



**COMMONWEALTH OF MASSACHUSETTS**

OMB Circular A-133 Report

June 30, 2009

**COMMONWEALTH OF MASSACHUSETTS**

OMB Circular A-133 Report

June 30, 2009

**Table of Contents**

	<b>Page</b>
Report on Supplementary Schedule of Expenditures of Federal Awards	1
Schedule of Expenditures of Federal Awards	3
Notes to Schedule of Expenditures of Federal Awards	11
Report on Internal Control over Financial Reporting and on Compliance and Other Matter Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	23
Schedule of Findings and Questioned Costs:	26
Findings Relating to the Financial Statements Reported in Accordance with <i>Government Auditing Standards</i> :	
Office of the State Comptroller	29
Group Insurance Commission	30
Department of Workforce Development	31
State Treasurer	33
Executive Office of Health and Human Services	35
Department of Revenue	38
Information Technology Division	40
Findings and Questioned Costs Relating to Federal Awards:	
Department of Housing and Community Development	42
Massachusetts Highway Department	47
Berkshire Community College	50

**COMMONWEALTH OF MASSACHUSETTS**

OMB Circular A-133 Report

June 30, 2009

**Table of Contents**

	<b>Page</b>
Massachusetts Bay Community College	58
Massachusetts Maritime Academy	66
Massasoit Community College	72
Massachusetts Rehabilitation Commission	81
Department of Elementary and Secondary Education	87
Department of Transitional Assistance	91
Department of Revenue	95
Department of Children and Families	99
Department of Early Education and Care	101
Executive Office of Health and Human Services	109
Summary of Prior Year's Findings and Questioned Costs – (Not Covered by Auditors Reports)	



**KPMG LLP**  
99 High Street  
Boston, MA 02110-2374

Telephone +1 617 988 1000  
Fax +1 617 507 8321  
Internet [www.us.kpmg.com](http://www.us.kpmg.com)

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

Mr. Martin Benson, Comptroller  
Commonwealth of Massachusetts:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts (the Commonwealth), as of and for the year ended June 30, 2009, which collectively comprise the Commonwealth's basic financial statements and have issued our report thereon dated December 23, 2009. These financial statements are the responsibility of the Commonwealth's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Massachusetts, the State Colleges and certain of the Community Colleges all of which are major enterprise funds and represent 79% of the total assets of the business-type activities. We did not audit 50% of the total assets of the Community Colleges major enterprise fund. We did not audit the financial statements of the Massachusetts Municipal Depository Trust which represents 10% of the total assets of the aggregate remaining fund information. Additionally, we did not audit the financial statements of certain nonmajor component units, which represent 11% of the total assets of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

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



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

KPMG LLP

December 23, 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

CFDA number	Federal agency/program or cluster title	Expenditures
<b>U.S. Department of Agriculture:</b>		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 15,568,281
10.072	Wetlands Reserve Program	19,987
10.156	Federal-State Marketing Improvement Program	195,554
10.199	Federal Operating Reimbursement-Egg Grading	3,131
10.307	Organic Agriculture Research and Extension Initiative	13,593
10.550	Food Donation	16,245,939
<i>Supplemental Nutrition Assistance Program</i>		
10.551	Supplemental Nutrition Assistance Program	810,910,799
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance Program	43,546,665
10.561	ARRA – State Administrative Matching Grants for Supplemental Nutrition Assistance Program	34,917
<i>Total Food Stamp Cluster</i>		<u>854,492,381</u>
<i>Child Nutrition Cluster:</i>		
10.555	National School Lunch Program	150,149,915
10.559	Summer Food Service Program for Children	5,891,867
<i>Total Child Nutrition Cluster</i>		<u>156,041,782</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	112,359,512
10.558	Child and Adult Care Food Program	51,570,081
10.560	State Administrative Expenses for Child Nutrition	3,260,127
10.568	Emergency Food Assistance Program Administrative Costs	815,456
10.568	ARRA – Emergency Food Assistance Program Administrative Costs	214,470
10.572	WIC Farmers' Market Nutrition Program (FMNP)	458,158
10.574	Team Nutrition Grants	(98)
10.576	Senior Farmers Market Nutrition Program	570,267
10.582	Fresh Fruit and Vegetable Program	549,927
10.664	Cooperative Forestry Assistance	3,452,655
10.672	Rural Development, Forestry, and Communities	8,054
10.675	Urban and Community Forestry Program	25,000
10.913	Farm and Ranch Lands Protection Program	3,435,901
10.914	Wildlife Habitat Incentive Program	3,337
		<u>1,219,303,495</u>
<b>U.S. Department of Commerce:</b>		
11.405	Anadromous Fish Conservation Act Program	21,173
11.407	Interjurisdictional Fisheries Act of 1986	133,078
11.419	Coastal Zone Management Administration Awards	2,546,356
11.420	Coastal Zone Management Estuarine Research Reserves	1,673,987
11.452	Unallied Industry Projects Grants and Cooperative Agreements Program	3,406
11.454	Unallied Management Projects	12,444,888
11.463	Habitat Conservation	852,967
11.472	Unallied Science Program	105,185
11.474	Atlantic Coastal Fisheries Cooperative Management Act	318,298
11.499	Right Whale Conservation Program	344,184
11.555	Public Safety Interoperable Communications Grant Program	328,138
		<u>18,771,660</u>
<b>U.S. Department of Defense:</b>		
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	1,491,477
12.400	Military Construction, National Guard	321,116
		<u>1,812,593</u>
<b>U.S. Department of Housing and Urban Development:</b>		
<i>Section 8 Project-Based Cluster:</i>		
14.182	Section 8 New Construction Program	7,643,844
14.856	Section 8 Moderate Rehabilitation	17,670,520
<i>Total Section 8 Project-Based Cluster</i>		<u>25,314,364</u>
14.228	Community Development Block Grants/State's Program	38,832,708
14.231	Emergency Shelter Grants Program	2,426,166
14.235	Supportive Housing Program	7,652,091
14.238	Shelter Plus Care	530,074
14.239	Home Investment Partnerships Program	9,486,750
14.241	Housing Opportunities for Persons with Aids	201,335
14.401	Fair Housing Assistance Program State and Local	674,375
14.855	Section 8 Rental Voucher Program	1,875,904
14.871	Section 8 Housing Choice Vouchers	219,059,075
14.900	Lead-based Paint Hazard Control in Privately owned Housing	461,452
		<u>306,514,294</u>

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

CFDA number	Federal agency/program or cluster title	Expenditures
<b>U.S. Department of the Interior:</b>		
<i>Fish and Wildlife Cluster:</i>		
15.605	Sport Fish Restoration	\$ 5,322,626
15.611	Wildlife Restoration	2,323,602
	<i>Total Fish and Wildlife Cluster</i>	<u>7,646,228</u>
15.614	Coastal Wetlands Planning, Protection and Restoration Act	40,890
15.622	Sport fishing and Boating Safety Act	57,130
15.630	Coastal Program	38,348
15.633	Landowner Incentive	952,308
15.644	Federal Junior Duck Stamp Conservation and Design	20,000
15.904	Historic Preservation Fund Grants-In-Aid	740,587
15.916	Outdoor Recreation Acquisition, Development and Planning	1,852,094
15.929	Save America's Treasures	450,000
15.XXX	Department of Interior – Miscellaneous	94,017
		<u>11,891,602</u>
<b>U.S. Department of Justice:</b>		
16.202	Offender Reentry Program	173,145
16.203	Sex Offender Management Discretionary Grant	6,177
16.393	Residential Substance Abuse Treatment For State Prisoners	306,118
16.523	Juvenile Accountability Incentive Block Grants	972,028
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	842,827
16.541	Part E – Developing, Testing and Demonstrating Promising New Programs	689,077
16.543	Missing Children's Assistance	188,441
16.550	State Justice Statistics Program for Statistical Analysis Centers	77,391
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	349,516
16.575	Crime Victim Assistance	7,452,700
16.576	Crime Victim Compensation	924,744
16.579	Byrne Formula Grant Program	606,719
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	1,730,030
16.582	Crime Victim Assistance/Discretionary Grants	250,086
16.588	Violence Against Women Formula Grants	2,170,964
16.589	Rural Domestic Violence and Child Victimization Enforcement Grant Program	402,507
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	302,744
16.595	Community Capacity Development Office	473,034
16.606	State Criminal Alien Assistance Program	5,294,533
16.609	Community Prosecution and Project Safe Neighborhoods	988,423
16.610	Regional Information Sharing Systems	3,713,126
16.631	DNA Capacity	107,400
16.710	Public Safety Partnership and Community Policing Grants	569,691
16.726	Juvenile Mentoring Program	58,450
16.727	Enforcing Underage Drinking Laws Program	767,395
16.738	Edward Byrne Memorial Justice Assistance Grant Program	6,313,072
16.741	Forensic DNA Capacity Enhancement Program	443,821
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	217,159
16.743	Forensic Casework DNA Backlog Reduction Program	209,955
16.744	Anti-Gang Initiative	623,542
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	46,468
16.748	Convicted Offender and/or Arrestee DNA Backlog Reduction Program (In-House Analysis and Data Review)	53,217
16.803	ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To States and Territories	12,588,916
16.XXX	Housing Federal Prisoners	8,486,803
		<u>58,400,219</u>
<b>U.S. Department of Labor:</b>		
17.002	Labor Force Statistics	2,135,111
17.005	Compensation and Working Conditions	156,208
<i>Employment Service Cluster:</i>		
17.207	Employment Service	16,962,146
17.207	ARRA – Employment Service	67,619
17.801	Disabled Veterans' Outreach Program (DVOP)	1,349,317
17.804	Local Veterans' Employment Representative Program	1,791,064
	<i>Total Employment Service Cluster</i>	<u>20,170,146</u>
17.225	Unemployment Insurance (note 9)	3,339,267,063
17.225	ARRA – Unemployment Insurance (note 9)	100,449,282
17.235	Senior Community Service Employment Program	2,340,227
17.245	Trade Adjustment Assistance Workers	13,855,486

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

CFDA number	Federal agency/program or cluster title	Expenditures
<b>U.S. Department of Labor (Continued):</b>		
<i>WIA Cluster:</i>		
17.258	WIA Adult Program	\$ 18,151,852
17.258	ARRA – WIA Adult Program	754,204
17.259	WIA Youth Activities	19,124,289
17.259	ARRA – WIA Youth Activities	4,396,204
17.260	WIA Dislocated Workers	26,339,222
17.260	ARRA – WIA Dislocated Workers	1,425,814
	<i>Total WIA Cluster</i>	<u>70,191,585</u>
17.266	Work Incentives Grant	872,766
17.267	WIA Incentive Grants Section 503 Grants to States	1,314,935
17.269	Community Based Job Training Grants	80,161
17.504	Consultation Agreements	1,380,165
17.505	OSHA Data Initiative	69,964
17.600	Mine Health and Safety Grants	66,463
17.802	Veterans' Employment Program	758,858
17.XXX	Department of Labor – Miscellaneous	(478)
		<u>3,553,107,942</u>
<b>U.S. Department of Transportation:</b>		
<i>Highway Planning and Construction Cluster:</i>		
20.205	Highway Planning and Construction	830,341,459
20.205	ARRA – Highway Planning and Construction	147,874
20.219	Recreational Trails Program	136,342
	<i>Total Highway Planning and Construction Cluster</i>	<u>830,625,675</u>
20.218	National Motor Carrier Safety	3,116,004
20.232	Commercial Driver License State Programs	352,125
20.234	Safety Data Improvement Program	2,305
20.237	Commercial Vehicle Information Systems and Networks	99,121
20.505	Federal Transit Metropolitan Planning Grants	3,111,850
20.509	Formula Grants for Other Than Urbanized Areas	2,988,139
<i>Transit Services Programs Cluster:</i>		
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	366,261
20.516	Job Access Reverse Commute	710,035
	<i>Total Transit Services Programs Cluster</i>	<u>1,076,296</u>
20.514	Transit Planning and Research	65,234
20.600	State and Community Highway Safety	14,794,869
20.614	Safety Incentive Grants for Use of Seatbelts	78,977
20.700	Pipeline Safety	943,273
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	144,558
		<u>857,398,426</u>
<b>Equal Employment Opportunity Commission:</b>		
30.002	Employment Discrimination State and Local Fair Employment Practices Agency Contracts	1,078,200
		<u>1,078,200</u>
<b>National Endowment for the Arts:</b>		
45.025	Promotion of the Arts Partnership Agreements	866,500
45.149	Promotion of the Humanities Division of Preservation and Access	4,240
45.163	Promotion of the Humanities Professional Development	28,174
45.164	Promotion of the Humanities – Public Programs	33,113
		<u>932,027</u>
<b>Institute of Museum and Library Services:</b>		
45.310	State Library Program	3,162,167
		<u>3,162,167</u>
<b>National Science Foundation:</b>		
47.050	Geosciences	60,370
47.070	Computer and Information Science and Engineering	18,932
47.074	Biological Sciences	279,342
47.076	Education and Human Resources	10,870
		<u>369,514</u>
<b>U.S. Department of Veterans Affairs:</b>		
64.014	Veterans State Domiciliary Care	3,893,589
64.015	Veterans State Nursing Home Care	12,301,204
64.016	Veterans State Hospital Care	574
		<u>16,195,367</u>



COMMONWEALTH OF MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

CFDA number	Federal agency/program or cluster title	Expenditures
<b>Environmental Protection Agency:</b>		
66.032	State Indoor Radon Grants	\$ 140,694
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	547,266
66.036	Clean School Bus USA	7,704
66.040	ARRA – State Clean Diesel Grant Program	105
66.202	Congressionally Mandated Projects	62,692
66.536	Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements – Section 104(b)(3) of the Clean Water Act	67,065
66.439	Targeted Watershed Grants	146,643
66.454	Water Quality Management Planning	271,544
66.456	National Estuary Program	919,622
66.458	Capitalization Grants for Clean Water State Revolving Funds	1,132,140
66.461	Regional Wetland Program Development Grants	40,308
66.463	Water Quality Cooperative Agreements	33,748
66.468	Capitalization Grants for Drinking Water State Revolving Funds	7,578,617
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	49,948
66.472	Beach Monitoring and Notification Program Implementation Grants	252,527
66.474	Water Protection Grants to the States	61,168
66.605	Performance Partnership Grants	13,455,306
66.606	Surveys, Studies, Investigations and Special Purpose Grants	65,535
66.608	Environmental Information Exchange Network Grant Program	325,653
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	468,988
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	129,772
66.707	TSCA Title IV State Lead Grants Certification of Lead-based Paint Professionals	300,972
66.802	Superfund State, Political Subdivision, and Indian Tribe Site Specific Cooperative Agreements	1,135,707
66.804	State and Tribal Underground Storage Tanks Program	232,631
66.805	Leaking Underground Storage Tank Trust Fund Program	949,951
66.808	Solid Waste Management Assistance Grants	3,000
66.810	Chemical Emergency Preparedness and Prevention (CEPP) Technical Assistance Grants Program	22,392
66.811	Brownfield Pilots Cooperative Agreements	5,453
66.817	State and Tribal Response Program Grants	1,499,194
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	151,346
66.940	Environmental Policy and State Innovation Grants	55,873
66.XXX	Environmental Protection Agency – Miscellaneous	355,083
		<hr/> 30,468,647
<b>U.S. Department of Energy:</b>		
81.041	State Energy Program	785,976
81.042	Weatherization Assistance for Low-income Persons	9,460,966
81.049	Office of Science Financial Assistance Program	91,740
81.087	Renewable Energy Research and Development	108,189
81.090	State Heating Oil and Propane Programs	219
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	1,396
81.119	State Energy Program Special Projects	307,115
		<hr/> 10,755,601
<b>U.S. Department of Education:</b>		
84.002	Adult Education State Grant Program	10,569,546
84.010	Title I Grants to Local Educational Agencies	232,513,159
84.011	Migrant Education State Grant Program	1,638,355
84.013	Title I Program for Neglected and Delinquent Children	1,862,224
<i>Special Education Cluster:</i>		
84.027	Special Education Grants to States	262,924,863
84.173	Special Education Preschool Grants	9,228,605
84.391	ARRA – Special Education Grants to States, Recovery Act	1,026,497
	<i>Total Special Education Cluster</i>	<hr/> 273,179,965
84.031	Higher Education Institutional Aid	1,778,786
<i>TRIO Cluster:</i>		
84.042	TRIO Student Support Services	1,323,199
84.044	TRIO Talent Search	789,821
84.047	TRIO Upward Bound	1,749,937
84.066	TRIO Educational Opportunity Centers	356,157
	<i>Total TRIO Cluster</i>	<hr/> 4,219,114
84.048	Vocational Education Basic Grants to States	18,022,608
84.069	Leveraging Educational Assistance Partnership	966,712
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	42,084,013
84.132	Centers for Independent Living	1,617,008
84.161	Rehabilitation Services Client Assistance Program	123,214
84.169	Independent Living State Grants	37,991
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	658,316

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

CFDA number	Federal agency/program or cluster title	Expenditures
<b>U.S. Department of Education (Continued):</b>		
<i>Early Intervention Services Cluster:</i>		
84.181	Special Education Grants for Infants and Families with Disabilities	\$ 6,621,314
84.393	ARRA – Special Education – Grants for Infants and Families, Recover Act	3,169,317
	<i>Total Early Intervention Services Cluster</i>	<u>9,790,631</u>
84.185	Byrd Honors Scholarships	760,500
84.186	Safe and Drug-free Schools and Communities State Grants	6,664,740
84.187	Supported Employment Services for Individuals with Severe Disabilities	314,812
84.190	Christa McAuliffe Fellowships	442
84.196	Education for Homeless Children and Youth	1,009,575
84.206	Javits Gifted and Talented Students Education Grant Program	224,098
84.213	Even Start State Educational Agencies	1,158,957
84.215	Fund for the Improvement of Education	12,519
84.224	Assistive Technology	471,543
84.235	Rehabilitation Services Demonstration and Training Programs	502,644
84.243	Tech-prep Education	1,731,583
84.255	Literacy Programs for Prisoners	21,258
84.265	Rehabilitation Training State Vocational Rehabilitation Unit In-service Training	114,248
84.282	Charter Schools	1,494,873
84.287	Twenty-First Century Community Learning Centers	16,434,448
84.298	State Grants for Innovative Programs	467,470
84.305	Education Research, Development and Dissemination	549,590
84.318	Education Technology State Grants	5,226,197
84.323	Special Education – State Personnel Development	1,042,306
84.325	Special Education – Personnel Development to Improve Services And Results for Children with Disabilities	171,578
84.327	Special Education – Technology and Media Services for Individuals with Disabilities	139,085
84.330	Advanced Placement Program	359,889
84.331	Grants to States for Incarcerated Youth Offenders	185,209
84.332	Comprehensive School Reform Demonstration	33,715
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	3,137,537
84.350	Transition to Teaching	72,008
84.357	Reading First State Grants	6,360,646
84.358	Rural Education	31,744
84.365	English Language Acquisition Grants	11,366,423
84.366	Mathematics and Science Partnerships	3,273,860
84.367	Improving Teacher Quality State Grants	51,159,946
84.369	Grants for State Assessments and Related Activities	7,015,042
84.377	School Improvement Grants	1,821,057
84.378	College Access Challenge Grant Program	1,023
<i>State Fiscal Stabilization Fund Cluster:</i>		
84.394	ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act	321,999,722
84.397	ARRA – State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act	90,000,115
	<i>Total State Fiscal Stabilization Cluster:</i>	<u>411,999,837</u>
84.XXX	Department of Education – Miscellaneous	101,593
		<u>1,134,493,637</u>
<b>U.S. Election Assistance Commission:</b>		
90.401	Help America Vote Act Requirements Payments	3,085,409
		<u>3,085,409</u>
<b>U.S. Department of Health and Human Services:</b>		
93.003	Public Health and Social Services Emergency Fund	193,113
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	139,408
93.041	Special Programs for the Aging – Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	47,363
93.042	Special Programs for the Aging – Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	47,545
93.043	Special Programs for the Aging – Title III, Part D – Disease Prevention and Health Promotion Services	475,748
<i>Aging Cluster:</i>		
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	8,703,885
93.045	Special Programs for the Aging Title III, Part C Nutrition Services	13,298,377
93.053	Nutrition Service Incentive Program	3,441,697
	<i>Total Aging Cluster</i>	<u>25,443,959</u>

