042	Emergency Management Performance Grants	1,891,502	7,922,825
97.043	State Fire Training Systems Grants	—	20,828
97.044	Assistance to Firefighters Grant	—	142,349
97.047	Pre-Disaster Mitigation	534,825	585,548
97.056	Port Security Grant Program	—	209,382
97.067	Homeland Security Grant Program	16,154,177	19,632,250
97.082	Earthquake Consortium	—	3,759
97.091	Homeland Security Biowatch Program	—	1,654,251
97.132	Financial Assistance for Countering Violent Extremism	248,407	277,148
	Total U.S. Department of Homeland Security	45,747,216	62,615,981
	Totals	\$ 1,938,942,933	\$ 18,435,143,714

See accompanying notes to schedule of expenditures of federal awards.

## COMMONWEALTH OF MASSACHUSETTS

### Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

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

For purposes of complying with U.S. Code of Federal Regulations Title 2, *Grants and Agreements Part 200; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), the Commonwealth of Massachusetts (the Commonwealth) reporting entity is defined in Note 1 to its June 30, 2019 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 Institutions of Higher Education (which include the University of Massachusetts, the State Universities, and the Community Colleges), and all of the discretely presented component units are excluded, except for the Massachusetts Department of Transportation (MassDOT). Accordingly, the accompanying Schedule of Expenditures of Federal Awards (SEFA or Schedule) presents the federal award programs administered by the Commonwealth, as defined above, for the year ended June 30, 2019.

#### **(2) Basis of Presentation**

The accompanying SEFA is presented on the cash basis of accounting. The SEFA presents only a selected portion of the operations of the Commonwealth. Accordingly, the SEFA does not purport to be a complete presentation of the financial position or changes in financial position of the Commonwealth.

The SEFA is drawn primarily from the Massachusetts Management Accounting and Reporting System (MMARS), the centralized accounting system.

The expenditures reported on the SEFA are recognized following the cost principles contained in the Uniformed Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

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.

#### **(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 (see note 6).

#### **(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 may not necessarily reconcile with the amounts reported in the accompanying Schedule.

**COMMONWEALTH OF MASSACHUSETTS**

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

**(5) 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 as follows:

<b>CFDA Number</b>	<b>Program Title</b>	<b>Noncash Award</b>
10.551	Supplemental Nutrition Assistance Program	\$ 1,140,034,556
10.555	National School Lunch Program	28,286,909
10.558	Child and Adult Care Food Program	167,900
10.559	Summer Food Service Program for Children	2,846
93.268	Immunization Cooperative Agreements	<u>71,188,997</u>
	Total noncash awards	\$ <u>1,239,681,208</u>

Commodity inventories for the Food Donation Program at June 30, 2019 totaled \$656,501.

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

The U.S. Department of Labor, in consultation with the OMB, has determined that for the purpose of audits and reporting under the Uniform Guidance, 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. The following schedule provides a breakdown of the state and federal portions of the total expended amount under CFDA Number 17.225:

Commonwealth UI Funds – Benefits	\$ 1,441,944,423
Federal UI Funds – Benefits	8,150,324
Federal UI Funds – Administration	<u>67,545,312</u>
Total expenditures	\$ <u>1,517,640,059</u>

**(7) 10% De Minimis Cost Rate**

The Commonwealth does not use the 10% De Minimis Indirect Cost rate exclusively, but each department that has a direct grant will have a negotiated rate with the cognizant federal agency who issued the award.

**COMMONWEALTH OF MASSACHUSETTS**

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

**(8) Loans**

The HOME Investor Partnership Program (CFDA 14.239) is administered by the Commonwealth's Department of Housing and Community Development (DHCD) to expand the supply of affordable housing in the Commonwealth. A portion of the HOME Investor Partnership Program payments are in the form of low-interest loans made to not-for-profit and for-profit organizations to construct multi-family housing. Details of the Fiscal Year 2019 loan activity is as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
\$ <u>221,990,750</u>	\$ <u>6,580,941</u>	\$ <u>(2,434,518)</u>	\$ <u>226,137,173</u>

As required by Uniform Guidance, the value of new loans made during the fiscal year plus the beginning balance of loans outstanding is included in the SEFA.

**(9) Litigation**

The Commonwealth is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes, but is not limited to, claims asserted against the Commonwealth arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of State and Federal laws.

Included in the Commonwealth's outstanding litigation are a number of cases challenging the legality or the adequacy of a variety of significant social welfare programs primarily involving the Commonwealth's Medicaid program. Adverse judgments in these matters generally could result in injunctive relief coupled with prospective changes in patient care that could require substantial increased financing of the litigated programs in the future.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

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

***Financial Statements***

- (a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
- Material weaknesses: **Yes**
  - Significant deficiencies: **Yes**
- (c) Noncompliance material to the financial statements: **No**

***Federal Awards***

- (d) Internal control deficiencies over major programs disclosed by the audit:
- Material weaknesses: **Yes**
  - Significant deficiencies: **Yes**
- (e) Type of report issued on compliance for major programs:
- Qualified opinions (Noncompliance) – Employment Service (17.207 and 17.801) and WIOA (17.258, 17.259 and 17.278) Clusters
  - The opinions for all other programs are unmodified.
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**
- (g) Major Programs:
- U.S. Department of Agriculture*
- Child and Adult Care Food Program (10.558)
  - Child Nutrition Cluster (10.555 and 10.559)
- U.S. Department of Defense*
- National Guard Military Operations and Maintenance Projects (12.401)
- U.S. Department of Housing and Urban Development*
- Moving to Work Demonstration Program (14.881)
- U.S. Department of Justice*
- Crime Victim Assistance (16.575)

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

*U.S. Department of Labor*

- Unemployment Insurance (17.225)
- Employment Service Cluster (17.207 and 17.801)
- WIOA Cluster (17.258, 17.259 and 17.278)

*U.S. Department of Transportation*

- Highway Planning and Construction Cluster (20.205 and 20.219)

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

- Child Support Enforcement (93.563)
- Low-Income Home Energy Assistance (93.568)
- Community Services Block Grant (93.569)
- State Children's Health Insurance Program (93.767)
- HIV Care Formula Grants (93.917)
- Maternal and Child Health Services Block Grant to the States (93.994)
- Medicaid Cluster (93.775, 93.777 and 93.778)

(h) Dollar threshold used to distinguish between Type A and Type B programs: **\$30 million**

(i) Auditee qualified as low-risk auditee: **No**

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

See accompanying pages 19 through 24.

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

See accompanying pages 25 through 58.

**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, 2019

**Executive Office of Labor and Workforce Development**

**Office of the Comptroller**

**Finding Reference:** 2019-001

**Financial Reporting**

**Type of Finding:** Material Weakness

**Prior Year Findings:** Yes, 2018-002

**Statistically Valid Sample:** No

***Observation***

The Executive Office of Labor and Workforce Development (EOLWD) is responsible for maintaining the books and records of the Unemployment Insurance Trust Fund (the Fund), which is a major fund in the Commonwealth of Massachusetts Comprehensive Annual Financial Report (CAFR). The Fund's financial statements are created from the Commonwealth's general ledger, Massachusetts Management Accounting & Reporting System (MMARS) by the Office of the Comptroller (CTR). The balances and transactions of the Fund in MMARS are based on monthly summary entries prepared from the Fund's subsidiary ledger, UI Online.

During our 2019 audit of the Fund, two errors, both of which were corrected in the final CAFR, were identified as follows:

- CTR management identified an error in the 2018 CAFR totaling approximately \$34.6 million during their preparation of the 2019 CAFR. The error was the result of a prior year audit adjustment to decrease unemployment compensation contributions revenue where detailed transaction data in UI Online did not agree to summary transaction data in MMARS. This prior year audit adjustment was recorded correctly on MMARS but incorrectly on the CAFR resulting in the unemployment compensation contributions revenue being understated at June 30, 2018.
- During our 2019 audit, we found a misclassification in unemployment fund revenue while comparing the MMARS balances to the UI Online transaction detail. Specifically, unemployment compensation contributions revenue contained approximately \$14.8 million of fines, interest and penalties that should have been reported as miscellaneous revenues and \$3.4 million of federal grants revenue that should be reported as other federal revenues.

The errors appear to result from a lack of appropriate reconciliation controls between summary level transaction data in MMARS to detailed transaction data in UI Online and between MMARS account balances and the Fund's financial statements.

***Recommendation***

We recommend EOLWD establish internal controls to reconcile, at least monthly, the detailed data in UI Online to the summary level data in MMARS and make any necessary adjustments. The control should be designed at a sufficient level to prevent and detect material misstatements in the Fund's financial statements. We further recommend that the CTR and EOLWD work collaboratively to ensure that the Fund is appropriately presented in the CAFR and is representative of the balances and transactions recorded in MMARS and UI Online.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

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

Office of the Comptroller

In regards to the \$34.6 million adjustment described in the first bullet above, CTR will ensure the Fund's financial statements properly reflects all GAAP adjustments and reconciles to MMARS prior to distributing for confirmation from EOLWD.

Executive Office of Labor and Workforce Development

Current processes include a monthly reconciliation between UI, MMARS, and bank accounts. EOLWD will continue to perform and improve current reconciliation processes to ensure timely adjustments are made when necessary and that financial reporting is accurate.

