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# Commonwealth of Massachusetts

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**To:** Department Heads, Chief Fiscal Officers and Single Audit Liaisons

**From:** William McNamara, Comptroller

**Date:** July 9, 2021

**Re:** Audit Issues from the 2020 Single Audit - Preparation for 2021

Comptroller Memo FY#2021-25

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### Executive Summary

The Commonwealth's [Fiscal Year 2020 Uniform Guidance Report](#) 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. 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 in preparation for the FY2021 audit.

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### Areas of Improvement from the Prior Year (FY2019) Single Audit

#### Special Tests and Provisions

The Single Audit found that compliance with special tests and provisions has improved compared to past audits.

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 and 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.

## **Earmarking**

Earmarking compliance continues to improve.

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 Fiscal Year 2020 Single Audit**

The auditors reported the following observations as part of the Fiscal Year 2020 Single Audit. These resulted in audit findings. Of note – there were no management letter comments. The topics below are not specific to any one finding or department.

The complete audit results can be found at Statewide Single Audits.

### **Eligibility Determination for Grant Programs**

Eligibility determination continues to be a challenge, as some of this year's findings are repeat occurrences from last year's audit report. Some departments did not ensure that program eligibility requirements were met.

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.

### **Documentation**

The Fiscal Year 2020 audit showed that documentation of internal controls and procedures were, in some cases, incomplete. Examples include: documentation of the quality control over processes for reconciliation and ensuring that data combined from multiple sources to produce reports is consistent.

If auditors have complete and accurate documentation of processes and controls, less sampling is required in order to determine the relevance and reliability of the evidence gathered.

### **Information Technology System Issues and Data Security - Reminder**

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, Mobius, 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.

cc: MMARS Liaisons, Payroll Directors, General Counsels, Internal Control Officers,  
Internal Distribution