COMMONWEALTH OF MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

CFDA number	Federal agency/program or cluster title	Expenditures
<b>U.S. Department of Health and Human Services (Continued):</b>		
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	\$ 548,246
93.051	Alzheimer's Disease Demonstration Grants to States	10,214
93.052	National Family Caregiver Support	4,010,177
93.069	Public Health Emergency Preparedness	17,223,896
93.087	Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	511,243
93.103	Food and Drug Administration Research	462,924
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,978,141
93.110	Maternal and Child Health Federal Consolidated Programs	732,031
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	1,604,255
93.121	Oral Diseases and Disorders Research	1,200
93.127	Emergency Medical Services for Children	145,995
93.134	Grants to Increase Organ Donations	23,031
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,351,786
93.150	Projects for Assistance in Transition From Homelessness (PATH)	1,852,142
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	865,669
93.165	Grants To States for Loan Repayment Program	375,500
93.184	Disabilities Prevention	278,829
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	1,155,168
93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	63,181
93.226	Research on Healthcare Costs, Quality and Outcomes	223,205
93.234	Traumatic Brain Injury State Demonstration Grant Program	156,848
93.236	Grants for Dental Public Health Residency Training	202,194
93.240	State Capacity Building	382,564
93.241	State Rural Hospital Flexibility Program	167,652
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	5,504,862
93.251	Universal Newborn Hearing Screening	157,611
93.262	Occupational Safety and Health Program	614,371
93.268	Immunization Grants	61,275,354
93.276	Drug-Free Communities Support Program Grants	84,126
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	13,987,809
93.301	Small Rural Hospital Improvement Grant Program	87,183
93.358	Advanced Education Nursing Traineeships	27,241
93.551	Abandoned Infants	334,551
93.556	Promoting Safe and Stable Families	4,667,630
93.558	Temporary Assistance for Needy Families	405,274,872
93.563	Child Support Enforcement	69,382,971
93.563	ARRA – Child Support Enforcement	2,027,248
93.566	Refugee and Entrant Assistance-State Administered Programs	10,205,156
93.568	Low-income Home Energy Assistance	213,798,845
93.569	Community Services Block Grant	16,384,259
<i>CCDF Cluster:</i>		
93.575	Child Care and Development Block Grant	109,242,577
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	84,417,748
<i>Total CCDF Cluster</i>		<u>193,660,325</u>
93.576	Refugee and Entrant Assistance Discretionary Grants	844,977
93.584	Refugee and Entrant Assistance – Targeted Assistance Grants	1,099,329
93.586	State Court Improvement Program	529,841
93.590	Child Abuse Prevention Activities	573,318
93.597	Grants to States for Access and Visitation Programs	212,332
93.599	Chafee Education and Training Vouchers Program (ETV)	1,000,195
93.600	Head Start	302,045
93.603	Adoption Incentive Payments	115,326
93.617	Voting Access for Individuals with Disabilities Grants to States	56,329
93.623	Basic Center Grant	10,517
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,208,465
93.631	Developmental Disabilities Projects of National Significance	198,837
93.643	Children's Justice Grants to States	314,898
93.645	Child Welfare Services State Grants	3,667,946
93.652	Adoption Opportunities	136,595
93.658	Foster Care Title IV-E	65,350,875
93.658	ARRA – Foster Care Title IV-E	1,754,231
93.659	Adoption Assistance	33,693,101
93.659	ARRA – Adoption Assistance	2,310,085
93.667	Social Services Block Grant	82,135,788
93.669	Child Abuse and Neglect State Grants	344,947
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	1,868,473
93.674	Chafee Foster Care Independence Program	2,593,500

## COMMONWEALTH OF MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

CFDA number	Federal agency/program or cluster title	Expenditures
<b>U.S. Department of Health and Human Services (Continued):</b>		
93.767	State Children's Health Insurance Program	\$ 227,948,825
93.773	Medicare Hospital Insurance	8,932,919
<i>Medicaid Cluster:</i>		
93.775	State Medicaid Fraud Control Units	3,292,094
93.777	State Survey and Certification of Health Care Providers and Suppliers	7,554,360
93.778	Medical Assistance Program	6,235,873,372
93.778	ARRA – Medical Assistance Program	882,095,581
<i>Total Medicaid Cluster</i>		<u>7,128,815,407</u>
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	1,276,113
93.786	State Pharmaceutical Assistance Programs	65,910
93.790	Alternate Non-Emergency Service Providers or Networks	2,668,909
93.793	Medicaid Transformation Grants	2,443,632
93.889	National Bioterrorism Hospital Preparedness Program	8,876,246
93.913	Grants to States for Operation of Offices of Rural Health	177,259
93.917	HIV Care Formula Grants	22,370,984
93.926	Healthy Start Initiative	6,139,416
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	712,813
93.940	HIV Prevention Activities Health Department Based	9,809,190
93.941	HIV Demonstration, Research, Public and Professional Education Projects	865,635
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	264,783
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	211,709
93.958	Block Grants for Community Mental Health Services	7,567,299
93.959	Block Grants for Prevention and Treatment of Substance Abuse	34,201,691
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	1,567,327
93.978	Preventive Health Services Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants	413,140
93.988	Cooperative Agreements for State-based Diabetes Control Programs and Evaluation of Surveillance Systems	812,508
93.991	Preventive Health and Health Services Block Grant	2,799,015
93.994	Maternal and Child Health Services Block Grant to the States	10,854,083
93.XXX	Department of Health and Human Services – Miscellaneous	1,201,458
		<u>8,739,465,862</u>
<b>Corporation for National and Community Services:</b>		
94.004	Learn and Serve America School and Community Based Programs	987,006
94.005	State and Local Homeland Security Training Program	16,121
		<u>1,003,127</u>
<b>Social Security Administration:</b>		
96.001	Social Security Disability Insurance (note 5)	38,240,778
96.008	Social Security Benefits Planning, Assistance, and Outreach Program	170,528
		<u>38,411,306</u>
<b>U.S. Department of Homeland Security:</b>		
<i>Homeland Security Cluster:</i>		
97.004	State Domestic Preparedness Equipment Support Program	(2)
97.067	Homeland Security Grant Program	38,612,872
<i>Total Homeland Security Cluster</i>		<u>38,612,870</u>
97.012	Boating Safety Financial Assistance	1,394,957
97.017	Pre-disaster Mitigation (PDM) Competitive Grants	1,733,082
97.023	Community Assistance Program State Support Services Element (CAPSSSE)	181,225
97.029	Flood Mitigation Assistance	221,718
97.036	Public Assistance Grants	22,081,388
97.039	Hazard Mitigation Grant	364,567
97.041	National Dam Safety Program	3,773
97.043	State Fire Training Systems Grants	27,419
97.044	Assistance to Firefighters Grant	11,564
97.056	Port Security Grant Program	176,168
97.070	Map Modernization Management Support	56,918
97.075	Rail and Transit Security Grant Program	4,639,337
97.078	Buffer Zone Protection Plan (BZPP)	554,819
97.091	Homeland Security Biowatch Program	674,823
97.111	Regional Catastrophic Preparedness Grant Program (RCPGP)	19,610
		<u>70,754,238</u>
99.999	Federal Expenditures – Miscellaneous	621,170
		<u>621,170</u>

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<b>CFDA number</b>	<b>Federal agency/program or cluster title</b>	<b>Expenditures</b>
	<i>Student Financial Assistance Cluster:</i>	
	U.S. Department of Education:	
84.007	Federal Supplemental Educational Opportunity Grants	\$ 3,724,370
84.033	Federal Work Study Program	5,017,628
84.063	Federal Pell Grant Program	101,975,173
84.375	Academic Competiveness Grant	1,089,957
84.376	National Science and Mathematics Access to Retain Talent (SMART) Grants	274,046
84.379	TEACH Grants	4,000
	Total U.S. Department of Education	<u>112,085,174</u>
	U.S. Department of Health and Human Services:	
93.364	Nursing Student Loans	1,011,681
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds	65,813
	Total U.S. Department of Health and Human Services	<u>1,077,494</u>
	<i>Total Student Financial and Cluster</i>	<u>113,162,668</u>
	Total Federal Expenditures	<u>\$ 16,191,159,171</u>

See accompanying notes to schedule of expenditure of federal awards.

## COMMONWEALTH OF MASSACHUSETTS

### Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

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

The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented on the Commonwealth of Massachusetts's (the Commonwealth) statutory basis of accounting except for the Unemployment Insurance Program which is presented on the cash basis of accounting. Statutory basis federal expenditures are recorded when the related cash disbursement occurs. In addition payroll is accrued and federal payables are recognized for goods or services received by June 30, to the extent payments are approved. The SEFA is drawn primarily from the Massachusetts Management Accounting and Reporting System (MMARS), the centralized accounting system.

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

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

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

For purposes of complying with The Single Audit Act of 1984, as amended in 1996, the Commonwealth's reporting entity is defined in note 1 to its June 30, 2009 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 Investment Accounts Managed by the Health Care Security Trust Board, the Commonwealth of Massachusetts Owner Controlled Workers' Compensation and General Liability Insurance Program, the Military Division of the Commonwealth, the University of Massachusetts and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the federal award programs administered by the Commonwealth, as defined above, for the year ended June 30, 2009.

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

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

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

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

**COMMONWEALTH OF MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

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

The Massachusetts Rehabilitation Commission operates the Social Security-Disability Insurance Program (CFDA 96.001) and the Supplemental Security Income Disability Program (CFDA 96.006) under a single state appropriation and departmental program account. On an operating basis, expenditures are allocated between the programs based on medical expenses incurred; personnel and overhead costs are determined by the Social Security Central Office. For the fiscal year ended June 30, 2009 expenditures of \$17,906,534 were attributed to the Supplemental Security Income Disability Program.

**(6) Noncash Awards**

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

<b>CFDA Number</b>	<b>Program title</b>	<b>Noncash awards</b>
10.550	Food Donation	\$ 16,245,939
10.551	Supplemental Nutrition Assistance Program	810,910,799
93.268	Immunization Grants	56,395,135
	Total	<u>\$ 883,551,873</u>

Commodity inventories for the Food Donation Program at June 30, 2009 totaled approximately \$1,819,464.

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

The Schedule of Expenditures of Federal Awards does not include FFEL (CFDA 84.032) nor FDL (CFDA 84.268) which are made directly to individual students. For Massachusetts residents, FFEL loans are guaranteed by the American Student Assistance Corporation, which is not part of the reporting entity of the Commonwealth. FDL loans are made directly by the U.S. Department of Education. FFEL loans made to students enrolled in the Commonwealth's public institutions of higher education during fiscal year 2009 totaled \$107,908,468 and FDL Loans totaled \$83,356,621.

**(8) Federal Perkins Loan Program**

The Federal Perkins Loan Program (CFDA 84.038) is administered by the Commonwealth's public institutions of higher education. Fiscal year 2009 activity, excluding the University of Massachusetts included, loan repayments of \$1,547,104 and loan funds disbursed of \$1,486,621. Loans outstanding at June 30, 2009 totaled \$15,830,367.

**COMMONWEALTH OF MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

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

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

Commonwealth UI Funds – Benefits	\$ 2,427,199,482
Federal UI Funds – Benefits	840,384,241
Federal UI Funds – ARRA	100,449,282
Federal UI Funds – Administration	<u>71,683,340</u>
Total expenditures	<u>\$ 3,439,716,345</u>

**(10) ARRA Expenditures Under the Supplemental Nutrition Assistance Program**

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under Section 101 of the American Recovery and Reinvestment Act of 2009. The mechanism used by USDA to make these funds available to States does not enable a State to validly disaggregate the regular and Recovery Act components of this figure. At the national aggregate level, however, Recovery Act funds account for approximately 15% of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2009.



**COMMONWEALTH OF MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

**(11) Subrecipients**

In OMB Circular A-133 § \_\_.105 subrecipients are defined as nonfederal entities that expend federal awards received from a pass through entity to carry out a federal program, but do not benefit from that program. Negative amounts represent refunds of prior year expenditures or refunds of unspent federal awards. In fiscal year 2009, the Commonwealth passed through the following amounts to subrecipients:

<b>CFDA Number</b>	<b>Program title</b>	<b>Expenditures</b>
10.156	Federal-State Marketing Improvement Program	\$ 105,817
10.307	Organic Agriculture Research and Extension Initiative	13,593
10.555	National School Lunch Program	150,011,887
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	78,797,313
10.558	Child and Adult Care Food Program	51,036,537
10.559	Summer Food Service Program for Children	5,720,083
10.560	State Administrative Expenses for Child Nutrition	200,000
10.561	State Administrative Matching Grants for Food Stamp Program	1,757,027
10.568	Emergency Food Assistance Program administrative costs	700,279
10.568	ARRA – Emergency Food Assistance Program administrative Costs	214,470
10.574	Team Nutrition Grants	(98)
10.582	Fresh Fruit and Vegetable Program	549,927
10.664	Cooperative Forestry Assistance	388,069
10.913	Farm and Ranch Lands Protection Program	619,919
11.420	Coastal Zone Management Estuarine Research Reserves	17,897
11.454	Unallied Management Projects	12,409,171
11.472	Unallied Science Program	25,677
11.499	Right Whale Conservation Program	344,184
11.555	Public Safety Interoperable Communications Grant Program	162,031
14.182	Section 8 New Construction Program	4,227,801
14.228	Community Development Block Grants/State's Program	37,484,726
14.231	Emergency Shelter Grants Program	2,425,866
14.235	Supportive Housing Program	7,607,413
14.238	Shelter Plus Care	529,882
14.239	HOME Investment Partnerships Program	8,397,199
14.241	Housing Opportunities for Persons with AIDS	55,335
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	16,817,540
14.871	Section 8 Housing Choice Vouchers	218,537,219

**COMMONWEALTH OF MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<b>CFDA Number</b>	<b>Program title</b>	<b>Expenditures</b>
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing	\$ 386,875
15.605	Sport Fish Restoration	720,356
15.614	Coastal Wetlands Planning, Protection and Restoration Act	40,890
15.622	Sport fishing and Boating Safety Act	53,752
15.904	Historic Preservation Fund Grants-In-Aid	258,500
15.916	Outdoor Recreation Acquisition, Development and Planning	1,852,098
15.999	Dept of Interior – Miscellaneous	13,039
16.203	Sex Offender Management Discretionary Grant	5,010
16.393	Residential Substance Abuse Treatment For State Prisoners	58,393
16.523	Juvenile Accountability Incentive Block Grants	92,249
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	523,194
16.541	Part E – Developing, Testing and Demonstrating Promising New Programs	608,305
16.575	Crime Victim Assistance	6,751,687
16.579	Byrne Formula Grant Program	404,148
16.588	Violence Against Women Formula Grants	1,421,183
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	142,400
16.595	Community Capacity Development Office	98,851
16.609	Community Prosecution and Project Safe Neighborhoods	357,402
16.610	Regional Information Sharing Systems	3,713,126
16.726	Juvenile Mentoring Program	58,450
16.727	Enforcing Underage Drinking Laws Program	419,598
16.738	Edward Byrne Memorial Justice Assistance Grant Program	4,632,794
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	69,158
16.744	Anti-Gang Initiative	374,856
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	41,384
17.207	Employment Service	5,407,878
17.207	ARRA – Employment Service	67,619
17.225	Unemployment insurance	368,588
17.235	Senior Community Service Employment Program	2,098,390
17.258	WIA Adult Program	16,468,266
17.260	WIA Dislocated Workers	19,870,058
17.266	Work Incentives Grant	668,025
17.267	WIA Incentive Grants Section 503 Grants to States	1,270,559
17.801	Disabled Veterans’ Outreach Program (DVOP)	85,067
17.802	Veterans’ Employment Program	485,999
17.804	Local Veterans’ Employment representative Program	113,266
20.205	Highway Planning and Construction	12,831,166
20.219	Recreational Trails Program	136,342

**COMMONWEALTH OF MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<b>CFDA Number</b>	<b>Program title</b>	<b>Expenditures</b>
20.232	Commercial Driver License State Programs	\$ 41,864
20.505	Federal Transit_Metropolitan Planning Grants	2,642,113
20.509	Formula Grants for Other Than Urbanized Areas	2,711,212
20.514	Transit Planning and Research	65,234
20.516	Job Access Reverse Commute	688,003
20.600	State and Community Highway Safety	3,461,113
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	22,139
45.025	Promotion of the Arts Partnership Agreements	866,500
45.310	State Library Program	1,257,598
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	205,713
66.436	Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements – Section 104(b)(3) of the Clean Water Act	50,000
66.439	Targeted Watershed Grants	96,803
66.454	Water Quality Management Planning	94,066
66.456	National Estuary Program	127,215
66.463	Water Quality Cooperative Agreements	21,715
66.605	Performance Partnership Grants	1,753,557
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	6,168
66.817	State and Tribal Response Program Grants	97,516
66.940	Environmental Policy and State Innovation Grants	55,873
81.041	State Energy Program	87,457
81.042	Weatherization Assistance for Low-Income Persons	8,920,861
81.087	Renewable Energy Research and Development	26,760
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	1,396
81.119	State Energy Program Special Projects	306,879
84.002	Adult education State Grant Program	8,812,089
84.010	Title I Grants to Local Educational Agencies	222,950,809
84.011	Migrant education State Grant Program	1,625,754
84.013	Title I Program for Neglected and Delinquent Children	1,117,996
84.027	Special Education Grants to States	241,162,175
84.048	Vocational Education Basic Grants to States	16,138,752
84.069	Leveraging Educational Assistance Partnership	966,712
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	5,123,958

**COMMONWEALTH OF MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<b>CFDA Number</b>	<b>Program title</b>	<b>Expenditures</b>
84.132	Centers for Independent Living	\$ 1,446,855
84.173	Special Education Preschool Grants	7,577,864
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	27,178
84.181	Special Education Grants for Infants and Families with Disabilities	3,712,366
84.185	Byrd Honors Scholarships	760,500
84.186	Safe and Drug-Free Schools and Communities State Grants	6,210,127
84.187	Supported Employment Services for Individuals with Severe Disabilities	15,513
84.196	Education for Homeless Children and Youth	787,955
84.213	Even Start State Educational Agencies	1,041,865
84.224	Assistive Technology	296,193
84.235	Rehabilitation Services Demonstration and Training Programs	125,000
84.243	Tech-Prep Education	1,520,491
84.255	Literacy Programs for Prisoners	19,000
84.282	Charter Schools	1,416,247
84.287	Twenty-First Century Community Learning Centers	15,746,938
84.298	State Grants for Innovative Programs	137,932
84.318	Education Technology State Grants	5,049,713
84.323	Special Education – State Personnel Development	(3,956)
84.330	Advanced Placement Program	310,836
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	2,317,494
84.357	Reading First State Grants	4,669,326
84.358	Rural Education	26,574
84.365	English Language Acquisition Grants	10,776,383
84.366	Mathematics and Science Partnerships	2,957,740
84.367	Improving Teacher Quality State Grants	48,343,844
84.377	School Improvement Grants	1,393,356
84.391	ARRA – Special Education Grants to States, Recovery Act	1,026,497
84.393	ARRA – Special Education – Grants for Infants and Families, Recover Act	3,169,317
84.394	ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act	321,999,722
84.397	ARRA – State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act	90,000,115
93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	261,839