***Responsible Officials***

Office of the Comptroller

Michael Rodino, Chief Financial Reporting Officer

Executive Office of Labor and Workforce Development

Male Kamyra, Deputy CFO

***Implementation Date***

June 2020

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

**Executive Office of Labor and Workforce Development**

**Finding Reference:** 2019-002

**Allowance for Uncollectible Receivables**

**Type of Finding:** Material Weakness

**Prior Year Finding:** Yes, 2018-003 and 2017-003

**Statistically Valid Sample:** No

***Observation***

During our 2019 audit of the Unemployment Trust Fund (the Fund), we reviewed the Executive Office of Labor and Workforce Development's (EOLWD) allowance for uncollectible receivables methodology and related documentation to support its estimate of uncollectible receivables in the Fund. EOLWD management included a historical analysis of employer assessments and collections on those assessments to estimate their 2019 allowance of uncollectible receivables. While EOLWD management did improve their methodology for their estimate of uncollectible receivables, we found a calculation error whereby EOLWD estimated 20% of receivables aged less than 1 year would be uncollectible while the estimate should have been 10% of receivables aged less than 1 year would be uncollectible. The calculation error resulted in a corrected audit difference of an approximately \$36.8 million decrease to the allowance for uncollectible receivables. The error appears to be due to the lack of appropriate management review of the estimate at a level of precision that would prevent or detect a material misstatement in the Fund.

In addition to the error described above, we noted the following areas for improvement to be considered when preparing future allowance for uncollectible receivable calculations:

- The improved methodology should use all current data and disaggregate by employer type, if necessary. The improved methodology takes into account a historical analysis of employer assessments and collections on those assessments. To estimate the allowance for uncollectible receivables, EOLWD management used employer assessment and collections data from 2012 through 2016. This methodology did not include the most recent employer assessment and collections data from 2017 through 2019 due to availability of time and staffing, and did not include an analysis by employer type.
- To be consistent with the financial statements, the improved methodology should analyze historical employer assessments and collections data based upon a fiscal year cycle rather than on a calendar year.
- The employer allowance model was used to estimate uncollectible benefit overpayments without determining that an estimate based on employer payment history is appropriate.

***Recommendation***

We recommend that EOLWD management consider the following related to their estimation of uncollectible receivables:

- Implement a procedure to review the allowance for uncollectible receivables such that the management review would prevent or detect a material misstatement in the Fund.
- Obtain current employer assessment and collection data to include in future estimates of the allowance for uncollectible receivables.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

- Analyze the historical employer assessment and collections data on a fiscal year basis to coincide with the Commonwealth's fiscal year end.
- Analyze the benefit overpayments receivable to determine if an allowance based on the employer payment history is appropriate or whether a separate model should be developed.

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

EOLWD currently performs a (3) year analysis of employer assessments and collections using UI system data. A process revision has been implemented to expand the analysis to include (5) years of employer and claimant assessments.

The expanded analysis of employer and claimant assessments includes a thorough manager level review of data input for accuracy, completeness and to mitigate the risk of material misstatements caused by errors and omissions.

***Responsible Official***

Male Kanya, Deputy CFO

***Implementation Date***

June 2020

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2019

#### **Group Insurance Commission**

**Finding Reference:** 2019-003

#### **Recording of Retired Employee Healthcare Payments**

**Type of Finding:** Significant Deficiency

**Prior Year Finding:** No

**Statistically Valid Sample:** No

#### ***Observation***

Active employee healthcare payments are recorded in the Commonwealth's general fund while retired employee healthcare payments are recorded in the State Retiree Benefit Trust Fund (SRBTF), an OPEB trust fund. When healthcare invoices are received by the Group Insurance Commission (GIC), which contain amounts payable related to active and retired employees, the invoices paid are recorded in the general fund. Monthly, retired employee healthcare payments are transferred to the SRBTF up to a ceiling set by the legislature in the annual budget. This ceiling, which totaled \$441.2 million in fiscal year 2019, is not reflective of the total retired employee healthcare spending under U.S. Generally Accepted Accounting Principles (GAAP).

At year end during the preparation of the Comprehensive Annual Financial Report (CAFR), the Office of the Comptroller (CTR), with GIC assistance, identifies the total retired employee healthcare spending and adjusts the SRBTF benefit expense to reflect the GAAP based retired employee healthcare spending during the fiscal year. In 2019, the CTR recorded a journal entry to increase retired employee healthcare expense in the SRBTF by \$51.1 million.

Subsequent to recording the journal entry, while gathering data in response to KPMG's audit request, GIC discovered an error that was due to a new computer program used to determine the split between SRBTF and non-SRBTF healthcare claims. They found the original data used to determine the \$51.1 million journal entry contained coding errors such that the overall retired employee healthcare expense in the SRBTF was overstated by \$10.7 million. The coding errors related to the split of new retirees, as well as retirees and survivors whose coverage was terminated, between SRBTF and non-SRBTF, and accounting for accounts payable at the end of the fiscal year but not the beginning of the fiscal year.

The error appears to be due to a lack of internal controls surrounding the implementation of a new computer program used to determine a financial statement amount.

#### ***Recommendation***

We recommend that the GIC implement policies and procedures to ensure the output from the computer program used to determine SRBTF and non-SRBTF healthcare claims is reviewed for completeness and accuracy prior to submission to the CTR for processing of the related journal entry.

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

In future years, the GIC will perform a more in-depth review of the output of the computer program that splits GIC claims into SRBTF claims and non-SRBTF claims. The fiscal department will review the output for each invoice, to check that the claims split is within an expected range. We will also test the claims output – checking that the correct agencies are included and checking that the correct claims are included for employees who retired during the claims year, retirees and survivors who died during the claims year, and newly widowed (former) spouses of state retirees.

**COMMONWEALTH OF MASSACHUSETTS**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2019

***Responsible Official***

James Rust, CFO, GIC

***Implementation Date***

June 30, 2020

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

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

**State Military Division**

**National Guard Military Operations and Maintenance Projects (12.401)**

**Federal Award Number:** W912SV-19-2-1000

**U.S. Department of Defense**

**Finding Reference:** 2019-004

**Allowable Costs/Cost Principles and Cash Management**

**Type of Finding:** Significant Deficiency

**Prior Year Finding:** No

**Statistically Valid Sample:** No

***Criteria***

In accordance with 2 CFR 200.303(a), Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

***Condition Found***

During our audit, we found that internal controls in place over grant set up in the official books and records of the Commonwealth, the Massachusetts Management Accounting and Reporting System (MMARS), did not identify three awards set up with an incorrect CFDA number. While this error did not result in the incorrect claiming of federal costs, it did result in incorrect reporting on the draft June 30, 2019 Schedule of Expenditures of Federal Awards (SEFA) which was corrected prior to finalization of the SEFA.

***Possible Asserted Effect***

Had the error been related to other identifying information on the grant set up form, incorrect claiming of federal costs could have occurred.

***Recommendation***

We recommend that the State Military Division (MIL) implement policies, procedures and related internal controls to ensure that grants are properly set up in MMARS, thus helping to ensure appropriate claiming of federal costs and accurate reporting on the SEFA.

***Questioned Costs***

None

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

The State Military Division (MIL) Responsible Officials concur with the audit recommendation. Effective immediately, the Chief Financial Officer (CFO) will review, validate and approve of the MMARS grant program setup document prior to the Grant Officer's submittal to the Office of the State Comptroller for proper setup and

**COMMONWEALTH OF MASSACHUSETTS**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2019

recording in MMARS. This will ensure proper segregation of duties and proper accounting for claiming of federal costs and accurate reporting on the SEFA.

***Responsible Official(s)***

Joseph Wolfgang, CFO, MIL

Jeanne Spadorcia, Fiscal Manager/Grants Officer, MIL

***Implementation Date***

March 2020

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

**Executive Office of Labor and Workforce Development**

**Employment Service Cluster (17.207, 17.801)**

**WIOA Cluster (17.258, 17.259, 17.278)**

**Federal Award Numbers:** ES274961555A25; ES294181655A25; ES309931755A25; ES318531855A25; MI296861660A25; DV314231855525; DV328951955525; AA267851555A25; AA283221655A25; AA307351755A25; AA320551855A25

**Award Years:** 2017, 2018, 2019

**U.S. Department of Labor**

**Finding Reference:** 2019-005

**Allowable Costs/Cost Principles**

**Type of Finding:** Material Weakness and Material Noncompliance

**Prior Year Finding:** Yes

**Statistically Valid Sample:** No

**Criteria**

The standards for documentation of personnel expenses are outlined in 2 CFR 200.430. The standards require charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- i. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- ii. Be incorporated into the official records of the non-Federal entity;
- iii. Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities
- iv. Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- v. Comply with the established accounting policies and practices of the non-Federal entity

Further, in accordance with 2 CFR 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition Found**

The Employment Service Cluster and the WIOA Cluster grants incur direct payroll charges and represent approximately \$6.6 million (39%) and \$5.0 million (11%) of total Employment Service cluster and WIOA cluster spending, respectively. The Executive Office of Labor and Workforce Development (EOLWD) assigns direct

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2019

payroll to grants based on budgeted time and effort. We found that budgeted time and effort is not verified and/or adjusted based on actual time and effort incurred on a grant.

Additionally, we were not able to recalculate payroll allocations charged to the grants due to the budgeted time and effort documentation not being maintained. We found this for 54 of 65 (83%) Employment Service cluster items tested and for 61 of 65 (94%) WIOA cluster items tested.

Further, we noted management's internal controls are not designed at a level of precision to ensure time and effort allocated to a grant is based on actual time and effort incurred.

#### ***Possible Asserted Effect***

Direct payroll charges allocated to grants based on budgeted time and effort can result in federal reimbursements that are not reflective of actual time and effort working on a grant.

#### ***Recommendation***

We recommend EOLWD implement policies, procedures and related internal controls to ensure that direct payroll costs charged to Federal grants are based on actual time and effort of employees. Further, these policies and procedures should also ensure that all documentation supporting federal charges is maintained.

