



ANDREW W. MAYLOR
COMPTROLLER

Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

ONE ASHBURTON PLACE, 9TH FLOOR
BOSTON, MASSACHUSETTS 02108
TELEPHONE (617) 727-5000
WWW.MACOMPTROLLER.ORG

To: Legislative Leadership, Judicial Branch Administrators, Elected Officials, Secretariats, Department Heads, Chief Fiscal Officers and Single Audit Liaisons

From: Andrew W. Maylor, Comptroller

Date: April 9, 2019

Re: Audit Issues from the 2018 Single Audit - Preparation for 2019

Comptroller Memo FY#2019-20

Executive Summary

The Commonwealth's [FY2018 Single Audit](#) has been completed as required by The Office of Management and Budget's (OMB) Uniform Guidance. The guidance can be found at [Title 2 CFR Subtitle A, Chapter II, Part 200](#). We are sharing some of the most common audit themes as identified by the Commonwealth's independent audit firm, KPMG LLP. The issues identified are important for the agencies audited to address and for other Commonwealth agencies to review and consider as they evaluate their own procedures.

Areas of Improvement from the Prior Year (FY2017) Single Audit

Sub-recipient Monitoring

Departments have significantly improved their sub-recipient monitoring since last year's audit. State agencies are now performing risk assessments and notifying their sub-recipients of the details of the awards they receive.

As a reminder, when granting federal funds to a sub-recipient (a municipality or a non-profit), or another state agency, the department remains responsible for sufficient oversight of the funds (sub-recipient monitoring) to ensure that the funds are spent in accordance with federal grant requirements. The Uniform Guidance (2 CFR section 200.331) requires every department that is granting federal funds to a sub-recipient to follow these key components: identify the award and applicable requirements; evaluate the risk of noncompliance; monitor the activities of sub-recipients; and ensure accountability of for-profit sub-recipients (if applicable).

Cash Management

Departments have improved their monitoring of cash reimbursement to sub-recipients and have begun to document their procedures specific to Cash Management as required per 2 CFR section 200.303(a). This section requires internal controls over federal programs that provide reasonable assurance that the department is managing Federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Earmarking

Also notable is the increased accuracy in meeting Federal earmarking requirements. The state has various earmarking requirements under different award programs that each department must follow. Earmarking includes requirements that specify the minimum, and/or maximum, amount or percentage of the program's funding (approved by State or Federal) that must/may be used for specified activities, including funds provided to subrecipients.

Issues from the FY 2018 Single Audit

The auditors reported the following observations as part of the FY2018 Single Audit. Some resulted in audit findings and others in management letter comments. The topics below are not specific to any one finding or department. The complete audit results can be found at <https://www.macomptroller.org/single-audits>.

Eligibility Determination for Grant Programs

Some departments did not ensure that all program eligibility requirements were met. For example, documentation of the quality control over processes for review of eligibility determination was sometimes lacking.

Departments must establish and maintain effective internal controls over federal awards received as well as substantiate their eligibility processes with full documentation in accordance with the grant. All eligibility determinations must be made in accordance with either a state plan filed with the Federal government, the grant award itself, or General Laws. Evidence must be readily available to prove eligibility.

Special Tests and Provisions

The Single Audit found that special tests and provisions requirements were not always met.

Each Federal program is unique and has specific requirements for Special Tests and Provisions which can be found in the statutes, regulations, and the provisions of contract or grant agreements pertaining to the program. Regardless of their unique & specific requirements, under the Uniform Guidance, departments must establish and maintain effective internal controls over Federal awards that provide reasonable assurance that they are managing these awards in compliance with Federal statutes, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Information Technology System Issues and Data Security

Data in department-managed systems must be protected, especially systems containing personally identifiable information and those that interface with the financial systems, MMARS and HR/CMS. Departments need to assure that all new hires have the proper security to their systems (no more than is needed to complete their duties) and that their activities are monitored. Personnel who terminate service with the department should have security access and functions cancelled immediately.

The [Statewide Enterprise Systems Security Policy](#) requires that departments monitor access to statewide systems (MMARS, HR/CMS, CIW, Luminist/DocDirect, and InTempo) on a regular basis to ensure that levels of access are appropriate and proper segregation of duties is in place. Such monitoring must also be in place for department-managed systems.