**COMMONWEALTH OF MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<b>CFDA Number</b>	<b>Program title</b>	<b>Expenditures</b>
93.069	Public Health Emergency Preparedness	\$ 4,720,709
93.087	Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	358,799
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,973,290
93.110	Maternal and Child Health Federal Consolidated Programs	32,529
93.136	Injury Prevention and Control Research and State and Community Based Programs	462,798
93.150	Projects for Assistance in Transition from Homelessness (PATH)	1,850,777
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	597,315
93.165	Grants To States for Loan Repayment Program	375,500
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	367,272
93.234	Traumatic Brain Injury State Demonstration Grant Program	29,225
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	1,716,014
93.268	Immunization Grants	50,000
93.276	Drug-Free Communities Support Program Grants	5,022
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	1,153,132
93.551	Abandoned Infants	176,150
93.556	Promoting Safe and Stable Families	3,665,814
93.566	Refugee and Entrant Assistance State Administered Programs	4,792,654
93.568	Low-Income Home Energy Assistance	212,146,625
93.569	Community Services Block Grant	15,620,049
93.576	Refugee and Entrant Assistance Discretionary Grants	716,441
93.584	Refugee and Entrant Assistance Targeted Assistance Grants	1,054,094
93.590	Child Abuse Prevention Activities	492,507
93.630	Developmental Disabilities Basic Support and Advocacy Grants	361,222
93.631	Developmental Disabilities Projects of National Significance	185,786
93.643	Children's Justice Grants to States	135,819
93.645	Child Welfare Services State Grants	8,949
93.652	Adoption Opportunities	90,000
93.669	Child Abuse and Neglect State Grants	119,972

**COMMONWEALTH OF MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<b>CFDA Number</b>	<b>Program title</b>	<b>Expenditures</b>
93.069	Public Health Emergency Preparedness	\$ 4,720,709
93.087	Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	358,799
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,973,290
93.110	Maternal and Child Health Federal Consolidated Programs	32,529
93.136	Injury Prevention and Control Research and State and Community Based Programs	462,798
93.150	Projects for Assistance in Transition from Homelessness (PATH)	1,850,777
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	597,315
93.165	Grants To States for Loan Repayment Program	375,500
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	367,272
93.234	Traumatic Brain Injury State Demonstration Grant Program	29,225
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	1,716,014
93.268	Immunization Grants	50,000
93.276	Drug-Free Communities Support Program Grants	5,022
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	1,153,132
93.551	Abandoned Infants	176,150
93.556	Promoting Safe and Stable Families	3,665,814
93.566	Refugee and Entrant Assistance State Administered Programs	4,792,654
93.568	Low-Income Home Energy Assistance	212,146,625
93.569	Community Services Block Grant	15,620,049
93.576	Refugee and Entrant Assistance Discretionary Grants	716,441
93.584	Refugee and Entrant Assistance Targeted Assistance Grants	1,054,094
93.590	Child Abuse Prevention Activities	492,507
93.630	Developmental Disabilities Basic Support and Advocacy Grants	361,222
93.631	Developmental Disabilities Projects of National Significance	185,786
93.643	Children's Justice Grants to States	135,819
93.645	Child Welfare Services State Grants	8,949
93.652	Adoption Opportunities	90,000
93.669	Child Abuse and Neglect State Grants	119,972

**COMMONWEALTH OF MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<b>CFDA Number</b>	<b>Program title</b>	<b>Expenditures</b>
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	\$ 1,255,643
93.674	Chafee Foster Care Independence Program	24,254
93.779	Centers for Medicare and Medicaid Services (CMS) Research's Demonstrations and Evaluation	966,519
93.790	Alternate Non-Emergency Service Providers or Networks	2,627,920
93.889	National Bioterrorism Hospital Preparedness Program	6,219,886
93.917	HIV Care Formula Grants	5,106,305
93.938	Cooperative Agreements to Support Comprehensive Programs to Prevent the Spread of HIV and Other Important Health Problems	51,931
93.940	HIV Prevention Activities Health Department Based	4,674,611
93.958	Block Grants for Community Mental Health Services	7,219,314
93.959	Block Grants for Prevention and Treatment of Substance Abuse	19,413,204
93.978	Preventive Health Services Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants	16,525
93.991	Preventive Health and Health Services Block Grant	467,397
93.994	Maternal and Child Health Services Block Grant to the States	2,525,883
94.004	Learn and Serve America School and Community Based Programs	715,248
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	1,364,978
97.029	Flood Mitigation Assistance	218,016
97.036	Public Assistance Grants	22,077,717
97.039	Hazard Mitigation Grant	364,567
97.042	Emergency Management Performance Grants	671,033
97.053	Citizen Corps	64,900
97.056	Port Security Grant Program	176,168
97.067	Homeland Security Grant Program	24,365,481
97.071	Metropolitan Medical Response System	531,670
97.074	Law Enforcement Terrorism Prevention Program (LETPP)	3,396,585
97.075	Rail and Transit Security Grant Program	4,304,149
97.078	Buffer Zone Protection Plan (BZPP)	411,448



**KPMG LLP**  
99 High Street  
Boston, MA 02110-2374

Telephone +1 617 988 1000  
Fax +1 617 507 8321  
Internet www.us.kpmg.com

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

Mr. Martin Benson, Comptroller  
Commonwealth of Massachusetts:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts (the Commonwealth), as of and for the year ended June 30, 2009, which collectively comprise the Commonwealth's basic financial statements and have issued our report thereon dated December 23, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the entities described in note 13 to the Commonwealth's basic financial statements. The financial statement of the entities identified in note 13 to the Commonwealth's basic financial statements were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

**Internal Control over Financial Reporting**

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

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.





Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and that are described as 2009 – 01 through 2009 – 11 in the accompanying schedule of findings and questioned costs. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

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

We have also noted certain additional matters that we reported to management of the Commonwealth in a separate letter dated December 23, 2009.

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

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

**KPMG LLP**

December 23, 2009



**KPMG LLP**  
99 High Street  
Boston, MA 02110-2374

Telephone +1 617 988 1000  
Fax +1 617 507 8321  
Internet www.us.kpmg.com

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

Mr. Martin Benson, Comptroller  
Commonwealth of Massachusetts:

### **Compliance**

We have audited the compliance of the Commonwealth of Massachusetts (the Commonwealth) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The Commonwealth's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commonwealth's management. Our responsibility is to express an opinion on the Commonwealth's compliance based on our audit.

As discussed in note (2) to the schedule of expenditures of federal awards, the Commonwealth's basic financial statements include the operations of certain entities whose federal awards are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2009. Our audit, described below, did not include the operations of the entities identified in note (2) as these entities conducted separate audits in accordance with OMB Circular A-133, if required.

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

As described in findings 2009 – 17, 2009 – 19, 2009 – 22, 2009 – 25, 2009 – 30, and 2009 – 40 in the accompanying schedule of findings and questioned costs, the Commonwealth did not comply with the requirement regarding procurement, student status changes and reporting that are applicable to its Child Care and Development Block Grant, and Child Care Mandatory and Matching Funds of the Child Care and Development Fund, Federal Family Education Loans, Federal Direct Student Loans, and Rehabilitation Services – Vocational Rehabilitation Grants to States programs. Compliance with such requirements is necessary, in our opinion, for the Commonwealth to comply with the requirements applicable to that program.



In our opinion, except for the noncompliance described in the preceding paragraph, the Commonwealth complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2009 – 12, 2009 – 13, 2009 – 14, 2009 – 15, 2009 – 16, 2009 – 20, 2009 – 21, 2009 – 23, 2009 – 24, 2009 – 26, 2009 – 27, 2009 – 28, 2009 – 29, 2009 – 31, 2009 – 32, 2009 – 33, 2009 – 34, 2009 – 35, 2009 – 36, 2009 – 37, 2009 – 38, 2009 – 39, 2009 – 41, 2009 – 43, 2009 – 44, 2009 – 45, 2009 – 46, 2009 – 47 and 2009 – 48.

### **Internal Control over Compliance**

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

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009 – 12, 2009 – 13, 2009 – 14, 2009 – 15, 2009 – 16, 2009 – 17, 2009 – 18, 2009 – 19, 2009 – 20, 2009 – 21, 2009 – 22, 2009 – 23, 2009 – 24, 2009 – 25, 2009 – 26, 2009 – 27, 2009 – 28, 2009 – 29, 2009 – 30, 2009 – 31, 2009 – 32, 2009 – 33, 2009 – 34, 2009 – 36, 2009 – 37, 2009 – 38, 2009 – 39, 2009 – 40, 2009 – 41, 2009 – 42, 2009 – 43, 2009 – 44, 2009 – 45, 2009 – 46, and 2009 – 47 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs we consider items 2009 – 17, 2009 – 19, 2009 – 22, 2009 – 25, 2009 – 30, 2009 – 40, and 2009 – 46 to be material weaknesses.

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



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

KPMG LLP

March 29, 2010

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

***Basic Financial Statements***

- a) Unqualified opinions were issued on the basic financial statements of the Commonwealth of Massachusetts (Commonwealth) as of and for the year ended June 30, 2009.
- b) The audit reported significant deficiencies in internal control in connection with the basic financial statements of the Commonwealth as of and for the year ended June 30, 2009. The significant deficiencies were not considered material weaknesses.
- c) The audit disclosed no instances of noncompliance that would be material to the basic financial statements of the Commonwealth as of and for the year ended June 30, 2009.

***Single Audit***

- d) The audit disclosed significant deficiencies in connection with the major federal programs of the Commonwealth for the year ended June 30, 2009. Certain significant deficiencies were considered to be material weaknesses.
- e) An unqualified opinion was issued on the Commonwealth's compliance with its major federal programs for the year ended June 30, 2009 except for the Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund, Federal Family Education Loans, Federal Direct Student Loans, and Rehabilitation Services – Vocational Rehabilitation Grants to States programs for which the opinion was qualified.
- f) There were audit findings required to be reported under Section 510(a) of OMB Circular A-133 for the year ended June 30, 2009.
- g) The dollar threshold to determine Type A programs was \$30 million. The major federal programs of the Commonwealth for the year ended June 30, 2009 are as follows:

**U.S. Department of Agriculture**

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

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

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

**U.S. Department of Labor**

- Unemployment Insurance (17.225)

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- WIA Cluster (17.258, 17.259 and 17.260)

**U.S. Department of Transportation**

- Highway Planning and Construction Cluster (20.205 and 20.219)

**U.S. Department of Education**

- Title I Grants to Local Educational Agencies (84.010)
- Special Education Cluster (84.027 and 84.173)
- Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
- Improving Teacher Quality State Grants (84.367)
- State Fiscal Stabilization Fund (SFSF) Cluster (84.394 and 84.397)
- Student Financial Assistance Cluster (84.007, 84.032, 84.033, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 93.364 and 93.925)

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

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

**Social Security Administration**

- Social Security – Disability Insurance (96.001)

**U.S. Department of Homeland Security**

- Homeland Security Cluster (97.004 and 97.067)

h) The Commonwealth did not qualify as a low-risk auditee for the year ended June 30, 2009.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

See accompanying pages 29 through 41.

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

See accompanying pages 42 through 128.

**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, 2009

**Office of the State Comptroller**

**Fixed Asset Additions**

**Finding Reference: 2009-01**

**Observation**

The Commonwealth capitalizes items that meet its capital asset threshold (generally items greater than \$50,000). In prior year audits, we noted that the Commonwealth did not capitalize certain capital assets in the proper fiscal year. During fiscal 2009 the Commonwealth undertook a capital asset inventory process in an attempt to capture all assets that may not have been properly capitalized in prior fiscal years. The inventory process resulted in a net adjustment to the entity wide financial statements of approximately \$126 million (0.4% of depreciable capital assets) in order to recognize these assets. This adjustment highlights the need for continued monitoring and training on the recording capital assets at the Commonwealth. We recognize the inventory process which was undertaken in fiscal 2009 as an improvement in financial reporting data collection; however, in order to maintain an appropriate inventory of capital assets it is essential that ongoing training and controls are designed and operating effectively to identify those assets in the appropriate fiscal year. Based on the test work performed during fiscal 2009 it does not appear that mitigating controls have been fully implemented. We acknowledge that the capital asset inventory process which was undertaken in fiscal 2009 is an improvement in financial reporting process; however, in order to maintain an appropriate inventory of capital assets it is essential that ongoing training and controls be designed and operating effectively to identify those assets in the appropriate fiscal year. The inventory mentioned above did result in discovery of significantly aged assets which were not originally captured during the GASB 34 implementation period. While we acknowledge the improvements made as a result of the Commonwealth's inventory process, the results of our audit work did identify 2 items that were recorded either in the wrong fiscal year or in the wrong category of capital assets. These items were recent acquisitions which indicate the need for continued improvement of controls.

**Recommendation**

We recommend that the Commonwealth consider the need for more comprehensive training at the departmental level and a more comprehensive management review process in the Office of the State Comptroller to ensure that items which are charged to capital expenditure accounts during a given fiscal year have been considered for capitalization under the Commonwealth's policies and procedures.

**Views of Responsible Officials and Corrective Actions**

In FY2010, we have implemented new reports for departments and for audit purposes for capital assets and we have continued the practice of semi-annual inventories to departments. As part of the implementation of GASB-51 and in the wake of this and previous audit findings, we are updating our capital assets policies, procedures and training. Part of that update will include if a department has initial design on a project that is never funded, then those costs should be expensed, rather than capitalized at a later time if the project becomes funded.

**Responsible Official**

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

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Group Insurance Commission**

**Post Employment Benefits Accrual**

**Finding Reference: 2009-02**

**Observation**

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

Under current accounting rules for governments, the Commonwealth is required to record a liability for the future benefits owed to employees and retirees (Other Post-Employment Benefits, or OPEB). For financial reporting purposes, the Commonwealth needs information in order to apportion the liability between the Commonwealth and non-Commonwealth participating employers on an individual claim basis. This information was not available for the preparation of the 2009 financial statements.

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

**Recommendation**

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

**Views of Responsible Officials and Corrective Actions**

We are in the process of continuing to upgrade our systems to perform this capability, which is highly dependent on bond funding. Funding began in FY2009 and continues in FY2010. We are hopeful for funding in FY2011. If continued funding occurs, the system upgrade will take approximately a year. Until then, we will have to proportionately allocate our claims based upon retiree and survivor enrollment.

**Responsible Official** Robert Johnson, Deputy Director

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Department of Workforce Development**

**Reconciliation of Cash Accounts**

**Finding Reference: 2009-03**

**Observation**

The Department of Workforce Development (the Department or DWD) manages the Unemployment Compensation Trust Fund (the Trust), reported as a Proprietary Enterprise Fund in the Comprehensive Annual Financial Report. The Unemployment Trust Fund provides benefits to eligible workers in the Commonwealth who become unemployed through no fault of their own. Funding of the Trust comes from unemployment compensation taxes and fees paid by the Commonwealth's employers, as well as combined wage claims from the federal government and other states. The taxes collected are held by the United States Treasury in the Federal Unemployment Trust Fund. Funds are drawn for the payment of benefits to the unemployed. The Department of Workforce Development maintains a separate IT system for the purposes of program administration and transactional details are entered into the MMARS accounting system in the form of summary entries. In prior year audits it was noted by KPMG that several cash accounts and corresponding accounting transactions were not properly captured on MMARS. In fiscal 2009 new accounts were set up on MMARS to accommodate these transactions. Upon review of the entries recorded on MMARS the engagement team found that reconciliations between the MMARS system and the underlying details found at DWD were not performed on a timely basis and as a result differences were not identified until the year end audit process took place.

**Recommendation**

We recommend that the Comptroller and DWD evaluate the recording of transactions in MMARS regarding unemployment compensation benefits. Every effort should be made to perform complete and accurate reconciliations between the Department's activities and the MMARS accounting system. All cash belonging to the Commonwealth should be reflected in the general ledger and ultimately in the financial statements. Proper cut-off should be followed by the Department.

**Views of Responsible Officials and Corrective Actions**

The new accounts set up by the Comptroller's Office for FY 09 were available in May/June 2009, at which time DWD began to enter the transactions. Over a period of several months, the Comptroller's Office determined the appropriateness and accuracy of their methodology for the reconciliations. DWD was required to reenter data, as the OSC accounts needed to be adjusted and additional data was necessary.

DWD agrees every effort should be made to perform complete and accurate reconciliations between the Department's activities and the MMARS accounting system. DWD agrees that cash should be reflected in the financial statements.

The cash accounts established by OSC now provide the structure to permit accurate reconciliations.

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

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Department of Workforce Development**

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

**Finding Reference: 2009-04**

**Observation**

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

**Recommendation**

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

**Views of Responsible Officials and Corrective Actions**

DWD implemented the revenue portion of the Quality Unemployment System Transformation (QUEST) on December 7, 2009 to replace the existing antiquated 28 year old Legacy system. QUEST has been programmed to create an aging report for accounts receivable.

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

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**State Treasurer and Office of State Comptroller**

**Reconciliation of Cash Accounts**

**Finding Reference: 2009-05**

**Observation**

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

As part of the overall cash reconciliation process, certain funds have been established in MMARS to capture specific cash transactions. Among these are three funds commonly referred to as the “float funds”. The activity captured in these funds was originally intended to represent the outstanding checks of the Commonwealth.

On a monthly basis, a comprehensive Treasury cash management system to MMARS reconciliation is performed by TRE and the Office of the State Comptroller (OSC). However, the activity of the float funds/accounts is not completely reconciled each month, thereby decreasing the usefulness of the reconciliation process.

As part of the fiscal 2009 yearend audit procedures KPMG requested a full reconciliation of the float funds/accounts discussed above. The reconciliation revealed an unsupported debit balance in the cash accounts of approximately \$10,700,000. This amount was discussed with management and is documented as an unadjusted audit difference.

**Recommendation**

We recommend that the Commonwealth develop a plan to fully reconcile overall cash by including the float funds/accounts in overall reconciliation process. Monthly reconciliations should be performed with the appropriate level of support for any reconciling items that are utilized and should be reviewed by individuals who have access to appropriate supporting documents. There should be a collective effort by OSC and TRE to document and understand the transactions that impact the float funds/accounts. Finally, the Commonwealth should review its cash management processes and evaluate the ongoing need of the float funds/accounts.

**Views of Responsible Officials and Corrective Actions**

We agree that there are unresolved reconciling items in the float fund. The Cash Management Division of the Office of State Treasurer is responsible for reconciling and has reconciled the 20 subfunds under its purview in the float fund.

Continuing in fiscal year 2009, the Treasury’s process of research and verification of the variances occurred. The research is ongoing and has proven challenging as detailed source data for these variances has been difficult and / or time consuming to obtain. Treasury has dedicated staff, up to three staff members, performing this research. Research has shown that the age of the variances in some cases dates from 2004 and prior. Weekly meetings between the personnel of the Office of the State Treasury and the Staff of the Office of the Comptroller include discussions about the status of these “legacy” unresolved cash reconciling items. Prior to the end of FY10, the Office of the State Treasurer and the Office of the Comptroller expect to identify and resolve and propose

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

solutions for these legacy reconciling items. Going forward, the Office of the State Comptroller and the Office of the State Treasury will confirm the reconciliations of subfunds managed by departments other than Treasury.

The Commonwealth has set up a process where cash is set aside in the float accounts equivalent to the outstanding payments and has commenced a joint memorandum between the offices showing the cash reconciliation, the amount in float and the outstanding payments, along with an investment reconciliation and an aging schedule. Additionally, procedures are being updated to minimize the potential occurrence of a reconciling item in the future as only warranted payments are within float. As the Commonwealth consolidates its cash management system into the Commonwealth's accounting system during fiscal 2010 and early fiscal 2011, this process will evolve into a singular reconciliation managed by the Treasurer and Receiver-General. Because of this consolidation, there is an expectation of reduced data entry and a streamlining of reconciliation.