#### ***Questioned Costs***

Not determinable

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

EOLWD has implemented the use of combination codes within the Self-Service Time and Attendance (SSTA) system. Combination codes are used by staff members to allocate and certify hours worked to Federal grants. Subsequently, managers are required to perform a line item review of hours spent on each grant before approving timesheets.

Use of combination codes allows EOLWD to track the direct costs charged to Federal grants based on actual time and provides a method for maintaining an electronic form of supporting documentation.

#### ***Responsible Official***

Male' Kamya, Deputy Chief Financial Officer, EOLWD

#### ***Implementation Date***

July 8, 2019

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

**Executive Office of Labor and Workforce Development**

**Employment Service Cluster (17.207, 17.801)**

**WIOA Cluster (17.258, 17.259, 17.278)**

**Federal Award Numbers:** ES274961555A25; ES294181655A25; ES309931755A25; ES318531855A25; MI296861660A25; DV314231855525; DV328951955525; AA267851555A25; AA283221655A25; AA307351755A25; AA320551855A25

**Award Years:** 2017, 2018, 2019

**U.S. Department of Labor**

**Finding Reference:** 2019-006

**Allowable Costs/Cost Principles**

**Type of Finding:** Material Weakness and Material Noncompliance

**Prior Year Finding:** No

**Statistically Valid Sample:** No

**Criteria**

According to 2 CFR 200, Appendix VII, paragraph D.1, "All departments or agencies of the governmental unit desiring to claim indirect costs under Federal awards must prepare an indirect cost rate proposal and related documentation to support those costs. The proposal and related documentation must be retained for audit in accordance with the records retention requirements contained in §200.333 Retention Requirements for Records."

Further, in accordance with 2 CFR 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition Found**

The Executive Office of Labor and Workforce Development (EOLWD) allocates certain department overhead costs (operations/facilities, human resources, finance, and information technology) to Federal and non-Federal programs, including the Employment Service cluster and WIOA cluster, using a federally approved indirect cost rate. The indirect cost rate is based on an indirect cost rate proposal submitted to the Federal government. Indirect costs represent approximately \$1.1 million (7%) and \$0.8 million (2%) of Employment Service cluster and WIOA cluster spending, respectively.

During our audit, we found EOLWD did not maintain documentation supporting the indirect cost rate proposal that is the basis for the indirect cost rate applied. As such, we were not able to audit the indirect cost rate proposal, including the underlying cost pool on which the indirect cost rate is based.

Further, we noted management's internal controls are not designed at a level of precision to ensure documentation supporting the indirect cost rate proposal is maintained.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

***Possible Asserted Effect***

Indirect costs allocated to the grants can result in federal reimbursements that are not completely and accurately documented.

***Recommendation***

We recommend that EOLWD implement policies, procedures and related internal controls to ensure that all documentation supporting federal charges is maintained, including the cost pool transactions used as a basis for proposing indirect cost rates.

***Questioned Costs***

Not determinable

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

EOLWD is committed to documenting and implementing policies and procedures that require future indirect cost rate proposals, underlying supporting data and reports to be maintained.

***Responsible Officials***

Male' Kanya, Deputy Chief Financial Officer, EOLWD

***Implementation Date***

June 2021

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

**Executive Office of Labor and Workforce Development**

**Employment Service Cluster (17.207, 17.801)**

**Federal Award Numbers:** ES274961555A25; ES294181655A25; ES309931755A25; ES318531855A25; MI296861660A25; DV314231855525; DV328951955525

**Award Years:** 2017, 2018, 2019

**U.S. Department of Labor**

**Finding Reference:** 2019-007

**Reporting – Performance Report**

**Type of Finding:** Significant Deficiency and Noncompliance

**Prior Year Finding:** No

**Statistically Valid Sample:** No

***Criteria***

On a quarterly basis, the Executive Office of Labor and Workforce Development (EOLWD) Department of Career Services (DCS) is required to report services, activities, and outcomes of service for all job seekers and veterans as part of their Participant Individual Record Layout (PIRL) submission.

Further, in accordance with 2 CFR 200.303(a), Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

***Condition***

The information included in the PIRL submission is sourced from multiple systems, including DCS’ case management system, MOSES; the Unemployment Insurance system which includes employer wage data, UI Online; and the federal database which includes wage information from other states, WRIS. This information is combined by DCS in order to file their PIRL submission.

During our audit, we found 3 of 40 (8%) items selected from two quarters of PIRL submissions were not supported by UI Online records for Data Element 1618: “Retention with the same employer in the 2<sup>nd</sup> Quarter and the 4<sup>th</sup> Quarter”.

Information from UI Online is provided by the EOLWD Department of Unemployment Assistance (DUA) to DCS upon request, and is subject to a Data Sharing and Cost Reimbursement Agreement between the departments. This agreement outlines the confidential data requested and the procedures to be performed. The agreement does not specify procedures to be performed by DUA regarding testing the completeness and accuracy of the data to be provided to DCS.

Further, we noted management’s internal controls were not implemented at a level of precision to ensure PIRL submissions are accurately supported by UI Online records.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

***Possible Asserted Effect***

Inaccurate PIRL submissions results in inaccurate reporting of employment statistics to the federal government which can result in the use of inaccurate data by the federal government when making programmatic decisions.

***Recommendation***

We recommend that DCS implement policies, procedures and related internal controls to ensure that data from all sources included in the PIRL database is complete, accurate, and supportable.

***Questioned Costs***

None

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

The MassHire Department of Career Services (MDCS) has determined that the data received from DUA was complete and accurate. However, a correction is needed to the program that populates PIRL Data Element 1618. The required coding correction will be implemented in a phased approach by EOLWD IT.

Phase I: Development of specifications – April 15, 2020

Phase II: Testing of changes – May 15, 2020

Phase III: Changes implemented – June 15, 2020

Beginning May 15, 2020, on a quarterly basis, MDCS will select a sample of PIRL records created and use the data received from DUA to validate the accuracy.

***Responsible Official***

Alice Sweeney, Director, Department of Career Services, EOLWD

***Implementation Date***

June 15, 2020

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

**Executive Office of Labor and Workforce Development**

**Employment Service Cluster (17.207, 17.801)**

**Federal Award Numbers:** ES274961555A25; ES294181655A25; ES309931755A25; ES318531855A25; MI296861660A25; DV314231855525; DV328951955525

**Award Years:** 2017, 2018, 2019

**U.S. Department of Labor**

**Finding Reference:** 2019-008

**Reporting**

**Type of Finding:** Significant Deficiency

**Prior Year Finding:** No

**Statistically Valid Sample:** No

**Criteria**

On a quarterly basis, the Executive Office of Labor and Workforce Development (EOLWD) Department of Career Services (DCS) is required to report Jobs for Veterans State Grant expenditures (VETS-402) using Form 425.

Further, in accordance with 2 CFR 200.303(a), Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition Found**

During our audit, we found 2 of 2 (100%) VETS-402 reports tested did not have internal controls designed at the appropriate level of precision to ensure documentation of segregation of duties in regards to the review of the report.

As documented, the VETS-402 report appeared to be prepared, reviewed, and submitted by the same person, however, based on corroborative inquiry, we were able to determine that a collaborative review process exists but was not properly documented. Additionally, upon inquiry, we found that the same condition existed for the two VETS-402 reports not subject to our testing.

**Possible Asserted Effect**

Lack of segregation of duties in the preparation of federal reporting can lead to inaccurate or incomplete reporting to the federal government who uses such information to make programmatic decisions.

**Recommendation**

We recommend that DCS implement policies, procedures and related internal controls to ensure the VETS-402 reports are reviewed by an individual other than the preparer. The reviewer should have the knowledge, skills and experience necessary to effectively review the VETS-402 report and that review should be documented appropriately.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

***Questioned Costs***

None

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

The MassHire Department of Career Services (MDCS) has documented and implemented policies and procedures to ensure VETS-402 reports are reviewed by individual(s) other than the preparer. The reviewer(s) are members of the MDCS Central office team who are responsible for the oversight of the Jobs for Veteran State Grant (JVSG). The process is as follows:

1. EOLWD Finance forwards a JVSG expenditure report to MDCS during the second week following the end of a quarter.
2. MDCS JVSG Program Coordinator reviews expenditure report, completes the 402A and submits it to the Field Management and Oversight Manager for review and validation (sign off).
3. MDCS Field Management and Oversight Manager forwards the completed 402A to MDCS Financial Oversight and Liaison Manger, who reviews with EOLWD Finance and completes FFR/9130 with (sign-off).
4. MDCS Financial Oversight and Liaison Manger forwards completed 402A by email notifying responsible party that FFR/9130 is ready for submission.
5. Responsible party electronically submits FFR/9130 and then prepares 30-day cover letter and attaches all required reports including 402A and FFR/9130 and submits to DL Region I Veteran Employment Training Services (VETS) and copies EOLWD Finance.

***Responsible Official***

Alice Sweeney, Director, Department of Career Services, EOLWD

***Implementation Date***

The above process was fully implemented during FY19JVSG Quarter 4 reporting process (July 1, 2019 – September 30, 2019)

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2019

#### Executive Office of Labor and Workforce Development

##### Unemployment Insurance (17.225)

**Federal Award Numbers:** UI298471755A25; UI302231760A25; UI312971855A25; UI315271860A25; UI326051955A25; UI327081955A25; UI328451960A25

**Award Years:** 2017, 2018, 2019

##### U.S. Department of Labor

**Finding Reference:** 2019-009

##### Reporting

**Type of Finding:** Significant Deficiency and Noncompliance

**Prior Year Finding:** No

**Statistically Valid Sample:** No

##### Criteria

On a quarterly basis, the Executive Office of Labor and Workforce Development (EOLWD) is required to report information on overpayments of intrastate and interstate claims under the regular state unemployment insurance (UI) program, and under federal UI programs, including the Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-Service members (UCX) programs, established under Chapter 85, Title 5, U.S. Code on Form 227, *Overpayment Detection and Recovery Activities*.