**Responsible Official**            James A. MacDonald, Assistant Treasurer

Eric Berman, Deputy Comptroller

# COMMONWEALTH OF MASSACHUSETTS

## Schedule of Findings and Questioned Costs

Year ended June 30, 2009

### Executive Office of Health and Human Services

#### Logical Access Controls – MMIS

**Finding Reference:** 2009-06

#### Observation

Up to 6 management-authorized personnel with developer responsibility had access to make changes to the production environment serving in a temporary capacity during implementation. Further, on some servers production file privileges were not restricted to application user id and group.

Developers with access to the production environments may circumvent change management controls such as testing and approval. As a result, developer access to the production environments increases the risk that unauthorized changes are performed to programs, parameters and data.

Our review included 10 Linux and 4 Unix servers of the 37 logical production servers. Other production servers not reviewed may have developers with access to make program changes.

Compensating controls were in place by EOHHS for 3 of 5 SOD issues noted for developer access that mitigate some of the risk presented by lack of segregation of duties. These compensating controls included:

- Review of emergency directories during formal releases
- Use of alerts when migration utility is used
- Review of build documentation during formal releases
- Smoke test performed by the QA Team after each deployment to ensure the functionality was intact

In addition, administrative access to the NewMMIS application and database servers to add/remove/modify user accounts and privileges should be restricted to appropriate system administrator personnel based on their job responsibilities.

During our review we found four individuals, who did not require administrator access, had access to run all commands on one out of ten servers tested supporting the NewMMIS application.

We were informed that this access was approved by management and was granted to help with advanced troubleshooting during implementation. EOHHS remediated this issue as of September 11, 2009 by removing the access from these accounts.

#### Recommendation

- Proactively monitor the activities of the temporary administrators when assigned. This should include monitoring activities performed at all levels of access (server, applications, consoles, databases, etc). The logs should be reviewed and signed-off by management on a periodic basis. The review should be documented and retained. Monitoring controls are only effective if they are pro-actively reviewed to mitigate the specific risk posed by this access. Care needs to be taken to ensure those being monitored cannot modify the transactions/activities being tracked and monitored.

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- Consider granting this access on as-needed basis, i.e. only give this access when required for trouble-shooting or other reasons supported by documented approvals. Apply monitoring controls when temporary access is granted.
- Train existing administrators early on to take over new responsibilities so that additional access is not extended to individuals that could compromise separation of duties.

#### Views of Responsible Officials and Corrective Actions

The NewMMIS system instance management plan states that “...Technical leads from the J2EE development team, from the C development team, and the DBA team will be assigned by the Application Manager to participate in each release. This may be a rotating responsibility among technical leads, and the Build Coordinator may also be assigned to perform builds and deployments. The Application Manager will assign application team staff to perform activities for each release, and will ensure processes are being followed to ensure the quality of a release.”

As part of an Steering Committee approved work pattern documented in the instance management plan, select individuals were chosen by management to augment the release team to meet the 24/7 production support model in place post go live. All activities by these individuals were audited via system generated logs and no unplanned activity was detected.

As pointed out by the KPMG audit report, we have monitoring controls in place to detect any unauthorized files on production servers through the build number validation process. In addition, the EOHHS Software Quality Assurance Team performs a smoke test after each redeploy to ensure the functionality was intact. Access to the Build server was restricted to server administrators and build administrators only.

Overrides can only be executed by select individuals. Each override entry is automatically logged by the system and reviewed as part of the release process. Furthermore, we have added automated email functionality that further alerts the release team of overrides systematically.

There were no world writable source code files in the application execution path.

As validated in the KPMG audit report, Commonwealth uses consoles for deployment for the NewMMIS Weblogic application servers. Access to the consoles (Base Console and Portal Console) was restricted to only two system administrators.

As the demand for software fixes has slowed down, the access for these temporary individuals has been revoked as of Dec 2009.

**Responsible Official**            Stephen Gross, NewMMIS Deputy Project Manager



**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Executive Office of Health and Human Services**

**Medicaid Accrual**

**Finding Reference:** 2009-07

**Observation**

Participants in the Medicaid program may submit claims several months after the initial date of service. For financial reporting purposes, the Commonwealth is required to estimate the claim runout in order to properly accrue a liability for those incurred but not yet reported (IBNR) claims existing as of June 30. This accrual is based on an analysis of paid claims data as of June 30 and claims paid subsequent to year end with an incurred date prior to year end. During the course of our audit, we noted a number of anomalies in the data used by the Commonwealth to prepare the accrual. For example it was noted that when pharmacy claims details were compiled in fiscal 2009 certain parameters were incorrect in the initial information that was used by management. In addition, KPMG noted that despite early awareness of risk factors in fiscal 2009 management responsible for this calculation did not document a formal review of the data that was used to calculate the Medicaid IBNR liability.

**Recommendation**

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

**Views of Responsible Officials and Corrective Actions**

The Commonwealth is in the process of enhancing the policies and procedures for the development of the Medicaid accrual. The process will give us an opportunity to incorporate KPMG's recommendations and to strengthen the existing documentation regarding the calculation and the management review process. (Completion Date: June 30, 2010)

**Responsible Official** Alda Rego, Chief Financial Officer Mass Health

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Department of Revenue**

**MassTax Developer Access**

**Finding Reference: 2009-08**

**Observation**

For MassTax, developers can submit new/change schedule jobs without gaining approval from management personnel. A pilot workflow was implemented in the last week of June by DOR for the job schedule approval process. The workflow routes the job requests to the immediate supervisor, manager, and the bureau chief.

The lack of approvals being consistently performed for job changes increases the likelihood that unauthorized changes may be introduced into the production environment and could result in the corruption of data or interruption of business processing.

**Recommendation**

DOR should ensure that all required approvals for new jobs or changes to existing jobs are formally documented prior to or immediately after changes are implemented into the production environments.

**Views of Responsible Officials and Corrective Actions**

The corrective action is complete. Effective September, 2009 the WFF Tape Control Form application (automated workflow) was put into full production and is now required use by all developers.

**Responsible Official** Paul Naves, CFO

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Department of Revenue**

**Abandoned Property**

**Finding Reference:** 2009-09

**Observation**

As part of the tax refund process, the Department of Revenue (DOR) issues refund checks to taxpayers. While the majority of these refund checks are presented in a matter of months, some remain uncashed. DOR uses reports from its primary operating bank to identify these uncashed checks and void those that are outstanding for more than eleven months. These checks are then escheated to the Treasury's abandoned property fund. If a taxpayer subsequently presents the check for payment, a request for payment must be made through the Treasury Office (TRE), the TRE will verify the existence of the refund, and send the taxpayer a reissued check or wire transfer.

During the fiscal 2009 audit, KPMG noted that there was approximately \$26.2 million in escheated checks carried on the June 30, 2009 bank reconciliation at the DOR. Upon further research it was determined that the escheated funds held in DOR's accounts have not been wired back to the TRE since November 2007. This issue has resulted in an unnecessarily high cash balance in the DOR funding account since these checks have been voided. This cash balance poses the risk of misappropriation since all unobligated cash should be maintained at the TRE, not at the DOR.

**Recommendation**

TRE should perform a one-time cash transfer from the DOR Funding account to the TRE to clear the current escheated check balance. In addition, a monthly control should be established to determine the amount of escheated checks that should either be transferred back to TRE or discounted from future funding transfers from the TRE to DOR.

**Views of Responsible Officials and Corrective Actions**

The corrective action on this item is partially complete. On February 8, 2010 the Treasurer's Office transferred \$18,864,260 from DOR's refund account representing escheated refunds. The Department will continue to work TRE to move the remaining funds associated with escheated checks.

**Responsible Official** Paul Naves, CFO

# COMMONWEALTH OF MASSACHUSETTS

## Schedule of Findings and Questioned Costs

Year ended June 30, 2009

### Information Technology Division

#### Change Management – Commonwealth Information Warehouse

**Finding Reference:** 2009-10

#### Observation

The Commonwealth Information Warehouse (CIW) comprises of two applications: Informatica and Netezza. We noted that developers had access to Netezza to perform changes. Further, we were informed that the current version of Netezza does not have the ability to generate an activity report that will allow ITD to implement a monitoring control.

There is a risk that developers with access to the production environments may circumvent change management controls such as testing and approval. As a result, developer access to the production environments increases the risk that unauthorized changes are performed to programs, parameters and data.

#### Recommendation

- Due to limited IT resources, consider granting developer access on as-needed basis, i.e. only give production access when required and when supported by documented approvals. Apply monitoring controls when temporary access is granted.
- Proactively monitor developer activities in the production environment. This should include monitoring activities performed at all levels of access (server, applications, consoles, databases, etc). The logs should be reviewed and signed-off by management on a periodic basis. The review should be documented and retained. Monitoring controls are only effective if they are pro-actively reviewed to mitigate the specific risk posed by this access. Care needs to be taken to ensure those being monitored cannot modify the transactions/activities being tracked and monitored.

#### Views of Responsible Officials and Corrective Actions

Enhanced Netezza auditing was supposed to be addressed in release 4.5, but was delayed until release 4.65. We completed our upgrade to 4.5 the end August, 2009. Due to the very high risk of compatibility issues between 4.65 and our ETL software (Informatica, Release 7.1.4), we are currently assessing the impacts and timing of upgrading.

Only those developers who have named DBA accounts because of their on-call responsibilities would be able to modify data directly on Netezza and only via that named account; all other developers have read-only access.

**Responsible Official** Jodi Dongoske, Director of Enterprise System Services, HRCMS, CIW, and Middleware

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Information Technology Division**

**Developer Access – HR / CMS**

**Finding Reference: 2009-11**

**Observation**

HR/CMS developers have access to the Oracle database that supports the application.

There is a risk that developers with access to the production environments may circumvent change management controls such as testing and approval. As a result, developer access to the production environments increases the risk that unauthorized changes are performed to programs, parameters and data.

**Recommendation**

- Due to limited IT resources, consider granting developer access on as-needed basis, i.e. only give production access when required and when supported by documented approvals. Apply monitoring controls when temporary access is granted.
- Proactively monitor developer activities in the production environment. This should include monitoring activities performed at all levels of access (server, applications, consoles, databases, etc). The logs should be reviewed and signed-off by management on a periodic basis. The review should be documented and retained. Monitoring controls are only effective if they are pro-actively reviewed to mitigate the specific risk posed by this access. Care needs to be taken to ensure those being monitored cannot modify the transactions/activities being tracked and monitored.

**Views of Responsible Officials and Corrective Actions**

HRCMS management does monitor the application weekly migrations into production; however we are limited to tracking direct database updates/changes. Our current version of Oracle9i is limited to only tracking “select” statements against the database, not for updates, inserts, or deletes. However, we are in process of upgrading the Oracle/PeopleSoft application to application release 9.0 with an Oracle release of 11G. Oracle 10g and above has matured from a mere “action recorder” to a “fact-recording mechanism” that can capture all activities at a very detailed level. It also combines the trails of standard auditing making it easier to track database access regardless of how it was generated.

We anticipate upgrading within the 3<sup>rd</sup> quarter of FY10 (March/April). We will also update our existing weekly application migration report to include these new audit records.

**Responsible Official** Jodi Dongoske, Director of Enterprise System Services, HRCMS, CIW, and Middleware

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

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Department of Housing and Community Development**

**Section 8 Housing Choice Voucher Program (14.871)**

**Federal Award Number:** MA901                      **Federal Award Year:** 2008-2009

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

**Reference:** 2009-12

**Requirement**

When procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds. The State will ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. Other grantees and subgrantees will follow paragraphs (b) through (i) in this section. Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section. (24 CFR 85.36 (a) and (b))

**Finding**

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

The Section 8 Housing Choice Voucher Program (HCVP) had expenditures totaling approximately \$219 million for certificate, voucher and moderate rehabilitation programs for the fiscal year ended June 30, 2009. These funds were delivered to eight regions across the state through a contractual relationship between the Department of Housing and Community Development (DHCD) and nine different Regional Administering Agencies (RAA). Our review disclosed that these nine RAA contracts, which expired in December 2007, were extended and subsequently re-signed without engaging in an open and competitive procurement process, as required by federal and state procurement regulations.

Instead of following the Commonwealth policies and procedures for procurements, DHCD entered into a “right of first refusal” request for response (RFR) with eight of the nine RAAs. This “right of first refusal” RFR rewrote the scope of services and requested only eight of the nine RAAs to respond individually or in collaboration with one another. We noted that when the service was first procured in 1998, there were 15 respondents to DHCD’s RFR to provide these services.

Subsequent to the issuance of this “right of first refusal” RFR, DHCD signed new 3-year contracts with eight of the nine RAA’s for the period December 2008 to December 2011. The ninth RAA was also re-signed under different contract terms due to ongoing financial and operational non-Section 8 deficiencies that are being monitored.

**Recommendation**

We recommend that DHCD follow the Commonwealth’s procurement policies and procedures in contracting for the Regional Administering Agencies.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Related Noncompliance**

Based on the above, DHCD was not in compliance with the above requirements.

**Questioned Costs**

None

**Views of Responsible Officials and Corrective Actions**

The DHCD Bureau of Rental Assistance (BRA) respectfully disagrees with the Auditors' conclusion that we were "not in compliance with" the "Commonwealth's procurement policies and procedures in contracting for (the subcontractor Regional Administering Agencies)" in our administration of the Section 8 Housing Choice Voucher Program. We take great pride in our unblemished track record for effectively administering all aspects of the Section 8 program, and continue to believe we acted in full compliance with HUD regulations under 815 CMR 2.0 (grant/subsidy regulations). The BRA's intentions and actions have always been transparent, and our administration of the program always consistent with HUD guidelines and expectations. Accordingly, we do not believe that the structure of "competitive bidding" must be the exclusive appropriate process open to DHCD's BRA to comply with the provisions of 815 CMR 2.01.

However, given our desire to maintain an excellent working relationship with HUD, we agree to implement the recommended "corrective action" and re-procure, through a competitive process, the program administration at the expiration of the current contract terms.

The schedule for the procurement is as follows:

January 2010 – January 2011:	DHCD conducts an open process to plan for the transition of the Housing Choice Voucher Program to a Moving to Work model.
January 2011 – March 2011:	DHCD releases MTW plan, accepts public feedback and plans for the re-procurement of HCVP under the new MTW operations plan.
March 2011 – July 2011:	RFR and accompanying scoring documents drafted and approved for release
July 2011:	RFR issued
July and August 2011:	Respondents prepare and submit responses to RFR
September and October 2011:	Scoring of responses, notification of awards
October & November 2011:	Contract negotiations and preparation, including resolution of any appeals
December 1, 2011:	Contracts executed and submitted to Comptroller for January 1, 2012 effective start date

**Contact:** Mary Anne Morrison, Director of Rental Assistance, Public Housing

**Implementation Date:** December 2011



**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Department of Housing and Community Development**

**Low-Income Home Energy Assistance (93.568)**

<b>Federal Award Number:</b>	<b>G-09BIMALIEA</b>	<b>Federal Award Year:</b>	<b>2008-2010</b>
	<b>G-08BIMALIEA</b>		<b>2007-2009</b>

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

**Reference: 2009-13**

**Requirement**

Except where otherwise required by Federal law or regulation, a State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant (45 CFR 96.30 (a)).

**Finding**

The Commonwealth's Low Income Home Energy Assistance Program (LIHEAP) expended approximately \$214 million dollars for the Commonwealth's fiscal year ended June 30, 2009. The LIHEAP program utilizes the Commonwealth's Automated Central Draw (ACD) process to comply with the Cash Management Improvement Act (CMIA). The process is integrated into the Commonwealth accounting system (MMARS) whereby LIHEAP grant payments entered into MMARS automatically generate a drawdown of federal funds. The drawdown is accomplished through an electronic transfer of funds from the U.S. Treasury to the Office of the State Treasurer (OST). The LIHEAP federal grant account in MMARS is charged with the payment and the revenue when received is credited to a revenue account and to the appropriation account to offset the payment. The Office of the State Comptroller (OSC) generates MMARS accounting reports to account for federal fund draw downs from the federal treasury and deposits with OST. These reports identify the program, appropriation number, letter of credit, fund accounts and payment document information such as voucher number, amount and department. Additionally, system generated screens (referred to as budget documents screens) reflect additional transaction summary information to assist the departments in the management of their accounts.

According to OSC policies and procedures, departments are required to monitor grant activity on a weekly basis to ensure that weekly requests are properly drawn down. Upon completion of the weekly ACD cycle departments should commence their reconciliation process. The weekly reconciliation process included the review of the CMIA Selection Report (This report allows departments to account for expenditures to cash deposits. The details of Payment Vouchers should equal the cash draw down file by department and appropriation), review of the CMIA Weekly Draw Status Report (MMARS NCA495 reports), identifying rejected draw downs and develop a corrective action plan and ensuring revenue is accurately posted to the MMARS BQ82, BQ88 and BQ89 budget screens.

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Additionally, OSC requires agencies to perform this reconciliation process because Massachusetts General Law requires that all appropriations, including federal fund accounts, “shall not exceed the appropriations and require the weekly reconciliation to ensure that sufficient revenue has been received to fund federal grant expenditures.”

Our review of the Department of Housing and Community Development’s (DHCD) grant management practices disclosed that balances of available LIHEAP funds are not reconciled in the Office of the State Comptroller’s (OSC) Massachusetts Management Accounting and Reporting System (MMARS). Accordingly, DHCD needs to confirm on a regular basis that the correct amount of federal funds have been drawdown to offset payments to Local Administration Agencies (LAA’s).

Although DHCD indicated that its Federal Compliance Unit (FCU) has procedures in place to ensure funds are available to pay LAAs, our review disclosed there have been instances of negative balances, which FCU quickly resolved. Even though FCU procedures are in place, DHCD stated that it relies on OSC to notify them of negative balances and takes appropriate action when notified. The resolved instances observed in our review were a result of OSC notification. By not requiring the weekly monitoring of the MMARS NCA495 reports, federal accounts could continue to reflect negative balances, requiring DHCD’s immediate attention to reallocate funds.

#### **Recommendation**

DHCD should follow OSC policies and procedures in reconciling weekly automated cash draw downs.

#### **Related Noncompliance**

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

#### **Questioned Costs**

None

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

DHCD’s LIHEAP program utilizes the Commonwealth’s Automated Central Draw process to comply with the Cash Management Improvement Act. The process is integrated to MMARS where LIHEAP grant payments are disbursed from MMARS which automatically generate a drawdown of federal funds. Drawdowns from the Federal government is done on a FIFO basis, using the current available FFY funds until funds are depleted and then Office of the State Comptroller (OSC) moves to the next available FFY funds. DHCD and OSC established program codes and subaccount numbers for all active FFY LIHEAP funds which allow OSC to draw without going into the negative.

Going forward, DHCD’s Accounting unit within the Office of Administration & Finance (OAF) will provide a NCA495 report to the DCS/Financial and Compliance Unit (FCU) on a weekly basis to avoid negative balances that require DHCD to reallocate funds. In addition, OAF and FCU will work in conjunction to develop corrective actions to reduce any rejected federal draw downs.

Cash drawdown and reconciliation is the joint responsibility of the Accounting unit and the FCU unit. In order to ensure that weekly requests are properly drawn down, DHCD will comply with all OSC guidelines to monitor grant activity on a weekly basis. In addition, DHCD will add additional reconciliation reports to account for expenditures to cash deposits and to verify that revenue posted to MMARS accurately.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Contact:** Jennifer Maddox, Chief Financial Officer

**Implementation Date:** June 30, 2010

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Massachusetts Highway Department**

**Highway Planning and Construction (20.205)**

<b>Federal Award Number:</b>	<b>STP-001-S-454-X00</b>	<b>Federal Award Year:</b>	<b>2005</b>
	<b>STP-001-S-515-000</b>		<b>2005</b>
	<b>STP-001-S-509-000</b>		<b>2006</b>
	<b>IM-195-3-100-000</b>		<b>2007</b>
	<b>CM-001-S-758-X00</b>		<b>2007</b>

**U.S. Department of Transportation**

**Finding Reference:** 2009-14

**Requirement**

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

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

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

**Finding**

The Department has established policies and procedures to ensure that the Statement of Compliance be received by the Department within seven days after the regular date of payroll period, including a policy that the

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Department will not process and approve payment for work completed until the complete certified payrolls were submitted and reviewed.