Employment and Training Administration (ETA) 227, *Overpayment Detection and Recovery Activities*, includes data provided for the establishment of overpayments, recoveries of overpayments, criminal and civil actions involving overpayments obtained fraudulently, and an aging schedule of outstanding benefit overpayment accounts.

According to ET Handbook No. 402, *Unemployment Insurance Required Reports Handbook*, all applicable data on the ETA 227 report should be traceable to the data regarding overpayments and recoveries in the state's financial accounting system.

According to ET Handbook No. 401, on a quarterly basis, EOLWD is required to submit the ETA 581, *Contribution Operations*, a report on performance measures pertinent to evaluating the overall effectiveness of the tax program.

Per ET Handbook No. 336, *State Quality Service Plans for Unemployment Insurance Operations*, on a quarterly basis, EOLWD is required to submit the UI-3, a special report on staff years worked and paid by program category.

Further, in accordance with 2 CFR 200.303(a), Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

***Condition Found***

During our audit, we found EOLWD did not file the ETA 227 report during the fiscal year.

During our audit, we found 2 of 2 (100%) ETA 581 reports tested where lines 45-61, including audit activity metrics and related wage and contribution information, did not agree to underlying records originating from the UI Online system.

During our audit, we found 2 of 2 (100%) UI-3 reports tested where the staff time related to the support category of activities did not agree to underlying records originating from the MMARS system.

Further, we noted management's internal controls were not implemented at a level of precision to ensure the timely or accurate filing of federal reports.

***Possible Asserted Effect***

Inaccurate or untimely reporting of such information can result in the use of inaccurate data by the federal government when making programmatic decisions.

***Recommendation***

We recommend EOLWD address the challenges preventing the submission of the ETA 227 report.

We also recommend EOLWD implement policies, procedures and related internal controls to ensure data included in submitted reports is complete and accurate.

***Questioned Costs***

None

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

DUA is now current with all required ETA 227 filings. Required reconfigurations have been implemented and business rules have been reengineered to ensure successful population and transmission of the ETA 227. On 12/4/2019 DUA successfully transmitted the ETA 227 for the periods of Q3 2015 through Q3 2019. The Q4 2019 ETA 227 was successfully transmitted February 20, 2020. DUA will continue filing accurate and timely ETA 227 reports going forward.

The 227 report is populated into the SUN system prior to submitting to the Central Office. The SUN System is the Federal National Office portal which validates report entries and will generate warnings if any of the data is incorrect. Incorrect data will prompt action by DUA to investigate the underlying issue causing the error in reporting.

DUA recognizes the underlying issues impacting the accuracy of the ETA 581 and is in the testing phase of specification updates. Next steps include:

1. Implementation of specification changes,
2. Testing to ensure data pulled to populate the ETA 581 is accurate and systems are in place to monitor the accurate population of data into the ETA 581

EOLWD and DUA recognize the underlying issues impacting the accuracy the UI-3 and is committed to performing research to determine the source of errors and the appropriate corrective action to be taken.

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Year ended June 30, 2019

***Responsible Officials***

Richard Jeffers, Director, Department of Unemployment Assistance, EOLWD

Male' Kamyra, Deputy Chief Financial Officer, EOLWD

Marie-Lise Sobande, Director of Revenue, Department of Unemployment Assistance, EOLWD

***Implementation Date***

ETA 227: 12/4/2019

ETA 581: June 2021

UI-3: June 2021

**COMMONWEALTH OF MASSACHUSETTS**

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**Executive Office of Labor and Workforce Development**

**Unemployment Insurance (17.225)**

**Federal Award Numbers:** UI298471755A25; UI302231760A25; UI312971855A25; UI315271860A25; UI326051955A25; UI327081955A25; UI328451960A25

**Award Years:** 2017, 2018, 2019

**U.S. Department of Labor**

**Finding Reference:** 2019-010

**Special Test – Unemployment Insurance Program Integrity - Overpayments**

**Type of Finding:** Significant Deficiency and Noncompliance

**Prior Year Finding:** No

**Statistically Valid Sample:** No

***Criteria***

According to 42 U.S.C 503(a) paragraph 11: “(A) At the time the State agency determines an erroneous payment from its Unemployment Fund was made to an individual due to fraud committed by such individual, the assessment of a penalty on the individual in an amount of not less than 15 percent of the amount of the erroneous payment; and (B) the immediate deposit of all penalties paid pursuant to subparagraph (A) into the Unemployment Fund of the State.

Further, in accordance with 2 CFR 200.303(a), Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

***Condition Found***

During our audit, we found that the Executive Office of Workforce Development (EOLWD) did not deposit penalties associated with benefit overpayments due to fraud immediately into the Commonwealth of Massachusetts (the Commonwealth) Unemployment Fund held with the U.S. Treasury. Such penalties were deposited into an interest, fines, and penalties bank account which is used to support the unemployment insurance program.

Further, we noted management’s internal controls were not implemented at a level of precision to ensure penalties associated with benefit overpayments due to fraud are deposited immediately into the Unemployment Fund.

***Possible Asserted Effect***

Untimely deposit of penalties associated with benefit overpayments due to fraud into the Unemployment Fund can lead to such funds not being immediately available for payment of unemployment benefits from the Unemployment Fund.

**COMMONWEALTH OF MASSACHUSETTS**

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***Recommendation***

We recommend EOLWD immediately deposit penalties associated with cases of fraud into the Commonwealth's Unemployment Fund held with the U.S. Treasury. We also recommend EOLWD implement policies, procedures and related internal controls to ensure overpayment repayments and associated interest, fines, and penalties, are deposited in the proper accounts as required by federal regulations.

***Questioned Costs***

None

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

EOLWD and DUA is committed to developing policies and procedures to ensure:

1. Penalties associated with cases of fraud are immediately deposited into the UI Trust fund.
2. Overpayment repayments including interest, fines, and penalties are deposited into the appropriate accounts.
3. A system exists to monitor collection and deposit of overpayments, interest, fines, and penalties into the UI Trust Fund and appropriate accounts as required by federal regulations

***Responsible Official***

Male' Kamyra, Deputy Chief Financial Officer, EOLWD

***Implementation Date***

June 2021

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#### **Executive Office of Health and Human Services (MassHealth)**

#### **Medicaid Cluster (93.775, 93.777, 93.778)**

**Federal Award Numbers:** XIX-MAP19, XIX-ADM-19

**Award Year:** 2019

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

**Finding Reference:** 2019-011

#### **Eligibility**

**Type of finding** – Material Weakness

**Prior year finding** – Yes, 2018-021 & 2017-040

**Statistically valid sample:** No

#### **Criteria**

Certain individuals are deemed categorically eligible for Medicaid based on information received, through an interface from the Social Security Administration (SSA). In accordance with 42 CFR §435.120, the Supplemental Security Income (SSI) mandatory eligible coverage group for Medicaid covers a person who is aged, blind, or disabled and is receiving SSI or deemed to be receiving SSI. The SSA determines eligibility for SSI. If SSA determines that a person is eligible for SSI, MassHealth accepts SSA's determination as an automatic determination of eligibility for Medicaid. SSA is approximately 34% of the MassHealth non-Modified Adjusted Gross Income (MAGI) eligibility population. SSA recipients are not required to be recertified by MassHealth as all information is interfaced with MassHealth from SSA. In addition, SSA recipients are not included in the MassHealth quality assurance process since the federal government determines eligibility.

Further, in accordance with 45 CFR section 75.303(a), Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

#### **Condition Found**

Individuals who are categorically eligible for Medicaid through receipt of SSI benefits are received from an SSA interface into a SDX data warehouse. Such information is then interfaced with MA21 and MMIS to document an individual's eligibility through SSA. During the MMIS interface, a daily exception report is produced of the various eligibility exceptions noted. Examples of these exceptions can include eligibility begin/end dates that start/continue past a death date or an eligibility end date when there was no start date. There is also a weekly summary report of the exception codes and the volume of exception transactions during the interface. MassHealth is currently implementing a process to work the exception reports to validate/correct the eligibility anomalies noted, however, during the year MassHealth was unable to document actions taken to resolve 25 exceptions selected for testing.

Audit procedures also included a review of selected case files. A total of 65 Medicaid files were selected for testing of which 13 were deemed eligible due to information provided by SSA. The SSA designation was

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verified for each individual as noted within MMIS system and per the SDX data warehouse. No compliance exceptions were noted for these selected items.

#### **Possible Asserted Effect**

Lack of timely action on SSA eligibility exceptions increases the risk of individuals receiving benefits who are no longer eligible for either fee for service or managed care services.

#### **Recommendation**

We recommend MassHealth finalize, implement and execute the new policies, procedures and related internal controls and ensure sufficient documentation is retained to support the executed procedures.

#### **Questioned Costs**

None

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

As stated in prior responses, during the first review and analysis of the MMIS Error Reports, we determined the need for the reports to be handled by several different departments and not just the Operations Unit.

The MA-21, MMIS and MassHealth Operations team worked together to review the reports and determine the steps we needed to take to determine the final business process. The review was divided into three phases:

- Phase 1 - Error identification and categorization, which was completed.
- Phase 2 - Development of a New Report in an excel format that included the codes that can be addressed by MassHealth Operations, which was completed.
- Phase 3 - Implementation of New Review Process, in process of being implemented and fully implemented by September 30, 2019.

#### **Responsible Official(s)**

Rosana Senise, Director, Quincy Integrated MassHealth Enrollment Center (QIMEC)

#### **Implementation Date**

September 30, 2019

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**Executive Office of Health and Human Services (MassHealth)**

**Medicaid Cluster (93.775, 93.777, 93.778)**

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

**Federal Award Numbers:** XIX-MAP19, XIX-ADM-19, CHIP19

**Award Year:** 2019

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

**Finding Reference:** 2019-012

**Special Tests and Provisions – Provider Eligibility**

**Type of Finding:** Significant Deficiency and Noncompliance

**Prior Year Finding:** Yes, 2018-022 & 2017-047

**Statistically Valid Sample:** No

**Criteria**

In order to receive Medicaid payments, providers of medical services furnishing services must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program (42 CFR sections 431.107 and 447.10; and Section 1902(a)(9) of the Social Security Act (42 USC 1396a(a)(9)) and the providers must make certain disclosures to the State (42 CFR part 455, subpart B, sections 455.100 through 455.106). The State Medicaid agency must (a) have a method for verifying that any provider purporting to be licensed in accordance with the laws of any State is licensed by such State (b) confirm that the provider's license has not expired and there are no current limitations on the providers' license. (42 CFR 455.412).

Further, in accordance with 45 CFR section 75.303(a), Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition Found**

MassHealth uses third parties (MAXIMUS, DentaQuest and Optum) to assist with ensuring all providers required to be licensed under State law are currently licensed and eligible to provide services to Medicaid beneficiaries. Providers are required to be revalidated every five years under the Affordable Care Act (ACA) regulations. Provider information is maintained in the MMIS system and is updated as needed by the third parties. Many of the provider and license data points require manual entry into the MMIS system (i.e. not populated by electronic interfaces).

During our testing of provider eligibility, we found 4 of the 65 provider's (6%) tested had license dates within MMIS that were not updated. All 3 providers had current provider licenses.

Additionally, 8 of the 65 provider's (12%) tested had revalidation dates within MMIS that were not within the next three to five years as required by federal regulations. Four providers reflected the default date of December 31, 2299, while 4 had dates in the past 1-6 years that had not been updated. All 8 providers had recently completed the revalidation process.

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Further, we noted management's internal controls were not implemented at a level of precision to ensure provider license and revalidation dates are accurately maintained in MMIS.

#### **Possible Asserted Effect**

Inaccurate provider license and revalidation dates increases the risk that payments may be made to ineligible providers.

#### **Recommendation**

We recommend MassHealth enhance its internal controls for validating key points of provider data. One such control could be to use data queries designed to identify outlying data. For example, key expiration date fields could be queried to identify historical dates, dates within the next 30 to 60 days, and/or default dates.

We also recommend MassHealth improve controls over the revalidation process to monitor the quality of work done by the third parties.

#### **Questioned Costs**

None

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

##### *Dentaquest Response:*

As to the finding about license dates not being updated within MMIS, MassHealth data enters the dentist license upon enrollment listing the expiration date in MMIS. As dental license are renewed every two years, the license expiration date in MMIS is not updated until the dentist goes through the five-year revalidation process. Although the license expiration date MMIS is not updated until the revalidation process, DentaQuest continuously monitors the licensures on every MassHealth dental provider and takes action as appropriate. Accordingly, MassHealth has effective internal controls to verify that providers' licenses have not expired and that there are no current limitations on providers' licenses.

As to the finding about revalidation dates within MMIS, the revalidation date is automatically populated with the default date of 12/31/2299 upon initial enrollment of a dentist. When the revalidation process is completed, the new date should be listed as five years later. It appears that this action was not completed accurately, with the next revalidation date remaining the default date or an expired date. MassHealth will review its procedures to ensure that revalidation dates are properly updated.

##### *Optum Response:*

Revalidation dates that were initially defaulted to 2 years in MMIS occurred prior to CMS guidance to states which required revalidation of providers every 5 years. In previous responses MassHealth indicated that these dates would be corrected at the time the provider completed their first revalidation. The first revalidation of a provider is based on the date of enrollment not the next recred date. Once the provider has completed their first revalidation, the next recred date is updated to reflect 5 years from the completed revalidation.

Because MassHealth was unable to make a systematic change to this date for all affected providers prior to the audit selections that has resulted in a finding. It is important to note that the timeliness and process of revalidating a provider has been compliant and not affected by this date. Currently, all providers with a default of 2 years have been updated.

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***Responsible Officials***

Priscilla Portis, Director Fee-For-Service Provider Networks, MassHealth

Yorick Uzes, Director, LTSS Operations & Finance

***Implementation Date***

June 30, 2020

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**Executive Office of Health and Human Services (MassHealth)**

**Medicaid Cluster (93.775, 93.777, 93.778)**

**Federal Award Number:** XIX-MAP19, XIX-ADM-19

**Award Year:** 2019

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

**Finding Reference:** 2019-013

**Eligibility and Special Tests and Provisions – Utilization Control and Program Integrity**

**Type of Finding:** Significant Deficiency

**Prior Year Finding:** Yes, 2018-024 & 2017-043

**Statistically Valid Sample:** No

***Criteria***

The State plan must provide methods and procedures to safeguard against unnecessary utilization of care and services, including long-term care institutions. In addition, the State must have (1) methods or criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials (42 CFR parts 455, 456, and 1002). Also, the State Medicaid agency must provide for the periodic audits of financial and statistical records of participating providers. The specific audit requirements will be established by the State Plan (42 CFR section 447.253).

Further, in accordance with 45 CFR section 75.303(a), Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

***Condition Found***

The MassHealth Medicaid program includes the use of third party vendors to perform various regulatory functions as required by the Code of Federal Regulations. For example, a substantial portion of the utilization programs are contractually outsourced to either a third party or a MassHealth sister agency such as the University of Massachusetts (hereafter collectively referred to as Third Parties). Inpatient Hospital and Long-Term Care Facility Audits and certain eligibility redeterminations for disability are also outsourced to Third Parties.

Monitoring as defined by COSO includes ongoing evaluations, separate evaluations, or some combination of techniques to ascertain whether the Third Party is performing as expected. Ongoing evaluations, built into business processes at different levels of the entity, provide timely information. Separate evaluations, conducted periodically, will vary in scope and frequency depending on assessment of risks, effectiveness of ongoing evaluations, and other management considerations.

MassHealth has contracts or Interdepartmental Service Agreements (ISA) with each of the Third Parties that are specific in nature to the procedures to be performed on behalf of MassHealth. In addition, the Third Parties

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have procedure manuals detailing how they execute the procedures with their employees or through an additional vendor. These manuals also include any oversight/control procedures being performed by the Third Parties and any periodic deliverables that are due to MassHealth.

Based on the nature of the ISAs, monitoring could include but should not be limited to (1) approval of sampling plans and/or audit approach; (2) periodic updates on results of the work being performed and potential impact to MassHealth; (3) approval of Third Party suggested action items; (4) completion/execution of the sampling plan and/or audit approach; and (5) overall assessment of the quality of work being performed by the Third Party. Quality of work can entail the qualifications of the Third Party personnel, the concurrence with the audit procedures being performed, and/or verification through quality control procedures, including reperformance if necessary.

The following are outsourced activities where MassHealth's internal controls do not appear designed at an appropriate level of precision to address the associated risks above and/or to be adequately documented by the current monitoring processes:

- (1) Noninstitutional provider case utilization process currently does not address the approval of the sampling plan and ensuring that the approved sampling plan was executed.
- (2) Chronic disease and rehabilitation hospitals utilization process does not include monitoring for quality of work components.
- (3) Non-SSI disability eligibility determinations are performed by Third Parties with no monitoring of the quality of the decisions made.

#### ***Possible Asserted Effect***

Risks to the Medicaid program could include (1) sampling plans being noncompliant with state policy; (2) noncompliant providers; (3) inappropriate communications with provider; (4) noncompliance with approved sampling approach; and (5) reviews not conducted by qualified personnel in accordance with contract provisions.

#### ***Recommendation***

We recommend MassHealth's assign business owner to each outsourced process establish effective monitoring controls over Third Parties, tailored to the specific subject matter being outsourced. The business owner would be responsible for collecting necessary data and/or performing oversight functions as part of the monitoring process to effectively document the monitoring processes.

#### ***Questioned Costs***

None

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

1. OCA receives cases for NIPR consideration through a referral process. OCA will receive cases from many senders, including but not limited to, EOHHS staff, OIG, AGO, providers, members, BORM. Once OCA receives cases for consideration the case is logged into the NIPR pipeline for tracking. OCA will begin research and send cases to Lydia for approval. OCA will bring those cases to the monthly physical health meeting for consideration and approval. The physical health meeting includes participants from OCA, Program Staff, Legal, and Program Integrity. In these monthly Physical Health meetings Lydia and Program staff make the decision on how to proceed with each case presented. Evidence of this process can be seen in documents previously supplied.