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

In five (5) selections across several districts, the certified payroll reports and/or signed Statements of Compliance were submitted after the Contract Quantity Estimate was approved and/or payment had been processed. In one (1) selection the Statements of Compliance was not dated so it could not be determined if it occurred before approval of the Contract Quantity Estimate and/or the Electronic Fund Transfer. In one (1) selection the Statements of Compliance was not signed or dated.

Although we noted these exceptions, it was also noted that the Department has made progress in emphasizing the importance of the Davis Bacon requirements and is in the process of implementing a new system to ensure compliance.

A similar finding was included in prior year Single Audit report as finding number 2008-15.

#### **Recommendation**

We recommend that the Department strengthen existing policies, procedures and contract provisions to ensure that all contractors and subcontractors submit their certified payrolls within seven days after the pay date of a payroll period. The department has implemented a new, electronic system which is designed to prevent payments from being made when the certified payroll had not been received. This system was being conducted on a pilot basis with expected changes and updates to occur before the widespread application. It appears that the system will be fully implemented during FY 2010.

#### **Related Noncompliance**

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

#### **Questioned Costs**

None

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

As noted in the Recommendation, MassHighway continues to develop electronic tools to assist in meeting the requirements of Davis-Bacon.

The new software package, EBO, which allows contractors to file their certified payrolls electronically has been purchased and is in pilot stage. This program will allow the payrolls to be viewed as needed electronically, providing a more reliable resource for the construction field staff to verify receipt of the necessary information than is provided by paper files. This program is expected to be fully implemented during FY 2010.

MassHighway has started a comprehensive consolidation of all of the existing construction databases. A new feature will be added to the computer application used by the construction staff to process Contractor pay estimates. The new feature will require that the Resident Engineer verify, by answering a question in the program, that certified payrolls have been received before the pay estimate can be completed. This control will

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

be implemented when EBO is fully implemented and as allowed by the development of the larger system consolidation.

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

**Contact:** Michael McGrath, Director of Construction

**Implementation Date:** June 30, 2010

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Berkshire Community College**

**Federal Family Education Loans (84.032)**

**Federal Award Number:** NA                      **Federal Award Year:** NA

**U.S. Department of Education**

**Reference: 2009-15**

**Requirement**

Before an institution disburses Title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each Title IV, HEA program, and how and when those funds will be disbursed. Except in the case of a post-withdrawal disbursement made in accordance with Sec. 668.22(a) (5), if an institution credits a student's account at the institution, with Direct Loan, FFEL, Federal Perkins Loan or TEACH Grant Program funds, the institution must notify the student or parent of--- (i) the anticipated date and amount of disbursement (ii) the student's right or parent's right to cancel all or part of that loan, loan disbursement TEACH Grant, or TEACH Grant disbursement and have the loan proceeds returned to the holder of that loan (3)(ii) No earlier than 30 days before and seven days after, crediting the student account at the institution, if the institution does not obtain affirmative confirmation from the student under paragraph (a)(6)(i) of this section. (34 CFR Section 668.165 (a))

**Finding**

Our audit disclosed that Berkshire Community College's (BCC) Federal Family Education Loan (FFEL) program disbursement notification letters were not in compliance with federal requirements regarding the contents of these disbursement notification letters. Specifically, we found that disbursement notification letters did not contain disbursement dates or the proper time frame for canceling all or part of their FFEL loans.

Our review of 17 students receiving FFEL we noted that for all 17 students the disbursement notification letters showed that (BCC) stated in its letter to students "Loan funds are scheduled to arrive shortly" however, the notification letter did not document the date of the disbursement as required by federal regulations. According to the Federal Student Aid Handbook, the date of disbursement occurs when the school credits a student's account. The date of disbursement also determines when the student becomes an FSA recipient and has the rights and responsibilities of a FSA recipient. As a result, students are not aware of when FFEL loan funds are disbursed to their account, and are not aware of the date they assume the rights and responsibilities of a FSA recipient.

Further, the letters sent to 17 students in our sample did not contain the proper FFEL loan cancellation notice as required by federal regulations. Specifically, institutions that do not implement an affirmative confirmation process that must notify a student no earlier than 30 days before, but no later than seven days after, crediting the student's account and must give the student 30 days to cancel all or part of the loan. BCC's letters state: "If you wish to cancel your loan or adjust the amount you have borrowed, contact the Financial Aid Office".

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Recommendation**

We recommend that BCC modify its notification letters to ensure that students are notified as required under Federal regulations.

**Related Noncompliance**

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

**Questioned Costs**

None

**Views of Responsible Officials and Corrective Actions**

Berkshire Community College (BCC) has reviewed its loan disbursement notification letters and has changed the letter to include the following: specific dates and amounts of disbursements; notification of a student's 30-day right to cancel all or part of the loan.

In addition, as BCC has transitioned to the Federal Direct Loan Program, the Direct Loan Servicing Center will send a "Notice of Disbursement Made" form to loan recipients. This notice has been modified and includes the specified required regulatory information and will complement BCC's disbursement notification letter.

**Contact:** Anne Moore, Director of Financial Aid  
Ellen Kennedy, Dean of Administration & Finance

**Implementation Date:** November 30, 2009



**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Berkshire Community College**

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

**Federal Family Education Loans (84.032)**

**Federal Pell Grant Program (84.063)**

<b>Federal Award Number:</b>	<b>P007A081820</b>	<b>Federal Award Year:</b>	<b>2008 to 2009</b>
	<b>P063P081592</b>		<b>2008 to 2009</b>

**U.S. Department of Education**

**Reference: 2009-16**

**Requirement**

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

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

**Finding**

BCC incorrectly calculated 3 of 20 refunds of Title IV program funds in our sample. These refunds resulted from students officially withdrawing from BCC enrollment prior to the completion of the enrollment period. We determined that BCC did not calculate Title IV refunds by taking the lesser amount of unearned assistance as calculated in sections (e) (4) or (g) (2). Our analysis disclosed that for the three students BCC had returned more Title IV funds than required. For each student, BCC had calculated \$3,194 by subtracting the amount of Title IV assistance earned from the amount that was disbursed. However, BCC should have calculated the returns by multiplying the total institutional charges (admission costs) for the students' period of enrollment by the percentage of unearned aid. When calculated correctly, BCC would have only needed to return \$2,834 which is \$360 less than what was remitted.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

We further noted that BCC did not return Title IV program funds to DOE in a timely manner. Specifically, we identified 4 of the 20 students we selected for our sample, that had refunds calculated properly but were returned after the 45-day limit had expired.

We identified that the BCC processed its returns by electronic funds transfers and that the processing of these returns ranged from forty-seven to sixty one days. Of the four returns that were not processed timely, one was processed at 47 days, one was processed at 53 days, one at 54 days, and one was processed at 61 days. Our review disclosed that BCC does address the return of Title IV funds within its FSA policies. According to the policy, the financial aid office makes appropriate adjustments to financial aid based on the withdrawal date determined by the Office of the Registrar. Refunds are then calculated based on this date. However, BCC's SFA policy does not address the 45 day time frame. Consequently, the BCC did not comply with federal regulations regarding the processing of four Title IV refunds in a timely manner.

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

None

**Views of Responsible Officials and Corrective Actions**

Berkshire Community College (BCC) has reviewed its policies and procedures with respect to the calculation and return of Title IV funds to ensure accuracy and timeliness in accordance with Federal regulations.

When planning its action calendar for the fall and spring semesters, the Financial Aid Office establishes an initial date of disbursement of Title IV funds that falls 30 to 45 days into a given semester. Students who withdraw prior to the initial date of disbursement will be captured and processed at the time of initial disbursement. Following the initial disbursement each term, the 45-day time frame will be considered on a rolling basis as students withdraw from the College. A report will be run on a regular basis to identify officially withdrawn students. This will ensure that BCC will return federal funds in a timely manner.

The College continues to review its policies and procedures on unofficially withdrawn students to ensure that they are identified for processing as quickly as possible.

In addition, BCC is investigating with its software vendor, Datatel, the accuracy of the calculations for the return of Title IV funds.

**Contact:** Anne Moore, Director of Financial Aid  
Ellen Kennedy, Dean of Administration & Finance

**Implementation Date:** November 30, 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Berkshire Community College**

**Federal Family Education Loans (84.032)**

**Federal Award Number:** NA

**Federal Award Year:** NA

**U.S. Department of Education**

**Reference: 2009-17**

**Requirement**

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

**Finding**

Berkshire Community College's (BCC) policy is to report student enrollment to a contracted third party, the National Student Clearinghouse (NSC). BCC did not have a policy as to the frequency or timing of reporting student enrollment to NSC. BCC utilized the NSC to facilitate its responsibility to notify the National Student Loan Data System (NSLDS) of changes in the enrollment status of students. However, BCC is ultimately responsible to ensure that NSLDS is properly and timely notified of all student enrollment status changes.

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

- BCC did not notify the NSLDS of student status changes in 14 of 30 students with Family Federal Education Loans. Of the 14 students identified in our sample, all officially notified the school of their withdrawal from BCC during our audit period. However, BCC had not reported the change in enrollment status to the NSLDS within the sixty-day time limit as required under federal regulations governing student financial aid.
- BCC did not correctly notify and update NSLDS of eight students with changes in enrollment status as required by federal regulations governing federal student financial aid. Of the eight students that withdrew, two students did not have their status reported to either NSC or NSLDS, one student went from full time status to half time, one went from full time to less than half time, and four students went from half time to less than half time.

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

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

None

**Views of Responsible Officials and Corrective Actions**

Berkshire Community College concurs that it holds ultimate responsibility to ensure that NSLDS is notified of all student enrollment status changes in a proper and timely manner.

The Registrar's Office reviewed its practices regarding the submission of student status information to the National Student Clearinghouse (NSC) and adopted a policy that is designed to increase the frequency of submissions to NSC.

The Registrar's Office will submit student status information to NSC approximately once per month during the fall, spring, and summer terms.

The Financial Aid Office will update and maintain the College's Enrollment Reporting Schedule on the NSLDS website to ensure synchronicity with the College's enrollment reporting schedule to NSC.

The Financial Aid Office is developing and will implement procedures for reporting student status changes for unofficially withdrawn students directly to NSLDS. As part of the term-by-term review of students with nonpassing grades to determine unofficial withdrawal statuses, the Coordinator of Financial Aid and Student Loan Programs will ensure such statuses are reported to NSLDS in an appropriate and timely manner.

Berkshire Community College has developed a monitoring system to ensure that these revised procedures result in a timely and complete reporting of student status changes to NSLDS. At the conclusion of each semester a random sample of students with status changes will be selected. The reporting history of these status changes will be researched with both NSC and NSLDS. If there is any evidence that reporting is occurring in a less than timely or complete manner, the College will modify its policies and procedures accordingly.

**Contact:** Anne Moore, Director of Financial Aid  
Ellen Kennedy, Dean of Administration & Finance

**Implementation Date:** November 30, 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Berkshire Community College**

**Federal Work Study Program (84.033)**

**Federal Award Number: P033A081820 Federal Award Year: 2008 to 2009**

**U.S. Department of Education**

**Reference: 2009-18**

**Requirement**

In administering its FWS program, an institution shall establish and maintain an internal control system of checks and balances that insures that no office can both authorize payments and disburse funds to students (34 CFR 675.19 (a)).

The institution must also establish and maintain program and fiscal records that; i) Include a certification by the student's supervisor, an official of the institution or off-campus agency, that each student has worked and earned the amount being paid. The certification must include or be supported by, for students paid on an hourly basis, a time record showing the hours each student worked in clock time sequence, or the total hours worked per day; (ii) Include a payroll voucher containing sufficient information to support all payroll disbursements; (iii) Include a noncash contribution record to document any payment of the institution's share of the student's earnings in the form of services and equipment (see Sec. 675.27(a)); and (iv) Are reconciled at least monthly (34 CFR 675.19 (b)(2)).

**Finding**

Berkshire Community College's (BCC) has established policies and procedures for maintaining, monitoring and controlling BCC's student Federal Work Study (FWS) payroll records and files in accordance with both federal and state regulations, including a policy that students are not allowed to work during time periods when they are scheduled to be in class except in the event of a special circumstance (i.e. class cancellation).

Our audit procedures included tests for proper authorization, supporting documentation, accuracy, completeness, timeliness, and adherence to award specifications and campus policies. In our sample of 17 students, which involved a review of 48 timesheets taken from payrolls in the fall 2008 and the spring 2009 semesters, we noted four students worked numerous hours during scheduled classroom hours in violation of BCC's policies.

**Recommendation**

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

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Views of Responsible Officials and Corrective Actions**

Berkshire Community College reviewed its internal controls with respect to monitoring of student timesheets to ensure greater compliance with existing college policies. The following procedures were implemented immediately:

- With each bi-weekly payroll, random student timesheets are selected and verified against their academic class schedule as a means of auditing the integrity of the program. Students and supervisors are notified when an infraction occurs. Students are being asked to indicate on their timesheets when classes or labs are cancelled if they work during those hours. Copies of correspondence and payroll records related to infractions are kept on file.
- The Coordinator of Financial Aid and Work-Study Programs continues to educate supervisors about work-study policy and changes in procedure through internal communications and at supervisor meetings held bi-annually.

**Contact:** Anne Moore, Director of Financial Aid  
Ellen Kennedy, Dean of Administration & Finance

**Implementation Date:** November 30, 2009



## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

#### **Recommendation**

We recommend that MBCC documents its policies and procedures over student status changes and in order to ensure the timely reporting of enrollment data to NSLDS in accordance with federal regulations requirements.

#### **Related Noncompliance**

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

#### **Questioned Costs**

None

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

MassBay's Registrar and related enrollment departments are working together to establish improved internal controls and procedures regarding the verification of enrollment and student status changes. The Registrar will establish a policy regarding the National Student Clearinghouse (NSC) reporting schedule and compliance. The Registrar will explore the possibility of reporting to the National Clearinghouse on an increased frequency, perhaps a monthly basis. Additional items include:

- Analyze current reporting procedures with the Registrar and Institutional Research departments
- Ensuring data integrity
- Ensure that the reporting schedule is followed accordingly
- Ensure error reports are responded to in a timely fashion
- Financial aid office will ensure data is received by NSLDS from NSC

MassBay is currently working to identify late withdrawal students earlier in the semester to prevent late reporting of students who are retroactively withdrawn during the course of the semester by:

- On-going communication to faculty members stressing the importance of timely notification of student status changes for students enrolled in their respective classes;
- Notifying and demonstrating to staff and faculty the impact of nonreporting;
- Currently making systematic enhancements to the system capabilities for faculty to identify when a student stops attending classes. Establishing forced indicators in the student records system that allows faculty and staff to input two dates – when students were withdrawn and the date the institution became aware that they stopped attending classes.
- Communicating the updated practice to appropriate departments that documents and communicates the reporting schedule and the error reporting schedule accordingly to ensure filing by National Clearinghouse after drop/add period so that NSLDS is updated accordingly.



**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

MassBay's Registrar and Financial Aid Policies and Procedures will be updated accordingly to reflect the aforementioned policy changes.

**Contact:** Terrence Jones and Richard Haskell

**Implementation Date:** Fiscal Year 2010

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Massachusetts Bay Community College**

**Federal Family Education Loans (84.032)**

**Federal Award Number:** NA

**Federal Award Year:** NA

**U.S. Department of Education**

**Reference: 2009-20**

**Requirement**

Before an institution disburses Title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each Title IV, HEA program, and how and when those funds will be disbursed. Except in the case of a post-withdrawal disbursement made in accordance with Sec. 668.22(a) (5), if an institution credits a student's account at the institution, with Direct Loan, FFEL, Federal Perkins Loan or TEACH Grant Program funds, the institution must notify the student or parent of (i) the anticipated date and amount of disbursement (ii) the student's right or parent's right to cancel all or part of that loan, loan disbursement TEACH Grant, or TEACH Grant disbursement and have the loan proceeds returned to the holder of that loan (3)(ii) No earlier than 30 days before and seven days after, crediting the student account at the institution, if the institution does not obtain affirmative confirmation from the student under paragraph (a)(6)(i) of this section. (34 CFR Section 668.165 (a))

**Finding**

Our audit disclosed that Massachusetts Bay Community College (MBCC) for their Federal Family Education Loan (FFEL) program funds disbursement notification letters were not sent within the timeframe required by Federal regulations.

In our review of 16 students receiving FFEL with a total of 31 loan disbursements we noted that for eight loan disbursements covering seven students the disbursement notification letters were not sent within the timeframe required under Federal regulations. Additionally, one disbursement notification letter of the eight noted above was never sent to the student or parent.

MBCC's Bursar is responsible to issues the loan notification letters and it was noted that the Bursar's office did not have written policy and procedures documenting the responsibility and process for generating and distributing the disbursement notification letters. In the fall of 2008, a new Bursar was hired and again in March 2009 the Assistant Controller became the interim Bursar. The absence of written policies and procedures was a cause of the late and missing disbursement notification letters.

**Recommendation**

We recommend that MBCC documented their notification policies and procedures to ensure that students and parents are notified within the timeframes required by Federal regulations.

**Related Noncompliance**

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

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Questioned Costs**

None

**Views of Responsible Officials and Corrective Actions**

As noted, the difficulty in sending timely notification stems from the fact that there had been staff turnover in the Bursars Office. MassBay is currently in compliance with this regulation.

The documentation of this policy is housed within the Fiscal Affairs/Bursar Office. The College policy related to this matter is:

- The Student Accounts Office is notified via e-mail once loan disbursements have been completed and posted to the individual students' accounts. The Bursar will run 2 processes within the college's student administration system. The first process identifies the student and on the individual student's account that a letter was generated and sent. The second step sends the identified students a letter via their campus email address from the Student Accounts Office email account. If an email was unsuccessful, a printed copy of the letter is then mailed to the student's address on file.
- The Bursar keeps a copy of the sent emails in the Student Accounts Office email in-box and a copy of the letter is stored on the Student Accounts folder on the sever.
- Loan notifications are done on a weekly basis or as per the loan disbursements from the Financial Aid Office are completed.
- The Office of the Registrar, Financial Aid, and Student Accounts offices have been notified accordingly.

The corrective action will ensure future compliance with the seven day notification requirement.

Student Account Policies and Procedures will be updated accordingly to reflect the aforementioned policy.

**Contact:** Terrence Jones and Richard Haskell

**Implementation Date:** Fiscal Year 2010

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Massachusetts Bay Community College**

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

**Federal Family Education Loan Program (84.032)**

**Federal Work Study Program (84.033)**

**Federal Pell Grant Program (84.063)**

<b>Federal Award Number:</b>	<b>P007A081892</b>	<b>Federal Award Year:</b>	<b>2008 to 2009</b>
	<b>P033A081892</b>		<b>2008 to 2009</b>
	<b>P063P081595</b>		<b>2008 to 2009</b>

**U.S. Department of Education**

**Reference: 2009-21**

**Requirement**

An institution must exercise the level of care and diligence required of a fiduciary with regard to maintaining and investing Title IV, HEA program funds (34 CFR Section 668.163(e)).

**Finding**

Massachusetts Bay Community College (MBCC) maintained only one individual account for each student for billing and receiving of all students' funds and commingles Federal Student Aid (FSA) with other sources of funds. By co-mingling FSA funds in this manner MBCC assumed a heightened fiscal responsibility over monitoring FSA funds within each individual student account to be able to determine the composition of charges and credits within this account at any point in time. It was noted that when a student has a credit balance in their account, MBCC paid the credit balance by check to the student when the student leaves the college. It was noted that some of these checks are not cashed and remain outstanding.