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2. MassHealth established a clinical review process in addition to the existing University of Massachusetts Office of Clinical Affairs (OCA) quality assurance review process in order to directly oversee the quality of OCA's work components. The purpose of the process is for MassHealth to review OCA's work as a contracted entity. MassHealth has implemented the following plan by which to audit all private CDRHs:
  - a. OCA performs an internal quality review for a minimum of 140 randomly selected cases annually as designated in the MassHealth CDRH internal control document (note: these are cases from private CDRHs, as opposed to DPH CDRHs). The OCA clinical nurse coordinator and/or an OCA medical director conduct these reviews for all types of screens completed, including pre-admission screenings, concurrent reviews, and conversion screenings. This is in order to assure consistency with the regulations and between the OCA nurse reviewers
  - b. A MassHealth nurse reviews a sample of 20 randomly selected charts representing all three types of reviews (pre-admission, concurrent, and conversion) completed by the OCA nurse reviewers. This sample includes both charts reviewed in OCA's internal quality review and charts not reviewed in that internal process. This allows MassHealth to review work done by the OCA nurse reviewers and compare the clinical work/decisions of the OCA nurse reviewers to the MassHealth regulations for CDRHs.
  - c. MassHealth additionally reviews monthly reports that detail care coordination activity across all CDRHs. These reports include the following information for each CDRH:
    - i. Number of MassHealth members whose discharge planning was monitored or supported by a sister agency to MassHealth or OCA, and who were successfully discharged during the reporting month
    - ii. Number of MassHealth members who were: (i) inpatients during the reporting month; (ii) at hospital level of care; and (iii) at administrative day level of care
    - iii. Number of MassHealth members with no imminent discharge plan/reasoning
    - iv. All site visits completed by OCA
    - v. CDRH provider compliance with electronic submissions of screening requests using Provider Online Service System
    - vi. Number of late requests (e.g., concurrent reviews) submitted by CDRH providers
    - vii. Information regarding MassHealth members referred to Third Party Liability unit as potentially having an alternative payer source (indicated by initial injury report)
    - viii. Number of CDRH review requests and number of Nurse Quality Assurance reviews completed for the reporting month
  - d. MassHealth holds monthly meetings between the Office of Long Term Services and Supports (OLTSS) and OCA. These meetings are intended to review the following:
    - i. Program statistics in the monthly OCA reports
    - ii. OCA nurses' findings from on-site visits/next steps
    - iii. CDRH provider performance/compliance issues
    - iv. Review of OCA performance
    - v. Individual member cases and next steps

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3. In accordance with the stated plan to implement controls to monitor the quality of decisions made by Disability Evaluation Services (DES) this approach leveraged available staff to examine the following:
  - a. **Case Review - Clinical Component** Secured commitment from OCA to complete a quarterly review of a sample of DES cases to confirm that conclusions by DES staff are consistent with MH policy and parameters
  - b. **Case Review - non-Clinical Component** The responsible official has engaged appropriate staff within MH Operations to confirm that disability cases sent to DES are processed in a timely manner and decisions returned to members and reported to leadership within contractually established timelines

***Responsible Officials***

Lydia Hatch, Director of HSN

Pavel Terplets, Deputy Director of Institutional Providers

Collin Ricketts, Director of Vendor Operations

***Implementation Date***

June 30, 2020

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**Executive Office of Health and Human Services (MassHealth)**

**Medicaid Cluster (93.775, 93.777, 93.778)**

**Federal Award Numbers:** XIX-MAP19, XIX-ADM-19

**Award Year:** 2019

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

**Finding Reference:** 2019-014

**Special Tests and Provisions – Utilization Control and Program Integrity**

**Type of Finding:** Significant Deficiency and Noncompliance

**Prior Year Finding:** Yes, 2018-025 & 2017-044

**Statistically Valid Sample:** No

***Criteria***

The State plan must provide methods and procedures to safeguard against unnecessary utilization of care and services, including long-term care institutions. In addition, the State must have (1) methods or criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials (42 CFR parts 455, 456, and 1002).

Further, in accordance with 45 CFR section 75.303(a), Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

***Condition Found***

The Executive Office of Health and Human Services oversees the activities of MassHealth, the Department of Public Health (DPH) and the Department of Mental Health (DMH). DPH operates a system of four multi-specialty hospitals and DMH operates a system of five mental health facilities, hereafter collectively referred to as state-owned providers.

The DPH facilities provide acute and chronic hospital medical care to individuals for whom community facilities are not available or access to health care is restricted. The DMH facilities provide community based care and in/out patient care for qualified individuals.

These state-owned providers are included in the MassHealth provider population for receiving Medicaid funding for allowable services rendered. During fiscal year 2019, the hospitals received approximately \$107.2 million and the mental health facilities received approximately \$28.6 million in Medicaid payments.

While the state-owned providers do have their own processes to assure the delivery of safe and high quality care, those processes are not necessarily designed at an appropriate level of precision to ensure compliance with the utilization standards noted above. Previously MassHealth designed and implemented a separate

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utilization process that included MassHealth selecting patients at DPH hospitals to review. During our testing, while we found MassHealth performed the utilization process, DPH hospitals selected the sample of patients for MassHealth to review. MassHealth members receive benefits from DMH facilities through MCO coverage. MassHealth is in the process of ensuring the MCO contracts and their utilization process include the DMH facilities.

#### ***Possible Asserted Effect***

Deviation from sampling plans that safeguard against unnecessary utilization of care and services may lead to shortcomings in identifying suspected fraud cases.

#### ***Recommendation***

We recommend MassHealth implement policies, procedures and related internal controls to ensure MassHealth selects the sample of patients for utilization review at DPH hospitals.

MassHealth should ensure that all Medicaid funds to DMH facilities are through MCO members rather than fee-for-service members. We recommend MassHealth ensure that all DMH facilities are included in MCO contracts and subject to MCO utilization process.

#### ***Questioned Costs***

Not determinable.

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

1. MassHealth has implemented a process by which to audit the four DPH CDR Hospitals: Lemuel Shattuck Hospital, Pappas Hospital, Western Massachusetts Hospital, and Tewksbury Hospital. From each of the four DPH CDRHs, MassHealth picks five cases every six months for an audit. This makes for a total of 10 cases per hospital to be audited each year (40 altogether across the four hospitals). Cases are picked at random by OLTSS from a patient census compiled for each hospital and are sent to OCA (Office of Clinical Affairs) for review. MassHealth (specifically a state nurse) then reviews 10 randomly selected cases (per year) out of the 40 cases (per year) reviewed by OCA as a quality control measure. These 10 cases are picked by OLTSS.
2. Effective January 1, 2020 the Accountable Care Organizations, Managed Care Organizations, and the Massachusetts Behavioral Health Partnership are required to contract with three state-operated facilities, Cape and Islands, Corrigan, and Acute Treatment Services and Clinical Support Services at Taunton Hospital. The managed care entities will perform all utilization management activities for its members.

MassHealth has proposed the following utilization management protocol for non-managed care enrollees and for state-operated facilities that are not contracted with managed care (because they do not provide managed care covered services).

MassHealth Office of Behavioral Health will receive and review quarterly Utilization Management reports to determine the medical necessity has been met. If the state-operated DMH UR process and MassHealth's review of quarterly reports does not meet CMS guidelines for meeting level of care, MassHealth Office of Behavioral Health will develop a separate utilization review process for all programs stated above except those contracted with the MCEs.

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***Responsible Officials***

Pavel Terpelets, Deputy Director of Institutional Programs

Kevin Wicker, Director of Contracting and Continuum Management

***Implementation Date***

June 2020

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**Executive Office of Health and Human Services (MassHealth)**

**Medicaid Cluster (93.775, 93.777, 93.778)**

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

**Federal Award Numbers:** XIX-MAP19, XIX-ADM-19, CHIP19

**Award Year:** 2019

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

**Finding Reference:** 2019-015

**Eligibility**

**Type of Finding:** Significant Deficiency

**Prior Year Finding:** Yes, 2018-026 & 2017-046

**Statistically Valid Sample:** No

**Criteria**

The State Medicaid and Children's Health Insurance Program (CHIP) agency or its designee is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plan (42 CFR section 431.10).

Further, in accordance with 45 CFR section 75.303(a), Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition Found**

MassHealth has an MEQC program over Medicaid and CHIP eligibility to address the quality of the information being collected and input into MA-21 information technology system and the manual input into the Health Insurance Exchange (HIX) system. The process involves weekly selections which approximate 3% of the cases. The results are compiled by the quality control unit into a report that is provided to the respective manager of the center reviewed.

In addition, the process is intended to have the managers' report back to the quality control unit that they have discussed the items with their teams and provide evidence that action was taken to correct any issues noted (close out process). MassHealth operates six sites with a total of eight managers.

During our testwork, we noted that management's internal controls were not implemented at a level of precision to ensure the quality control activities are being carried out according to MassHealth's policies and procedures. Specifically, we found the following:

- Inconsistent documentation between the managers and the quality control unit regarding the close out process.
- Case reviews only occurred 35 weeks of the fiscal year (67%).

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- For three of the eight weeks selected, cases were reviewed at selected sites rather than all sites.

#### **Possible Asserted Effect**

Inconsistent or untimely quality control reviews can lead to pervasive deficiencies in eligibility determinations not being discovered timely.

#### **Recommendation**

We recommend MassHealth improve its policies, procedures and related internal controls over the quality control process to include documentation and rationale over when to omit weeks or sites from the sample. In addition, we recommend MassHealth enhance their documentation of the quality control close out process to demonstrate managers concurrence with the final report and implementation of necessary changes to improve eligibility determinations.

#### **Questioned Costs**

Not Determinable

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

MassHealth has taken steps to improve processes and accountability in line with findings. MassHealth complied with finding by diligently working with IT to “close the loop on the corrections of errors” found. Mass Health has recently hired/promoted EQA BERS C and will continue to grow EQA staff to projected 10 EQA BERs to meet the regulation requirements of 3% EQA across the State of MA weekly. EQA Assistant Director and Director will continue to work with SME for MWS to enhance EQA process and implement Phase 2 of release 5.3 in May 2020.

In the past, MassHealth used an offline excel spreadsheet to communicate an appeal request to EQA workers and MEC Managers to have discussions regarding errors made by AB BERS specific to their sites. MassHealth diligently worked with its IT department to close the loop on the appeal process within My Work Space (MWS) database. A new release (Release 5.3 Phase 1) was implemented into MWS on December 8, 2019. Phase 2 of Release 5.3 will address the appeal process systematically and within the MWS system closing the loop on the appeal process. Staff, inclusive of all EQA staff and MEC managers has been trained state-wide on the new release. We have established new tabs within MWS addressing each step of the appeal process. Currently, MassHealth is piloting the new release process through the Quincy MEC to discover or workout any issues found. There have been positive results so far in regard to the new appeal process. The appeal process now is more efficient and easily tracked for all future audits. The EQA appeal process will be made available to all MECs throughout the State beginning January 6, 2020.

Phase 2 of MWS release 5.3 is now scheduled for May 2020 rollout due to lack of resources with IT. This second release will address the 2nd level review/disputes of the appeal process as well as all reports relative to MWS EQA process. For clarification and corrective action purposes, release 5.3 Phase 1 implemented December 8, 2019 addresses the appeal process between A/B BERS Worker, MEC Manager, EQA BERS and EQA Manager. The second part release 5.3 Phase 2 addresses the Final appeal process between EQA Director, EQA Manager, MEC Manager and Worker as well as all reports relative to MWS EQA process.

There are challenges that remain in fully implementing the Corrective Action Plan, which MassHealth is actively working to address. MassHealth has six a total of (6) MassHealth Enrollment Centers situated throughout the State of Massachusetts. The Commonwealth employs a total of nineteen (19) managers positioned throughout the State at MECs in Quincy, Chelsea, Charlestown, Tewksbury, Taunton and Springfield. At each site, under each managerial unit we have approximately 10-15 Benefit Eligibility Representatives (BERS) with an approximate cumulative total of over 400 BERS A/B and C serving the Commonwealth of Mass. The Eligibility

**COMMONWEALTH OF MASSACHUSETTS**

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Quality Assurance Unit (EQA) consists of five (5) EQA BERS C to process all EQA tasks pulled weekly to meet the state plan requirement (42 CFR Section 431.10). These five BERS C have a wealth of MH experience and knowledge. In addition, the BERS have many years of service with MassHealth and have accumulated earned time off. Most weeks we have only 3 FTE BERS available to process pulled EQA which in turn makes it difficult to meet the required 3% pull of tasks processed weekly by BERS across the State.

In addition, EQA Manager receives requests from MEC Managers to EQA each new BERS A/B and C hired or promoted at 100% one (1) month after training is completed. This EQA of new BERS will continue for one (1) month and identifies training efficiencies, training trends and overall knowledge level of the new BERS. This is an ongoing process and EQA pull percentage is adjusted weekly to accommodate processing EQA at 100% for new BERS. This impacts the State's ability to pull an average three percent (3%) across the State as well. Going forward, the EQA Manager will track the weeks MassHealth does not pull the 3% and document the reason why 3% regulation requirement is not meet. Once the 2nd phase of Release 5.3 in MWS is implemented, a report will be generated to show the weekly percentage pulls of EQA.

EQA will continue to operate as Operations dictate pulling at least 3% EQA if EQA BERS are available to process and there are no new BERS being EQA at 100% during that month. If this occurs, EQA weekly percentage will be adjusted accordingly and tracked by the EQA Manager and Assistant Director of Quincy MEC.

***Responsible Officials***

Rosana Senise, IMEC Director MassHealth Operations

Donna M Saunders IMEC Manager MassHealth Operations

***Implementation Date***

June 30, 2020

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

**Executive Office of Health and Human Services (MassHealth)**

**Medicaid Cluster (93.775, 93.777, 93.778)**

**Federal Award Numbers:** XIX-MAP19, XIX-ADM-19

**Award Year:** 2019

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

**Finding Reference:** 2019-016

**Eligibility**

**Type of Finding:** Significant Deficiency and Noncompliance

**Prior Year Finding:** No

**Statistically Valid Sample:** No

**Criteria**

The State Medicaid agency or its designee is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plan (42 CFR section 431.10). Federal Medicaid regulations at 42 CFR 435.1200 require coordination between State Medicaid Agency's and other insurance affordability programs, including the federal and state exchanges. EOHHS utilizes Health Insurance Exchange (HIX) to verify member income via the Internal Revenue Service (IRS) and Commonwealth Department of Revenue (DOR). If the neither the IRS nor DOR can confirm the income reported by the applicant, the applicant must provide timely additional documentation supporting their income. Caseworkers manually enter the client's income into the HIX system upon receipt of income documentation.

Further, in accordance with 45 CFR section 75.303(a), Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition Found**

During our testing of Medicaid eligibility, we found one applicant of 65 tested (1.5%) that was required to submit additional income documentation. The applicant submitted appropriate evidence of income within the allotted time, however, the paperwork was not processed by the caseworker timely. Therefore, the applicant's benefits were terminated due to the untimely processing. Based on the information provided, the applicant should have been eligible for Medicaid.

Further, we noted management's internal controls were not implemented at a level of precision to ensure manual processing of eligibility is performed timely to ensure uninterrupted benefits are available to eligible recipients.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2019

***Possible Asserted Effect***

Untimely manual processing of eligibility determinations can lead to providing benefits to ineligible recipients or not providing benefits to eligible recipients.

***Recommendation***

We recommend MassHealth enhance their policies, procedures and related internal controls to ensure manual income determinations are processed timely and accurately.

***Questioned Costs***

None

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

The corrective action taken to address the incorrect processing of income was to implement a refresher training on identifying and processing income.

In the fall of 2019, the MassHealth Training Department created a “Professional Development” curriculum used to refresh all MassHealth Benefit Eligibility Workers on several topics. One of the topics included in the curriculum was “Earned” and “Unearned” income. The income section focused on identifying the types of incomes, allowable deductions, frequency of pay, reading and using of tax return to verify income and how to enter the earned and unearned income.

The training was conducted at all the MassHealth Enrollment Centers – Charlestown, Chelsea, Springfield, Taunton, Tewksbury and Quincy.

***Responsible Officials***

Rosana Senise, IMEC Director MassHealth Operations

Donna M Saunders IMEC Manager MassHealth Operations

***Implementation Date***

October 31, 2019

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

**Department of Public Health**

**HIV Care Formula Grant (93.917)**

**Federal Award Number:** 6 X07HA000822801

**Award Year:** 2018

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

**Finding Reference:** 2019-017

**Matching and Earmarking**

**Type of Finding:** Significant Deficiency and Noncompliance

**Prior Year Finding:** No

**Statistically Valid Sample:** No

**Criteria**

Under 42 USC 300ff-27(d), States with greater than one percent of the aggregate number of national cases of HIV/AIDS in the 2-year period preceding the Federal fiscal year in which the State is applying for a grant must provide matching funds depending on the number of years in which this threshold requirement has been met. In 2019, the Commonwealth of Massachusetts (the Commonwealth) minimum percentage of non-Federal matching funds is 33 1/3%.

Under 42 USC 300ff-28, the Commonwealth has several earmarking requirements. Among the earmarks are the following:

- a. A maximum amount for planning and evaluation activities
- b. A maximum amount for administration expenses
- c. A maximum amount for the compliance with treatment regimens
- d. A maximum amount for the quality management

Costs used to meet the matching and earmarking requirements must be allowable under OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. Among other requirements, allowable costs must be allocable to Federal awards.

Further, in accordance with 45 CFR section 75.303(a), Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition Found**

The Department of Public Health's (DPH) Bureau of Infectious Disease and Laboratory Sciences (BIDLS) is responsible for ensuring all HIV Care Formula Grants matching and earmarking requirements are met. BIDLS created spreadsheets to track DPH's compliance with the matching and earmarking requirements. The Office

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### Schedule of Findings and Questioned Costs

Year ended June 30, 2019

of HIV/AIDS (OHA) Fiscal Director prepares the tracking sheet by funding source to determine the amount of State and Rebate spending to meet the matching requirements. The match tracking sheet is updated monthly by the OHA Fiscal Director and reviewed by the BIDLS Director of Administration and Finance. The earmarking tracking sheet is updated monthly by the OHA Fiscal Director and reviewed by the BIDLS Director of Administration and Finance.

During our audit we found no documentation of the execution of the BIDLS Director of Administration and Finance's review.

Additionally, during our audit we found that a portion of salaries of certain personnel are used to meet certain earmarking requirements. Those proportion of those salaries used to demonstrate compliance with the earmarking requirements are based on budgeted time and effort rather than actual time and effort.

Further, we noted management's internal controls were not implemented at a level of precision to ensure appropriate documentation of the performance of the internal control is maintained or that salaries used to meet the earmarking requirements are based on actual time and effort.

#### ***Possible Asserted Effect***

The use of budgeted time and effort for salaries used to meet the earmarking requirement may result in DPH exceeding the maximum amounts allowed for certain grant activities.

#### ***Recommendation***

We recommend DPH implement policies, procedures and related internal controls to ensure the workbooks used to demonstrate compliance with the matching and earmarking requirements are appropriately reviewed and such a review is properly documented. We also recommend that DPH use actual time and effort of salaries used to demonstrate compliance with the earmarking requirement.

#### ***Questioned Costs***

Not determinable

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

The Bureau of Infectious Disease and Laboratory Sciences (BIDLS), Office of HIV/AIDS(OHA) program will update the internal controls for the tacking and approval process for the State Match requirement and staff time and effort.