A review of MBCC's main bank account as of June 30, 2009 identified 985 checks totaling \$169,099 that had been outstanding for greater than six months. These checks represented student refunds, for Federal and State financial aid and nonfinancial aid.

An aging of these checks were as follows:

<b>Outstanding</b>	<b>Number of Checks</b>	<b>Amount</b>
6 months to 1 year	204	\$55,951
Over 1 year to 2 years	59	20,838
Over 2 years to 3 years	202	41,946
Over 3 years	<u>520</u>	<u>50,364</u>
Totals	<u>985</u>	<u>\$169,099</u>

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

It was noted that MBCC does not have policies and procedures for the timely review and resolution of outstanding checks related to student charges to ensure that these outstanding checks were returned to the respective FSA program or escheated to the Commonwealth in accordance with Commonwealth regulations. By not resolving these outstanding checks in a timely manner MBCC is not adhering to its fiscal responsibility to its students and its FSA programs under Title IV.

Questions costs cannot be determined as FSA funds are co-mingled with State and other funds.

#### **Recommendation**

We recommend that MBCC establish policies and procedures to ensure that outstanding checks which include Federal funds are timely identified and returned to the respective program

#### **Related Noncompliance**

MBCC was not in compliance with the above stated requirement.

#### **Questioned Costs**

Cannot be determined

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

MassBay Community College is currently in compliance with Title IV, HEA Program Funds (34 CFR Section 668.163(e)), Federal Financial Aid funds are not commingled with other sources of funds – Two separate bank accounts have been established for:

- Financial Aid funds received via GAPS/G5 system for Federal and State Aid are deposited to a separate clearing account
- All other student funds are managed via separate bank account
- GL Accounts in PeopleSoft are established to identify student refund checks for Federal and State financial aid and non-Fin Aid refund checks

The following processes will be implemented to ensure outstanding checks which include Federal Financial Aid funds are timely identified and returned to their respective program and/or Office of the State Treasurer Unpaid Check Fund:

MBCC will take the necessary steps to:

- Determine the current status of each outstanding check and upon such determination adjust its bank account to reflect the liquidation of all long-outstanding checks by stop payment and/or void and recovery of funds back into its account.
  - A PeopleSoft report will, run every 30 days to identify all un-cashed checks
- Establish policies and procedures to ensure that outstanding checks, which include federal funds, are timely identified and returned to the respective program.
  - Checks identified as financial aid refunds will be returned to their respective state or federal program accordingly

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- State checks are to be returned to the State Department of Higher Education
- Federal loans are to be returned to their respective financial institution
- Federal funds received via GAPS/G5 refunds for these programs are to be processed back through the G5 system
- Determine whether any of the outstanding checks represent current student accounts from whom a balance is owed the college.
  - Attempts will be made to contact students via campus email, phone calls, and other address that might be on file, this will be documented on the students account in the comments section
  - If attempts to notify payees are unsuccessful, non financial aid checks that are stale dated will be voided by the 180<sup>th</sup> day.
- Update internal control procedures over cash management to reflect timely resolution of outstanding checks that require the transferring of outstanding checks over one year old to Abandoned Property Division within one year of its payable date, in accordance with Chapter 29, Section 32 of the General Laws.

**Contact:** Terrence Jones and Richard Haskell

**Implementation Date:** Fiscal Year 2010

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Massachusetts Maritime Academy**

**Federal Direct Student Loans (84.268)**

**Federal Award Number: P268K0980206 Federal Award Year: 2008-2009**

**U.S. Department of Education**

**Reference: 2009-22**

**Requirement**

A school shall (1) Upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt; and (2) Unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (i) Enrolled at that school but has ceased to be enrolled on at least a half-time basis; (ii) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (iii) Has changed his or her permanent address. (3) The Secretary provides student status confirmation reports to a school at least semi-annually. (4) The Secretary may provide the student status confirmation report in either paper or electronic format (34 CFR 685.309 (b)).

**Finding**

Under the Direct Loan program, colleges are required to identify and update the status of all students, including those who graduate or withdraw, by completing periodic Roster Reports (formerly Student Status Confirmation Report), which are sent by the Department of Education (ED) or the guaranty agency. The college determines how often it receives periodic Roster Reports, but the minimum is twice each year. Once received, the college must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website.

Massachusetts Maritime Academy's (MMA) policy is to report student enrollment to a contracted third party, the National Student Clearinghouse (NSC). MAA utilized the NSC to facilitate its responsibility to notify the National Student Loan Data System (NSLDS) of changes in the enrollment status of students. However, MAA is ultimately responsible to ensure that NSLDS is properly and timely notified of all student enrollment status changes.

We noted that MMA did not have adequate internal controls and relevant written policies and procedures in place to verify and ensure that changes in student enrollment status were correctly reported to NSLDS in a timely manner. As a result, MMA has inadequate assurance that the enrollment status it reports to the NSC is being transmitted on a timely basis to NSLDS. Further, we found that MMA did not establish nor determine a schedule for receiving Roster Reports during the year. MMA officials could not provide evidence to indicate when or whether notifications occurred within any scheduled submission timeframes as required by regulation

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

- MMA did not notify the NSLDS (through NSC) of student status changes in 18 of 30 students with Federal Direct Loans although the students had change in status. Of the 18 students identified in our sample, 17 had withdrawn and the other student changed status from full to half time. The range of delayed reporting for the 18 students was 66 to 166 days beyond the 30 or 60-day limit.

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

**Recommendation**

We recommend that MMA strengthen its relevant written policies and procedures to ensure timely and accurate reporting of student enrollment status including the creation of and retention of a schedule notifying NSLDS of the dates enrollment data and Roster files that will be submitted to NSC and written policies and procedures to verify that changes in student enrollment status and the processing of this information by NSC is verified.

**Related Noncompliance**

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

**Questioned Costs**

None

**Views of Responsible Officials and Corrective Actions**

The Registrar will send enrollment data to the Clearinghouse approximately every 30 days. These reports will be sent to the Director of Financial Aid who will periodically spot check the NSLDS to ensure that enrollment information is being updated on a timely basis. If a pattern develops, the process will be reviewed and revised. If periodic student information appears incorrect with NSLDS, the Director of Financial Aid will update the NSLDS enrollment information directly on line.

**Contact:** Director of Financial Aid/Registrar

**Implementation Date:** Spring 2010 after add/drop period



**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Massachusetts Maritime Academy**

**Federal Direct Student Loans (84.268)**

**Federal Award Number: P268K0980206 Federal Award Year: 2008-2009**

**U.S. Department of Education**

**Reference: 2009-23**

**Requirement**

Before an institution disburses Title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each Title IV, HEA program, and how and when those funds will be disbursed. Except in the case of a post-withdrawal disbursement made in accordance with Sec. 668.22(a) (5), if an institution credits a student's account at the institution, with Direct Loan, FFEL, Federal Perkins Loan or TEACH Grant Program funds, the institution must notify the student or parent of (i) the anticipated date and amount of disbursement (ii) the student's right or parent's right to cancel all or part of that loan, loan disbursement TEACH Grant, or TEACH Grant disbursement and have the loan proceeds returned to the holder of that loan (3)(ii) No earlier than 30 days before and seven days after, crediting the student account at the institution, if the institution does not obtain affirmative confirmation from the student under paragraph (a)(6)(i) of this section. (34 CFR Section 668.165 (a))

**Finding**

Our audit disclosed that Massachusetts Maritime Academy's (MMA) Federal Direct Student Loan program disbursement notification letters were not in compliance with federal requirements regarding the contents of these disbursement notification letters. Specifically, we found that disbursement notification letters did not contain disbursement dates or the proper time frame for canceling all or part of their FFEL loans.

Our review of a sample of 30 disbursement notification letters disclosed that all of the letters were sent within the required time period; however, the letters were not dated and did not include the amount to be disbursed for the two major disbursements incurred during the academic year. As a result, the time period for the student or parent to cancel the loan would not be evident from review of the disbursement notification letter.

**Recommendation**

We recommend that MMA modify its notification letters to ensure that students are notified as required under Federal regulations.

**Related Noncompliance**

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

**Questioned Costs**

None

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Views of Responsible Officials and Corrective Actions**

Working with the MMA Technology Services Department, the Financial Aid Office has already created a query through which an email disbursement notification is sent to each student's MMA email account upon loan disbursement. The email includes the date, the federal loan type (sub/unsub/plus), the amount and a deadline for cancellation or amendment of the loan amount.

This new email process will begin with our spring, 2010 loan disbursements. The Director of Financial Aid will be responsible for ensuring that this new loan disbursement notification meets all disbursement regulations.

**Contact:** Director of Financial Aid

**Implementation Date:** Spring 2010

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Massachusetts Maritime Academy**

**Federal Work Study Program (84.033)**

**Federal Award Number: P033A081898 Federal Award Year: 2008 to 2009**

**U.S. Department of Education**

**Reference: 2009-24**

**Requirement**

(1) If an institution wishes to have its students employed under this part by a Federal, State or local public agency, or a private nonprofit or for-profit organization, it shall enter into a written agreement with that agency or organization. The agreement must set forth the FWS work conditions. The agreement must indicate whether the institution or the agency or organization shall pay the students employed, except that the agreement between an institution and a for-profit organization must require the employer to pay the non-Federal share of the student earnings (2) The institution may enter into an agreement with an agency or organization that has professional direction and staff. (3) The institution is responsible for ensuring that; (i) Payment for work performed under each agreement is properly documented; and (ii) Each student's work is properly supervised. (4) The agreement between the institution and the employing agency or nonprofit organization may require the employer to pay (i) The non-Federal share of the student earnings; and (ii) Required employer costs such as the employer's share of social security or workers' compensation (34 CFR 675.20(b)).

**Finding**

Our audit indicated that the Federal Work Study (FWS) program at Massachusetts Maritime Academy (MMA) employed students in Community Service off campus work locations during fiscal year 2009. Under the FWS program for Community Service, MMA is required to have written agreements with off campus employers setting forth the working conditions and the compensation to be paid for the students while employed off campus. Our audit tests for 17 students during the audit period disclosed that 11 students employed off campus at various organizations did not have written agreements as required by federal regulation.

Although MMA policies and procedures require individual written agreements for all its FWS students, it did not prepare or require written agreements for its students working for off-campus. Due to the fact that MMA does not have these agreements it has inadequate assurance that off campus employers have set forth and agreed to the working conditions, the compensation to be paid, and the designation of the responsibility for the compensation to the FWS students assigned to off campus work.

**Recommendation**

We recommend that MMA develop policies and procedures to ensure that there are written agreements for its students that work off campus as required by federal regulation.

**Related Noncompliance**

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

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Questioned Costs**

None

**Views of Responsible Officials and Corrective Actions**

At the start of each academic year, the Financial Aid Office will reaffirm the terms of the student work study program and initiate a renewed agreement with the nonprofit agency. MMA policy now requires any off campus agency to sign an annual agreement with the Financial Aid Office prior to employing any FWS students (see chapter 12 section 3.3.2 of Financial Aid Policy and Procedure manual). A signed student contact will not be forwarded to the outside agency, allowing as student to start working, until a current agreement is on file with the Work Study Coordinator.

The Financial Aid Office has secured updated agreements for the 2009 2010 academic year from all off campus agencies currently employing MMA work study students.

**Contact:** Director of Financial Aid

**Implementation Date:** Already implemented

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Massasoit Community College**

**Federal Direct Loan Program (84.268)**

**Federal Award Number: P268K091600 Federal Award Year: 2008 to 2009**

**U.S. Department of Education**

**Reference: 2009-25**

**Requirement**

A school shall (1) Upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt; and (2) Unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (i) Enrolled at that school but has ceased to be enrolled on at least a half-time basis; (ii) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (iii) Has changed his or her permanent address. (3) The Secretary provides student status confirmation reports to a school at least semi-annually. (4) The Secretary may provide the student status confirmation report in either paper or electronic format (34 CFR 685.309 (b)).

**Finding**

Massasoit Community College's (MCC) policy is to report student enrollment to a contracted third party, the National Student Clearinghouse (NSC) three times during a semester. MCC utilized the NSC to facilitate its responsibility to notify the National Student Loan Data System (NSLDS) of changes in the enrollment status of students. However, MCC is ultimately responsible to ensure that NSLDS is properly and timely notified of all student enrollment status changes. We noted that the MCC policies did not have written policies and procedures to report student status changes and verifying that the changes were timely and accurately reported to NSLDS. Due to the fact that MCC depends on the NSC to report these changes to NSLDS, MCC does not verify with NSLDS that the correct enrollment status has been reported.

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

- MCC did not notify the NSLDS (through NSC) of student status changes in 19 of 30 students with Federal Direct Loans although the students had withdrawn or graduated. Of the 19 students identified in our sample, 17 had graduated in May 2009 but as of September 2009 had not been reported to NSLDS as having graduated and the two students that withdrew were still reported as either attending full or half time.
- MCC did not report the enrollment status changes to NSLDS of six students in our sample of 30 who withdrew from college within the 60-day time requirement as required under Federal regulations. The range of delayed reporting for these students was between 4 to 45 days beyond the 60-day time limit.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

**Recommendation**

We recommend that MCC documents its policies and procedures over student status changes and in order to ensure the timely reporting of enrollment data to NSLDS in accordance with federal regulations.

**Related Noncompliance**

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

**Questioned Costs**

None

**Views of Responsible Officials and Corrective Actions**

The college is writing policies and procedures to be followed in the areas of registrar, financial aid and information systems to ensure that student status changes are appropriately reported to NSLDS in a timely manner. These policies include procedures for reviewing the compliance of the National Student Clearinghouse (NSC) with these reporting requirements as per their contract with Massasoit. Additional reporting dates have been added to capture students with a “graduated” enrollment status and ensure compliance with required reporting regulations.

**Contact:** Mary Beth Courtright, Director of Financial Aid  
Dan Kimborowicz, Registrar

**Implementation Date:** Policy to be written and approved within 60 days

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Massasoit Community College**

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

**Federal Pell Grant Program (84.063)**

**Federal Direct Loan Program(84.268)**

<b>Federal Award Number:</b>	<b>P007A081899</b>	<b>Federal Award Year:</b>	<b>2008 to 2009</b>
	<b>P063P081600</b>		<b>2008 to 2009</b>
	<b>P268K091600</b>		<b>2008 to 2009</b>

**U.S. Department of Education**

**Reference: 2009-26**

**Requirement**

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

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

**Finding**

Massasoit Community College (MCC) incorrectly calculated 1 of 30 refunds of Title IV program funds in our sample. These refunds resulted from students officially withdrawing from MCC enrollment prior to the completion of the enrollment period. We determined that MCC did not calculate Title IV refunds by taking the lesser amount of unearned assistance as calculated in 34 CFR 668.22 (e) (4) or (g) (2). Our analysis disclosed that for the one student MCC had returned more Title IV funds than what was required. For the student, MCC had calculated \$1,183 by subtracting the amount of Title IV assistance earned from the amount that was disbursed. However, MCC should have calculated the returns by multiplying the total institutional charges (admission costs) for the students' period of enrollment by the percentage of unearned aid. When calculated correctly, MCC would have only needed to return \$702 which is \$481 less than what was remitted.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

We further noted that MCC did not return Title IV program funds to DOE in a timely manner. Specifically, we identified three of the 30 students we selected for our sample, that had refunds calculated properly but were returned after the 45-day limit had expired.

We identified that the MCC processed its returns by electronic funds transfers and that the processing of these returns ranged from forty-seven to sixty one days. Of the three returns that were not processed timely, one was processed at 117 days, one was processed at 116 days, and one at 93 days. Our review disclosed that MCC did address the return of Title IV funds within its student financial aid policies. Consequently, the MCC did not comply with federal regulations regarding the processing of four Title IV refunds in a timely manner.

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

None

**Views of Responsible Officials and Corrective Actions**

The director is now aware that students for whom the last date of participation cannot be determined will have their R2T4 calculation done based on the calculation performed using 50% point in the semester as the date of last attendance. This information has been clarified in the Withdrawal section of the Financial Aid Office Policies and Procedures Manual.

All official withdrawals and documented last dates of participation are performed according to R2T4 policies and procedures.

This student has had the amount of her additional eligibility disbursed to her from the institutional general financial aid account.

The Financial Aid Office will work with the Division of Faculty and Instruction to educate faculty on the importance of responding in a timely manner with accurate information on student attendance and last dates of participation if appropriate. This will ensure that Title IV refunds are calculated correctly and returned to DOE in time frames in accordance with Federal regulations.

**Contact:** Mary Beth Courtright, Director of Financial Aid  
Richard Cronin, Interim Vice President of Student Enrollment Services

**Implementation Date:** Within 60 days



**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Massasoit Community College**

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

**Federal Work-Study Program (84.033)**

**Federal Pell Grant Program (84.063)**

**Federal Direct Student Loans (84.268)**

**Academic Competitiveness Grant (84.375)**

<b>Federal Award Number:</b>	<b>P007A081899</b>	<b>Federal Award Year:</b>	<b>2008 to 2009</b>
	<b>P033A081899</b>		<b>2008 to 2009</b>
	<b>P063P081600</b>		<b>2008 to 2009</b>
	<b>P268K091600</b>		<b>2008 to 2009</b>
	<b>P375A081600</b>		<b>2008 to 2009</b>

**U.S. Department of Education**

**Reference: 2009-27**

**Requirement**

Under the advance payment method (1) an institution submits a request for funds to the Secretary. The institution's request for funds may not exceed the amount of funds the institution needs immediately for disbursements the institution has made or will make to eligible students and parents;(2) if the Secretary accepts that request, the Secretary initiates an electronic funds transfer (EFT) of that amount to a bank account designated by the institution; and (3) the institution must disburse the funds requested as soon as administratively feasible but no later than three business days following the date the institution received those funds (34 CFR 668.162 (b))

An institution must exercise the level of care and diligence required of a fiduciary with regard to maintaining and investing title IV, HEA program funds. (34 CFR 668.163(e))

**Finding**

Colleges must follow specific rules and regulations regarding the cash management of Title IV funds. Among these are procedures regarding the drawing down of Student Financial Aid (SFA) using the Grants Administration and Payments System (GAPS), as well as the reconciliation of SFA funds to the college's accounting and banking records.

The GAPS system is used to draw down available SFA program funds, using an authorized current funding level, as determined by the Common Origination and Disbursement (COD) system, which processes SFA disbursements. The G5 module within GAPS supports program award and payment administration, and is used to identify a college's available balance. The COD system plays an integral role within GAPS, as it is part of the process by which the college requests, reports, and reconciles Title IV funds. It provides the back-up documentation to the GAPS system, to authorize the release of SFA program funds to the college, based on the college's current funding level for each program.

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Further, a reconciliation of SFA funds is a key component of internal control over cash management. An adequate system of internal control included a reconciliation system for each FSA program, that compares the total draws received monthly, to the amount disbursed to students, which must also agree to the college's bank statements. This reconciliation process will disclose any discrepancies between accounting entries, funds received, and funds disbursed, as well as insure agreement with individual awards for each student.

During our audit period, Massasoit Community College (MCC) initiated 21 individual drawdowns totaling \$4,941,981, for SFA programs. Our review of MCC's GAPS drawdown procedure disclosed the following:

- One GAPS drawdown in the amount of \$35,996 in PELL funds was requested on July 3, 2008, which represented the amount of PELL awarded and disbursed by the Student Financial Aid Office. However, the actual drawdown received was only \$27,115, resulting in \$8,881 less than was requested, for which MCC utilized institutional funds.
- One GAPS drawdown in the amount of \$21,760 in Pell Funds was requested on July 23, 2008, which represented the amount of PELL awarded and disbursed by the Student Financial Aid Office. However the actual GAP drawdown received was only \$10,379, resulting in \$11,381 less than requested, for which MCC utilized institutional funds.

These situations occurred because the financial aid awarded and disbursed had not been reported and processed by MCC to the COD system in a timely manner, prior to requesting the drawdown of SFA funds. As a result, MCC was using its own funds prior to drawing down federal funds, which resulted in funds on loan and due to MCC until the next drawdown from GAPS.

Our audit also noted that although federal drawdown funds are deposited into MCC's operating bank account, which is reconciled in total to the general ledger, MCC does not perform individual monthly reconciliations of its SFA programs. During our audit, we identified one drawdown that had been posted to an incorrect account and not detected by the MCC. Specifically for a GAPS drawdown request dated July 30, 2008 totaling \$11,360 for another non-SFA program, MCC incorrectly recorded \$9,022 of these funds to the FY05 Federal Work Study program, and the other \$2,338 to the non-SFA program.

Further, our review disclosed that MCC did not have specific written policies and procedures in place to instruct staff on the proper procedure for the drawdown of Title IV funds, including how to use Banner reports to develop the SFA drawdown using the G5 module and for the reconciliation of SFA funds.

#### **Recommendation**

We recommend that MCC improve and document its policies and procedures over their cash management practices in order to ensure the proper amounts are drawn down accurately and in a timely manner and recorded properly in MCC's accounting records.

#### **Related Noncompliance**

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

#### **Questioned Costs**

None

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Views of Responsible Officials and Corrective Actions**

The finding that financial aid awarded and disbursed had not been reported and processed by MCC to the COD system in a timely manner occurred because of the College's interpretation of Federal regulations stating that disbursements of Title IV funds must be reported to COD within 30 days. Records of these reports given to the auditors show that the Financial Aid Office reported all disbursements to COD within 2 days of disbursement, most of which were on the same day as the disbursements. Since COD responds very quickly to these disbursement reports with increased funding levels, the gap in funds available at drawdown were due to timing issues. Draw downs performed a few hours to a few days later would have allowed access to the correct amount of funds. The State requirement differs from the Federal requirement in that the College should not have used its own funds to disburse to students prior to draw downs from GAPS. MCC will change the procedures going forward by reporting to COD first and, once authorized through GAPS, will draw down funds prior to disbursement to students.

The Financial Aid Office is now sending copies of disbursement reports to the Business Office for monthly reconciliation of SFA funds disbursements prior to drawdown of funds as determined by the COD system and the GAPS authorized SFA program funding levels for the College to avoid future discrepancies in the amounts being drawn.

Due to timing issues the disbursement and reporting to COD a few days later caused a discrepancy in the amount authorized for drawdown. As of FY 2010 commencing on 7/1/09 the Business Office has implemented specific policies and procedures for the drawdown of Title IV funds requiring the reconciliation of Financial Aid reports to authorized available funds on GAPS prior to drawdown to avoid future timing issues.

We concur with the recommendation from the audit to put our specific drawdown procedures in writing to instruct staff on the proper procedures for drawdown. Currently the Business Office has added two authorized signers, one to authorize the amount (after reconciliation) a staff is to draw down from GAPS, and another authorized signer to verify the amount drawn and deposited to the College's bank account. These and other written policies and procedures for the handling of SFA funds will also be included in the College's Internal Controls Manual and Internal Controls Fiscal Policies and Procedures Handbook going forward.

**Contact:** Sophie Lee, Comptroller

**Implementation Date:** Within 60 days

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Massasoit Community College**

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

**Federal Pell Grant Program (84.063)**

**Federal Direct Student Loans (84.268)**

**Federal Award Number: P268K091600 Federal Award Year: 2008 to 2009**

**U.S. Department of Education**

**Reference: 2009-28**

**Requirement**

A student is eligible to receive Title IV, HEA program assistance if the student-- (f) Maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Sec. 668.16(e), and, if applicable, the provisions of Sec. 668.34 (34 CFR 668.32 (f)).

For purposes of determining student eligibility for assistance under a Title IV, HEA program, establishes, publishes, and applies reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her educational program (34 CFR 668.16 (e)).

For each payment period, an institution may pay a Federal Pell Grant to an eligible student only after it determines that the student (1) Qualifies as an eligible student under 34 CFR Part 668, Subpart C (34 CFR 690.75 (a)).

**Finding**

In reviewing the determination of satisfactory academic progress for a sample of thirty students receiving student financial assistance we found two students who were not making satisfactory academic progress prior to the first semester of the award year, yet were not placed on academic probation as required by Federal regulations and Massasoit Community College's (MCC) Satisfactory Academic Performance (SAP) policy.

Specifically, we noted:

- A student attended MCC in fall 2008, and should have been on academic probation, due to not having achieved satisfactory academic progress as of fall 2007 (the student did not attend in spring 2008). The student received financial aid, and subsequently did not achieve satisfactory academic progress for that semester, resulting in what should have been financial aid suspension. Instead, in spring 2009, the student was awarded aid totaling \$3,025 in PELL, SEOG and Direct Student Loan funds, which the student was not entitled to receive.
- A student attended MCC in spring 2009, and should have been on academic probation, due to not having achieved satisfactory academic progress as of fall 2007 (the student did not attend in spring 2008 or fall 2008). For the spring 2009, the student received financial aid, a PELL grant of \$1,774, and subsequently did not achieve satisfactory academic progress for that semester.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Prior to the summer of 2008, MCC would manually review students' academic progress once a year, after the spring semester. During the summer of 2008, a system conversion took place, whereby SAP would be determined electronically by the new system, after the completion of each semester. Because the two above-mentioned students did not attend in Spring 2008, MCC "rolled forward" their status as of Spring 2007, which indicated making satisfactory academic progress, without taking into account their Fall 2007 semester. In both cases, the students had not achieved SAP for that semester, which resulted in an additional semester of eligibility and would impact their future SAP determination.

**Recommendation**

We recommend that MCC review its policies and procedures of reviewing satisfactory academic progress for students receiving Title IV funds to ensure compliance with federal regulations.

**Related Noncompliance**

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

**Questioned Costs**

\$1,957 – CFDA 84.063

\$1,742 – CFDA 84.268

\$100 – CFDA 84.007

**Views of Responsible Officials and Corrective Actions**

Rolling forward Satisfactory Academic Progress status codes from the manual calculation to the new automated system is no longer a problem. This was a one-time hitch during system conversion.

Massasoit policies and procedures of reviewing satisfactory academic progress for students receiving Title IV funds already ensure compliance with federal regulations. To avoid any appearance of inaccuracy in calculating compliance with satisfactory academic standards after appeal, Massasoit now indicates even more clearly that academic standards when appropriate are being suspended.

**Contact:** Mary Beth Courtright, Director of Financial Aid

**Implementation Date:** Completed

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Massachusetts Rehabilitation Commission**

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

<b>Federal Award Number:</b>	<b>H126A080028D</b>	<b>Federal Award Year:</b>	<b>2007 to 2008</b>
	<b>H126A070028E</b>		<b>2008 to 2009</b>
	<b>H126A090028A</b>		<b>2009 to 2010</b>

**U.S. Department of Education**

**Finding Reference:** 2009-29

**Requirement**

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

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

**Finding**

The Massachusetts Rehabilitation Commission (Department) has created client database reports that are designed to provide management with the capability to monitor cases where eligibility has not been determined within 30, 45 and 60 days from the application date. A monthly report is generated to identify the percentage of applications for all area offices that are not in compliance with the 60 day timeframe required by regulations. The report is distributed to all area offices directors to monitor noncompliant cases for further attention.

A review of the client database reports as of June 30, 2009 disclosed that eligibility was not determined within 60-days of the application date for 1,225 (11%) of the 10,860 cases received during the period of July 1, 2008 to May 31, 2009, as follows:

<b>Number of days above 60 in which eligibility was not determined</b>	<b>Number of cases not in compliance</b>	<b>% of cases</b>
61 – 99 days	1,052	86%
100 – 149 days	137	11%
150 – 199 days	32	3%
200 plus days	4	0%
Total	<u>1,225</u>	

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

In addition, as of June 30, 2009, eligibility had not yet been determined for 143 of the 1,225 cases noted above.

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

A similar finding was reported in the prior year single audit report as finding number 2008-24.

**Recommendation**

We recommend that the Department continue to implement planned improvements in order to ensure eligibility determination are done within timeframes promulgated by Federal regulations.

**Related Noncompliance**

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

**Questioned Costs**

None

**Views of Responsible Officials and Corrective Actions**

Beginning in January, 2009, the VR Assistant Commissioner began issuing monthly reports to all offices of cases out of compliance with the 60 day eligibility. Offices were required to provide a corrective action plan to improve compliance. Marked improvements have been made where average non compliance rates were reduced from over 22% to less than 6% which is within acceptable levels for RSA.

The VR Assistant Commissioner will continue with the monthly reports and compliance levels will be part of the evaluation of Area Director performance.

**Contact:** Joan Phillips, Assistant Commissioner

**Implementation Date:** January 2009 to present

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Massachusetts Rehabilitation Commission**

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

<b>Federal Award Number:</b>	<b>H126A080028D</b>	<b>Federal Award Year:</b>	<b>2007 to 2008</b>
	<b>H126A070028E</b>		<b>2008 to 2009</b>
	<b>H126A090028A</b>		<b>2009 to 2010</b>

**U.S. Department of Education**

**Reference: 2009-30**

**Requirement**

A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to: (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes (34 CFR 80.20 (a)).

The financial management systems of other grantees and subgrantees must meet the following standards: (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. (3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes. (34 CFR 80.20 (b)).

**Finding**

Each State Vocational Rehabilitation (VR) Agency that has expended funds in providing VR services to individuals with disabilities under the Section 110 and Title VI-B programs of the Rehabilitation Act of 1973 is required to prepare RSA-2 report for each federal fiscal year (October 1 – September 30). The report must be submitted to the United States Department of Education Rehabilitation Services Administration (RSA) by December 31 following the close of the federal fiscal year (FFY) and reflect all expenditures made during the FFY from federal, state and other rehabilitation funds in providing Vocational Rehabilitation (VR) services. In addition, the report requires information on the number of individuals with disabilities receiving services and on the funds expended on their behalf by the VR agency for each type of VR service. Also, the report requires information on the actual time (person/ years) that vocational rehabilitation jobs were filled during the period covered by the report.



**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Our review disclosed that the Massachusetts Rehabilitation Commission (MRC) did not have a reporting system that provided supporting documentation to substantiate the data reported in the RSA-2 for the period ended September 30, 2008. In addition MRC did not have written procedures and policies that details the process used in completing the report.

Due to the fact that MRC does not have a system in place to document, support and provide an audit trail for the data reported in the RSA-2 report, the completeness and accuracy of the report cannot be determined.

A recent review conducted by the RSA for the federal fiscal years 2007 and 2008 indicated that MRC did not have adequate internal controls to ensure that the RSA-2 reports were reviewed for accuracy prior to their submission to the RSA and were not submitted in a timely manner. Further, other internal control and compliance matters were noted in the review.

**Recommendation**

MRC should implement documented policies and procedures to ensure that the RSA-2 report is submitted completely and accurately.

**Related Noncompliance**

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

**Questioned Costs**

None

**Views of Responsible Officials and Corrective Actions**

MRC with technical assistance from RSA will implement documented policies and procedures to ensure that the RSA-2 report is submitted completely and accurately. With RSA technical assistance, MRC has scheduled the completion of this project for December 31, 2012.

**Contact:** Ruth Paulson, CFO

**Implementation Date:** On-going with a scheduled completion date of December 31, 2012.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Massachusetts Rehabilitation Commission**

**Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)  
Social Security Disability Insurance (96.001)**

**Federal Award Number: H126A90028A Federal Award Year: 2009**  
**0904MAD100 2009**

**U.S. Department of Education  
Social Security Administration**

**Reference: 2009-31**

**Requirement**

Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this Circular, and that the total compensation for individual employees: (1) Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied to both Federal and non Federal activities; (2) Follows an appointment made in accordance with a governmental unit's laws and rules and meets merit system or other requirements required by Federal law, where applicable; and (3) Is determined and supported as provided in subsection h (OMB Circular A-87 Attachment B Section 8 (a))

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

**Finding**

The Commonwealth of Massachusetts Human Resources Division's Time and Attendance Policy (Revised May 4, 2006), requires that time sheets be approved by an employee's supervisor.

Our review disclosed the following:

- Nine timesheets for five employees from our sample of 60 Vocational Rehabilitation Program timesheets did not have a supervisory approval signature. Questioned costs amounted to \$11,876 for the timesheets involved.
- 12 timesheets for six employees from our sample of 60 Social Security Disability Program timesheets did not have a supervisory approval signature. Questioned costs amounted to \$12,772 for the timesheets involved.

The absence of a payroll supervisor's signature does not provide for adequate assurance that payroll expenditures are accurate and valid and the program is being charged only for the actual time an employee has worked on a program.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Recommendation**

The Department should improve existing internal controls to ensure that employee timesheets are reviewed by program supervisors.

**Related Noncompliance**

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

**Questioned Costs**

\$11,876 (CFDA 84.126)

\$12,772 (CFDA 96.001)

**Views of Responsible Officials and Corrective Actions**

MRC is in the process of developing Agency-wide policies and procedures regarding the improvement of existing internal controls to ensure that employee timesheets are reviewed by program supervisors. The scheduled completion date of this project is June 30, 2010.

**Contact:** Ruth Paulson, CFO

**Implementation Date:** July 1, 2010

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Department of Elementary and Secondary Education**

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

<b>Federal Award Number:</b>	<b>S367A0500020</b>	<b>Federal Award Year:</b>	<b>2006</b>
	<b>S367A0500020A</b>		<b>2006</b>
	<b>S367A0600020</b>		<b>2007</b>
	<b>S367A0600020A</b>		<b>2007</b>
	<b>S367A0700020</b>		<b>2008</b>
	<b>S367A0700020A</b>		<b>2008</b>
	<b>S367A0800020</b>		<b>2009</b>
	<b>S367A0800020A</b>		<b>2009</b>

**U.S. Department of Education**

**Reference: 2009-32**

**Requirement**

A local educational agency (LEA) (except a local educational agency identified for improvement under Section 6316 (c) of this title or subject to corrective action under Section 6316 (c)(9) of this title) may transfer not more than 50 percent of the funds allocated to it (including funds transferred under subparagraph (C)) under each of the provisions listed in paragraph (2) for a fiscal year to one or more of its allocations for such fiscal year under any other provision listed in paragraph (2). A local educational agency identified for improvement under Section 6316 (c) of this title may transfer not more than 30 percent of the funds allocated to it (including funds transferred under subparagraph (C)) under each of the provisions listed in paragraph (2) for a fiscal year – (i) to its allocation for school improvement for such fiscal year under Section 6303 of this title; or (ii) to any other allocation for such fiscal year if such transferred funds are used only for local educational agency improvement activities consistent with Section 61316 (c) of this title (20 USC 7305b)

**Finding**

In order to be compliant with the above requirements, LEA’s identified for improvement may only transfer up to 30% of their base and LEA’s requiring corrective action may not transfer any funds to other eligible programs.

During our testwork of the Department’s monitoring over the program we tested the entire population of LEAs that transferred funds from Title II to other eligible programs and noted that one LEA was in corrective action status and had transferred program funds in noncompliance of the requirement stated above. The LEA transferred \$302 in federal fiscal year 2008 program funds.

A similar finding was reported in the prior year single audit report as finding number 2008-27.

**Recommendation**

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

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Related Noncompliance**

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

**Questioned Costs**

\$302

**Views of Responsible Officials and Corrective Actions**

The review team will receive a list of all districts in Corrective Action, Restructuring and Needs Improvement status from the School & District Improvement office in July, prior to grant reviews. This list is reviewed thoroughly and information is confirmed by the School & District Improvement office prior to any grant reviews. In late August, new AYP determinations are made, and a revised list if necessary reflecting changes made to a districts AYP status. Each reviewer will then receive a copy of this information to refer to as they are performing grant reviews, and adjustments and communication will be made if necessary. As a final precautionary measure, a rubric is saved in each districts folder that that identifies the districts inability to transfer funds, or the districts limited ability to transfer funds.

**Contact:** Elizabeth Losee, Educator Quality

**Implementation Date:** October 1, 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Department of Elementary and Secondary Education**

**State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (84.394) (ARRA)**

**Federal Award Number: S394A090022 Federal Award Year: 2009**

**U.S. Department of Education**

**Reference: 2009-33**

**Requirement**

Recipients and their first-tier recipients must maintain current registrations in the Central Contractor Registration (<http://www.ccr.gov>) at all times during which they have active federal awards funded with Recovery Act funds. A Dun and Bradstreet Data Universal Numbering System (DUNS) Number (<http://www.dnb.com>) is one of the requirements for registration in the Central Contractor Registration (2 CFR 176.50 (c)).

**Finding**

During our testwork of the Department’s compliance with the above requirement we reviewed the Department’s documentation of their process for verifying that each sub-recipient had a current CCR registration, which included ensuring the sub-recipient had a valid DUNS Number. We noted that the Department was not able to obtain this information from the sub-recipients prior to making the sub-awards.

**Recommendation**

The Department should improve their monitoring policies and procedures to ensure they determine that sub-recipients have current CCR registrations prior to making sub-awards.

**Related Noncompliance**

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

**Questioned Costs**

None

**Views of Responsible Officials and Corrective Actions**

During the last two months of FY2009 the Department issued \$412M in SFSF grants for the Executive Office of Education. There was a very tight timeline to be followed as these funds were to be used by school districts in place of a reduction in state local aid funding.

During this time period there was a task force of high ranking, managerial staff from the Department, the Executive Office of Education, the Executive Office of Administration and Finance, the Office of the State Comptroller and the Commonwealth’s Treasurer and Receiver General’s Office. The goal of this group was to ensure that all payments would be made prior to June 30, 2009. During one of the weekly meetings of this group it was asked by the Department if we were willing to hold payments if we were absent a DUNS number for a subrecipient. We accepted the collective silence as an indication that these payments should continue on track

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

with or without a valid DUNS number. A redesign of the W-9 forms by the Office of the Comptroller included certification acknowledgement of DUNS number but not CCR registration.

We notified all affected sub recipients of their responsibilities regarding certifications of CCR registrations and were collecting updated W-9 forms from school districts thru September of 2009. Additionally, we became aware of the federal requirement in the Compliance Supplement when it was issued in August of 2009.

On a go forward basis our plan is to request our vendors to certify CCR registration and statistically sample these on a periodic basis.

**Contact:** Dave LeBlanc, Department of Elementary and Secondary Education

**Implementation Date:** October 1, 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Department of Transitional Assistance**

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

<b>Federal Award Number:</b>	<b>G-0702MATANF</b>	<b>Federal Award Year:</b>	<b>2007</b>
	<b>G-0802MATANF</b>		<b>2008</b>
	<b>G-0902MATANF</b>		<b>2009</b>

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

**Reference: 2009-34**

**Requirement**

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

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

**Finding**

The Department has defined this eligibility requirement in the approved State Plan. During our audit we selected 30 recipients who had a minor child removed from their home by the Commonwealth's Department of Youth Services (DYS) or Department of Children and Families (DCF) for over 120 consecutive days, which is the period of time specified in the approved State Plan. We noted the following:

- For two recipients that had a DCF match in the BEACON system, the matches were not reviewed and no action was taken to ensure benefits were appropriately terminated. The two recipients had a dependent removed from the home by DCF for a period of 132 and 260 consecutive days, yet the dependent remained active and received benefits after 120 days. None of the two recipients had good cause exceptions documented in the case file.