#### ***Responsible Officials***

Cheryl Bernard-Dort, Director of Administration and Finance, Bureau of Infectious Disease and Laboratory Sciences.

Nadia El Kamouss, Fiscal Director, Bureau of Infectious Disease and Laboratory Sciences, Office of HIV/AIDS.

#### ***Implementation Date:***

June 30, 2020



WILLIAM McNAMARA  
COMPTROLLER

# Commonwealth of Massachusetts

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### Commonwealth of Massachusetts Summary Schedule of Prior Year Audit Findings FY 2019

The attached summary schedule of prior year findings (Schedule) lists the finding reference, initial finding reference, CFDA #, state agency, program and description for the findings included in the fiscal year 2018 Single Audit Report. It also lists the status of any other prior year finding whose corrective action plan has not been fully implemented. The Schedule indicates “fully” if the corrective action plan (CAP) was fully implemented, “partially” if the CAP was not fully implemented and “not implemented” if not implemented at all. If not fully implemented, an updated CAP is included.

Prior year findings that no longer warrant further action in accordance with the Uniform Guidance Section 200.511(b)(3) have been excluded from the Schedule

Schedule of Prior Year Findings						
Finding Reference	CFDA #	Agency	Program(s)	Description/ Summary	Implementation Status	Corrective Action Plan
2018-001 and 2017-001		CTR	State	Financial Reporting	Partially	See finding 2019-001
2018-002		EOL	State	Financial Reporting	Partially	See finding 2019-001
2018-003 and 2017-003		EOL	State	Allowance for Uncollectible Receivables	Partially	See finding 2019-002
2018-004 and 2017-014		WEL	State	BEACON - Terminations	Fully	
2018-005 and 2017-009		EHS	State	MA21 - Terminations	Fully	
2018-006 and 2017-011		EHS	State	MMIS - Terminations	Fully	
2018-007 and 2017-012		EHS	State	MMIS and MA21 - User Access Reviews	Fully	
2018-008	93.575, 93.596	EEC	Child Care and Development Fund (CCDF)	During the testing of compliance with health and safety standards, it found one provider out of 25 did not have current license on file. It also found the turnaround document was not reviewed by licensing supervisor for one other provider out of a sample of 25.	Fully	
2018-009 and 2017-026	14.182, 14.856	OCD	Section 8 Project-Based Cluster	During the testwork over the subrecipient monitoring of NC/SR developments, no LHA's and for-profit subrecipient were evaluated for risk of noncompliance in accordance with 200.331(b). Also, the Moderate Rehabilitation monitoring policies do not include the Section 8 requirements.	Partially	The department is currently working with the consultant to update the subrecipient monitoring policy and to implement procedures related to the wait list and vacant units as part of their monitoring procedures. The target date for implementation is June 30, 2020.
2018-010 and 2017-027	14.182, 14.856	OCD	Section 8 Project-Based Cluster	For Moderate Rehabilitation, the department policies require the Project Based Voucher managers to recalculate rate and review rate increase are within allowable ranges. No documents were provided to support that the performance and review were occurred.	Fully	
2018-011	17.207, 17.801 17.258, 17.259, 17.260	EOL	Employment Service Cluster WIOA Cluster	The department did not have or implement policies and procedures to ensure direct payroll costs charged to Federal grants are based on actual time and effort of employees. It should also ensure that all documentation supporting federal charged is maintained.	Partially	See finding 2019-005
2018-012	10.551	WEL	Supplemental Nutrition Assistance Program	During the audit, the SOC 1 type 2 report of the Department's service provider was obtained and found that certain information technology internal controls were not operating effectively and the independent auditor issued a qualified opinion on internal controls. However, the audit testing of the Department's reconciliation process, it found that EPPIC reconciled to Department records for all of sample items.	Fully	
2018-013	10.551, 10.561	WEL	Supplemental Nutrition Assistance Program and State Administrative Matching Grant for SNAP	The general control environment for Beacon was determined to not be operating effectively with regard to user termination considerations. Without an effective general control environment, the Department cannot ensure that Beacon will process and store all information necessary for eligibility determination and benefit calculation and generate complete and accurate data necessary to meet Federal issuance and reconciliation reporting requirements.	Fully	
2018-014	96.001	MRC	Social Security Disability Insurance	The grant has a specific period of performance of an individual federal fiscal year (e.g., October 1, 2017 to September 30, 2018). During the testwork, it found 4 out of 137 (3%) expenditures tested were incurred outside the respective grants period of performance. The expenditure types included indirect costs, goods, and external services.	Fully	
2018-015	96.001	MRC	Social Security Disability Insurance	During the testwork over cash management, it found that management's quarterly reconciliation between the Massachusetts Management Accounting and Reporting System (MMARS) and the Federal payment system was performed in an excel spreadsheet that was written over each quarter. Documentation of preparation and review of the reconciliation was not maintained.	Fully	
2018-016	96.001	MRC	Social Security Disability Insurance	During the testwork, 2 of the 3 reports tested reported unliquidated obligations. For each of these reported amounts, it found that there was no documentation maintained to verify that the amount reported was obligated.	Fully	

Schedule of Prior Year Findings						
Finding Reference	CFDA #	Agency	Program(s)	Description/ Summary	Implementation Status	Corrective Action Plan
2018-017	84.126	MRC	Vocational Rehabilitation Services	During the audit it found that program income was recorded during fiscal year 2018 beginning on July 3, 2017; however, expenditures were not charged against this program income until January 4, 2018. During this timeframe, federal VR funds were requested from the Federal payment system to reimburse the VR program for grant related expenditures. As such, the grantee did not disburse program income funds prior to requesting additional funds from the Federal.	Partially	MRC is continuing to work with the Rehabilitation Service Administration (RSA) to obtain technical assistance to resolve this finding. Implementation date is June, 2020.
2018-018	84.126	MRC	Vocational Rehabilitation Services	During the testwork, it found 1 of 74 (1%) expenditures tested were charged to the grant subsequent to the period of performance. The payroll item found totaled \$5,551. Analysis performed by the department identified a total of \$9,543 in payroll transactions charged incorrectly to the expired grant, which are considered questioned costs.	Partially	A new policy was implemented to MRC staff detailing the expected practices for submitting timely requests and ensuring compliance with the period of performance. The Senior Financial Analyst positions in VR will monitor these expenditures monthly. In the event an issue is identified, a correction in MMARS will be implemented within 2 weeks of identifying and confirming the error. MRC has a technical assistance call scheduled for early April 2020 to finalize the policy and procedure.
2018-019	84.126	MRC, MCB	Vocational Rehabilitation Services	During the testwork over eligibility, it found that eligibility determinations were not completed within the 60 day required period and there were no related waiver requests. In addition, it found that IPEs were not completed within 90 days of the eligibility determination and there were no related waiver requests.	Fully	
2018-020 and 2017-038	93.268	DPH	Immunization Cooperative Agreements	A finding was issued because there was no evidence of the execution of the controls. This was implemented as of February 26, 2018. However, due to the timing of the corrective action plan, eight (8) months of FY 2018 had already passed. Therefore, the corrective action plan was only operational for the last four months of FY 2018, from March 2018 to June 2018. It's still a finding because evidence of execution of controls was not operational for eight months of FY 2018, from July 2017 to February 2018.	Fully	
2018-021 and 2017-040	93.775, 93.777, 93.778	EHS	Medicaid Cluster	During the MMIS interface, a daily exception report is produced of the various eligibility exceptions noted. The department is currently implementing a process to work the exception reports to validate/correct the eligibility anomalies noted, however, during the year it was unable to document actions taken to resolve the 25 exceptions tested. Unresolved exceptions increases the risk of individuals receiving benefits who are no longer eligible for either fee for service or managed care services.	Partially	See finding 2019-011
2018-022 and 2017-047	93.775, 93.777, 93.778	EHS	Medicaid Cluster	The department lacked internal controls for validating key points of provider data. During the testwork, 11 of the 65 files have next revalidation dates within MMIS that were not within the next three to five years as required by federal regulations.	Partially	See finding 2019-012
2018-023 and 2017-042	93.775, 93.777, 93.778	EHS	Medicaid Cluster	The general control environment for MMIS was determined to not be operating as designed to enforce access in alignment with job responsibilities. Without an effective general control environment, an external auditor is unable to assess whether the related application level controls (e.g. automated controls) such as edit checks, interfaces, report queries, etc., are operating effectively. Without properly controlled user access, the risk is an unauthorized user can alter the application level controls thereby affecting the completeness and accuracy of the resulting output.	Fully	
2018-024 and 2017-043	93.775, 93.777, 93.778	EHS	Medicaid Cluster	During the testwork it was noted there are several outsourced activities that do not appear to address the associated risks as the department identified and/or to be adequately documented by the current department's monitoring processes.	Partially	See finding 2019-013
2018-025 and 2017-044	93.775, 93.777, 93.778	EHS	Medicaid Cluster	The department has established policies and procedures for actively monitoring its nonstate providers in accordance with the utilization standards noted above. However, the department currently does not subject its state-owned providers to the same utilization controls as its nonstate providers.	Partially	See finding 2019-014
2018-026 and 2017-046	93.775, 93.777, 93.778	EHS	Medicaid Cluster	The department has a quality control process over Medicaid eligibility to address the quality of the information being collected and input into the MA21system. During the test work, it found inconsistent documentation between the managers and the quality control unit regarding the close out process; one of the eight weeks selected, there were no cases reviewed; three of the eight weeks selected, cases were reviewed at selected sites rather than all sites.	Partially	See finding 2019-015