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

**Recommendation**

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

**Related Noncompliance**

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



**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Questioned Costs**

\$3,885

**Views of Responsible Officials and Corrective Actions**

DTA concurs with the finding. DTA's Field Operations Division has distributed an initial list of TANF cases with active DCF matches to its staff for action. A subsequent listing of TANF cases is presently being requested that will also be distributed to staff for action. Additionally, a workgroup has been established to identify the causes that produced the finding and to develop long-term corrective action steps. DTA anticipates that the DCF match process for children in placement will be transitioned to its Fraud Investigations and Data Matching Unit by December 31, 2009. Centralization of the DCF match within the Data Matching Unit will enable a defined number of staff fully trained on the DCF match reporting to a single manager to process all match hits in a coordinated, timely manner.

**Contact:** Kristin Naugler Killeen, Director of Fraud Investigations and Data Matching

**Implementation Date:** December 31, 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (10.561)  
Temporary Assistance for Needy Families (93.558)  
Medical Assistance Program (93.778)**

<b>Federal Award Number:</b>	<b>G-0702MATANF</b>	<b>Federal Award Year:</b>	<b>2007</b>
	<b>G-0802MATANF</b>		<b>2008</b>
	<b>G-0902MATANF</b>		<b>2009</b>
	<b>0905MA5148</b>		<b>2009</b>

**Department of Transitional Assistance**

**Reference: 2009-35**

**Requirement**

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

**Finding**

The Department using a Public Assistance Cost Allocation Plan (PACAP) annually distributes approximately \$153 million of direct and indirect costs to benefiting federal and nonfederal programs using fifty-three different methodologies. On behalf of the Department of Transitional Assistance, the Executive Office of Health and Human Services' Federal Reporting Unit (FRU) has the responsibility for preparing and maintaining the PACAP, which identifies certain direct and indirect costs to be charged to federal and nonfederal programs. The FRU has established certain internal controls to ensure amounts claimed in the PACAP agree with the Commonwealth's accounting system, MMARS, and amounts claimed are appropriate and in accordance with Federal regulations. During our audit the FRU disclosed that they had identified the following issue with their PCAP:

- It was noted that the basis previously used to calculate claims for Health and Welfare contributions as approved in the Commonwealth's State-wide Cost Allocation Plans included terminated employees and managers, which do not receive this benefit. As a result, the Department identified \$2,895,712 of gross costs or \$1,818,875 in net Federal financial participation that should not have been charged to Federal programs from 2002 until 2009.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Questioned Costs**

\$755,291 – CFDA 10.561

\$807,234 – CFDA 93.558

\$256,350 – CFDA 93.778

**Views of Responsible Officials and Corrective Action**

In September 2009, EOHHS Federal Revenue Unit discovered that Health and Welfare costs (Commonwealth's contribution to union's trust funds for member dental and optical plans), were calculated using the number of employees in existence during 2002 instead of 2009. EOHHS Federal Revenue Unit made this discovery during the annual PACAP amendment process.

The PACAP was subsequently audited by KPMG and this information was relayed to the auditor at the beginning of the audit.

The Federal Revenue Unit has revised its claims from FY 2002 – FY 2008 and credited the funds back to the federal agencies accordingly.

For FY09, The Federal Revenue Unit is currently working to develop a more efficient method to better allocate Health and Welfare costs in the New Cost Allocation Plan.

Projected implementation date for the new Health and Welfare allocation method will be March 15<sup>th</sup> 2010. By June 30, 2010, costs in the FY09 PACAP will be adjusted and any over-claim will be credited to the federal agencies.

**Contact:** Janice Axelrod, EOHHS Director of Federal Revenue,  
Easton Hill, EOHHS Assistant Director of Federal Revenue for TANF/SNAP

**Implementation Date:** H&W Allocation Method will be implemented March 15<sup>th</sup> 2010.  
FY09 will be adjusted by June 30<sup>th</sup> 2010.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Department of Revenue**

**Child Support Enforcement (93.563)**

<b>Federal Award Number:</b>	<b>G0804MA4004</b>	<b>Federal Award Year:</b>	<b>2008</b>
	<b>GO904MA4004</b>		<b>2009</b>

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

**Reference: 2009-36**

**Requirement**

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

**Finding**

During our testwork we noted that the Department did not adhere to the respective time frames prescribed above for four of the forty cases selected for testwork as follows.

- Three cases exceed the 75 day requirement under Federal regulation for attempting to access all appropriate resources in determining the location of the noncustodial parent.
- One case did not have quarterly attempts (after the initial attempt) to determine the location as required by Federal regulation.

A similar finding was reported in the prior year single audit report as finding 2008-32.

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

None

**Views of Responsible Officials and Corrective Actions**

CSE now scans and indexes incoming case documents and a “backfile conversion” project was recently completed. In the backfile project, 100,000 child support case files were imaged. Imaged case file documents will

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

improve employee productivity by eliminating time spent searching for case folders or requesting replacement documents so that staff can focus on the core mission of the child support program. In particular, imaging incoming applications and referrals will provide CSE better control over incoming, new inventory. Management reports available from the imaging system will allow staff to track incoming referrals to ensure that new cases are opened and assessed and location efforts initiated in accordance with federally mandated timeframes.

For cases where CSE does not have a Social Security number for the obligor or information that can lead to a Social Security number, the location efforts are limited to manual efforts to research several databases. The reports available from the imaging system will also allow staff to track and monitor cases where the location research must be done manually each quarter.

**Contact:** Paul Cronin, Associate Deputy Commissioner

**Implementation Date:** January 1, 2010

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Department of Revenue**

**Child Support Enforcement (93.563)**

<b>Federal Award Number:</b>	<b>G0804MA4004</b>	<b>Federal Award Year:</b>	<b>2008</b>
	<b>G0904MA4004</b>		<b>2009</b>

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

**Reference: 2009-37**

**Requirement**

For all interstate cases the IV-D agency must establish an interstate central registry responsible for receiving, distributing, and responding to inquiries on all incoming interstate IV-D cases under Section 303.7(a). The responding State IV-D agency must establish and use procedures for managing its interstate IV-D caseload which ensure provision of necessary services and include maintenance of case records in accordance with 303.2 of this part. Section 303.2 requires all cases received to be opened within 20 days by establishing a case record and, based on an assessment of the case to determine necessary action.

**Finding**

During our testwork of the Departments compliance with requirement 303.2 above, we noted that 2 of the 40 interstate cases tested and 1 of the regular cases tested did not adhere to the requirement. These cases were not opened within 20 days of being received from another state or Massachusetts authority/individual application as is required by federal regulation.

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

None

**Views of Responsible Officials and Corrective Actions**

CSE now scans and indexes incoming case documents and a “backfile conversion” project was recently completed. In the backfile project, 100,000 child support case files were imaged. Imaged case file documents will improve employee productivity by eliminating time spent searching for case folders or requesting replacement documents so that staff can focus on the core mission of the child support program. In particular, imaging incoming applications and referrals will provide CSE better control over incoming, new inventory. Management reports available from the imaging system will allow staff to track incoming referrals to ensure that new cases are opened and assessed and location efforts initiated in accordance with federally mandated timeframes.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Contact:** Paul Cronin, Associate Deputy Commissioner

**Implementation Date:** January 1, 2010

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

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

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

**Adoption Assistance (93.659)**

<b>Federal Award Number:</b>	<b>0801MA1401</b>	<b>Federal Award Year:</b>	<b>2008</b>
	<b>0801MA1401</b>		<b>2009</b>
	<b>0901MA1401</b>		<b>2009</b>
	<b>0801MA1407</b>		<b>2008</b>
	<b>0801MA1407</b>		<b>2009</b>
	<b>0901MA1407</b>		<b>2009</b>

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

**Reference: 2009-38**

**Requirement**

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

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

**Finding**

The Department of Children and Families uses a Public Assistance Cost Allocation Plan (PACAP) which annually distributes approximately \$833 million in direct and indirect costs to benefiting federal and nonfederal programs using approximately 60 methodologies. Of that \$833 million, approximately \$197 million or 24% of the costs in the PACAP are related to payroll. While the majority of the payroll is assigned to final cost objectives using an allocation methodology, such as the Random Moment Time Study (RMTS), some payroll is charged directly to federal grants or federally funded interagency agreements.

In reviewing payroll charged to the Department’s federal programs we noted the following:

- Support for payroll charged directly to a federally funded interagency agreement for the Refugee and Entrant Assistance – State Administered Programs (93.566) did not have payroll certifications or other support to comply with the requirement above. Cost questioned for the program totaled \$40,434 (\$32,691 in payroll and \$7,743 in related fringe benefits) as shown below.



**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- Support for both weeks in a bi-weekly payroll could not be provided for two (2) individuals out of the 60 individuals tested. Questioned costs could not readily be determined for the weeks as the individuals were part of the RMTS and the salary costs were allocated to various programs including Foster Care and Adoption Assistance.
- The Department requires its managers to review a weekly time log and create an exception report prior to paying individuals. As an internal control over the accuracy of leave records, either the weekly time log or the exception report must be approved by the manager. For 20 of the 120 weeks tested, we noted that neither the weekly time logs nor the exception reports were approved by a manager.

**Recommendation**

While semi-annual certifications have been instituted for direct Federal grants, we recommend that the Department extend those policies and procedures to ensure that charges to Federal awards funded by interagency agreements are also in accordance with Federal regulations. Further, the Department should make every effort to obtain and retain support for all individuals' time worked. Finally, the importance of documenting the approval of leave records should be stressed to the responsible managers.

**Related Noncompliance**

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

**Questioned Costs**

\$40,434 – CFDA 93.566

Cannot be determined – CFDA 93.658 and CFDA 93.659

**Views of Responsible Officials and Corrective Actions**

The Department of Children and Families has implemented a semi-annual certification process for 100% federally funded employees. The certifications are completed by supervising managers of these employees and filed within the office of the CFO. DCF must make certain that this process includes federally funded allocation accounts as well as direct federal grants.

In addition, DCF's CFO will re-issue guidance to senior managers within the agency reminding them of the requirements associated with payroll time/attendance and its supporting documentation.

**Contact:** Ellen Finnegan, CFO

**Implementation Date:** February 1, 2010

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Department of Early Education and Care**

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

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

<b>Federal Award Number:</b>	<b>G0801MACCDF</b>	<b>Federal Award Year:</b>	<b>2007 to 2010</b>
	<b>G0901MACCDF</b>		<b>2008 to 2011</b>

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

**Reference: 2009-39**

**Requirement**

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

**Finding**

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

We noted that the Department began utilizing BARS for its detailed accounts receivable system in June of 2008. Due to BARS limitations the reimbursement of all owed funds to the Commonwealth general fund presumes all recouped funds were only state funds and does not consider the reimbursement of federal funds awarded to the Department. The Department is in the process of remediating this limitation of BARS. As of June 30, 2009, EEC's accounts receivable balance was \$380,920. Additionally, EEC has recouped \$251,150 which has been neither reobligated nor returned to the federal government.

Question costs cannot be determined as the collectability, participating federal programs and federal participation percentages are not readily determinable and the amounts previously recouped during the fiscal year related to these Federal programs is unknown.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

A similar finding was reported in the prior year single audit report as finding number 2008-39.

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**Views of Responsible Officials and Corrective Actions**

EEC has drafted an application and the terms and conditions of an Expendable Trust Fund and is currently in the process of finalizing the required documentation with A&F for approval. EEC is also working with OSC to enable funds collected in BARS to be transferred into this Expendable Trust Fund rather than the General Fund. This will allow EEC to record, track, re-obligate, or if required, repayment of recouped funds to ACF for funds recouped that are beyond the re-obligation period in an efficient and timely manner.

**Contact:** William Concannon, Deputy Commissioner for Administration & Finance

**Implementation Date:** May 31, 2010

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Department of Early Education and Care**

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

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

<b>Federal Award Number:</b>	<b>G0801MACCDF</b>	<b>Federal Award Year:</b>	<b>2007 to 2010</b>
	<b>G0901MACCDF</b>		<b>2008 to 2011</b>

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

**Reference: 2009-40**

**Requirement**

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

**Finding**

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

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

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

On March 13, 2009, the Department opened the solicitation for Income Eligible Child Care Financial Assistance, the services with the highest contract values, in the Commonwealth's Procurement Access and Solicitation System (Comm-PASS). Vendor responses were collected until April 30, 2009 and the EEC posted the list of vendors who were selected for contract awards on July 17, 2009. No contracts were awarded during our audit period. However, new income eligible contracts were finalized effective September 1, 2009. The Department has a plan in place to procurement the remainder of the service contracts under the program before the end of fiscal year 2011.

A similar finding was reported in the prior year single audit report as finding number 2008-40.

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

#### **Recommendation**

We recommend that the Department continue with their procurement plans to ensure that procurements are done in accordance with State regulations.

#### **Related Noncompliance**

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

#### **Questioned Costs**

None

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

The FY2009 single state audit includes a finding that EEC remains in noncompliance with the Commonwealth's procurement regulations with regard to four procurements. The Department has substantially mitigated this finding by coming into compliance with one of the largest of the four procurements-- Income Eligible Child Care which accounts for \$116M representing approximately 59% of the funding allocated to the procurements cited in this finding; EEC has also made significant progress on the other three procurements by implementing changes in internal protocols

In July 2009, EEC announced awards for the Income Eligible contract bid and received bids from nearly 300 providers requesting more than 24,000 slots across the state. Bids were evaluated and scored in eight different program areas, including assessment, screening, curriculum, child transitions, family engagement, professional development, comprehensive services and collaborations. Programs were also evaluated and scored based on accreditation status, experience with EEC programs, fiscal compliance history, and licensing history. On September 1, 2009, 199 contracts were entered into with child care agencies across the state. These contracts were awarded either for a one- year or three- year terms depending on the strength of the proposal.

EEC was created four years ago, and in that short time period EEC has experienced three significant changes of leadership. EEC's first Commissioner was appointed on July 1, 2005, followed by an acting commissioner who served from March 2008 through February, 2009. On February 2, 2009 Sherri Killins, became the Commissioner of EEC. In August, the Associate Commissioner for Administration and Finance left the agency. These changes in leadership resulted in reorganizations in staffing structures and assignments, as well as changes to the internal protocols for managing contract procurements.

Recently implemented changes in the internal protocol for managing procurements have resulted in enhancements that have streamlined and expedited the Request for Response (RFR) process; such enhancements include a streamlined and disciplined timeframe in the researching and drafting phases. Under the new process, the Commissioner and Senior Leadership team identify service/ contract priorities. EEC staff are assigned to perform due diligence in regard to the service to be procured, which includes gathering research and data from other states, stakeholders/interested parties and advisory groups. A concept paper is developed and presented to EEC's Board for discussion and approval. Once approved, the concept is used to draft a Request for Response, which is reviewed by the various units within EEC (e.g., IT, legal and fiscal). Upon the Commissioner's final review, the RFR is posted. Depending on the scope of the RFR, contracts are implemented within four to eight months. These changes in internal protocols have resulted in an expedited process without sacrificing input, as evidenced by the following updated procurement timeline:

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

<b>Contract</b>	<b>Steps</b>	<b>Fiscal Year</b>
Voucher Management	Concept Paper Developed	September/October 2009
	Board Approved	November 2009
	RFR Development	December 2009
	RFR Posted	January 2010
	Contracts Awarded	May/June 2010
	Contracts Implemented	September 2010
Supportive Child Care	Concept Paper Development	December 2009/January 2010
	Board Approval	January/February 2010
	RFR Development	February/March 2010
	RFR Posted	March/April 2010
	Contracts Awarded	September 2010
	Contracts Implemented	January 2011
Other Contracts	Research & Plan 2009/2010 and award in 2011 (Potentially combine with the Supportive RFR)	

It should be noted that EEC will use the above described procurement protocol to guide all future procurements. Each procurement will follow a consistent timeline to keep decision-making on track to research key policy issues, develop policy options, establish bidder eligibility criteria, develop bidder evaluation criteria, make contract awards and implement contracts.

**Contact:** William Concannon, Deputy Commissioner for Administration & Finance

**Implementation Date:** April 2010

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Department of Early Education and Care**

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

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

<b>Federal Award Number:</b>	<b>G0801MACCDF</b>	<b>Federal Award Year:</b>	<b>2007 to 2010</b>
	<b>G0901MACCDF</b>		<b>2008 to 2011</b>

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

**Reference:** 2009-41

**Requirement**

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

**Finding**

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

The Department receives federal funds for the Care Development Block Grant (CFDA 93.575) and the Child Care Mandatory and Matching Funds (CFDA 93.596) programs on a reimbursement basis which are included in the State's TSA. These federal programs are not part of the Commonwealth's Automated Central Draw process. For these programs, the Commonwealth has implemented a noncentral draw process where the Department notifies the Office of the State Treasurer (OST) of the amounts to drawdown for reimbursement to the Commonwealth's General Fund. The process consists of using the Massachusetts Management Accounting and Reporting System (MMARS) to identify disbursements paid with Commonwealth funds eligible for Federal reimbursement.

The TSA documents the accepted funding techniques agreed upon by the Federal government and the State. The technique listed for the Child Care Development Block Grant (CFDA 93.575) and the Child Care Mandatory and Matching Funds (CFDA 93.596) is monthly reimbursable funding. The monthly draw technique is defined such that the Commonwealth shall draw down funds for costs once a month in conjunction with its internal cost accounting system. The amount of the drawdown will be based on the actual costs of the prior month that have been allocated in accordance with the Department's approved cost plan.

# COMMONWEALTH OF MASSACHUSETTS

## Schedule of Findings and Questioned Costs

Year ended June 30, 2009

The EEC initiates the CCDF expenditure reimbursement drawdown process by running a query of MMARS expenditures, summarizing the data, and preparing the Cash Deposit (CD) and Smartlink payment request documents. After approval by the EEC's Deputy Commissioner for Administration, the CD and payment request for the Federal funds drawdown are faxed to the OST.

Our audit found that the EEC did not consistently comply with the monthly draw technique defined in the TSA. The Department processed 14 draw requests during state fiscal year 2009, 5 of those requests combined expenditures that were incurred over a 2-month period, and 2 additional draws were significantly made beyond a 30-day period.

### **Recommendation**

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

### **Related Noncompliance**

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

### **Questioned Costs**

None

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

The FY2009 single-state audit found the Department of Early Education and Care (EEC) was not in compliance with the Cash Management Improvement Act (CMIA) of 1990, which the Office of the State Comptroller (OSC), on behalf of the Commonwealth of Massachusetts, entered into a Treasury-State Agreement (TSA), with the United States Department of the Treasury. Specifically, the audit found that EEC did not consistently comply with the monthly draw technique defined in the TSA as it relates to Child Care and Development Fund Block Grant (CCDF) grant funds awarded by the Federal Department of Health and Human Services, Administration for Children and Families.

Throughout SFY2009 and up to December 31, 2009 EEC contracted with the Public Consulting Group (PCG) to assist in the draw downs. EEC staff would complete billing then, as described in the audit finding, EEC would run a query of MMARS expenditures and send that information to PCG. PCG would then summarize the data, and prepare the Cash Deposit (CD) and Smartlink payment request documents for EEC. EEC staff would review the documents for accuracy and fax them to the Office of the State Treasurer. The arrangement of using outside sources caused delays from time to time because it added a step in the process of drawing down the federal funds.

EEC is committed to improving our compliance with the CMIA. To accomplish this, EEC embraces the recommendations of the audit of strengthening existing policies and procedures to ensure that the TSA agreement drawdown techniques agree with the actual methods used to drawdown Federal funds. To lessen our reliance on outside sources and improve the timeliness of our draw downs, EEC will bring this function "in-house" as of January 1, 2010. It is our expectation that this will resolve the issue of noncompliance with the CMIA.



**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Contact:** William Concannon, Deputy Commissioner for Administration & Finance

**Implementation Date:** September 2009

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Executive Office of Health and Human Services**

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

**Medical Assistance Payments (93.778)**

<b>Federal Award Number:</b>	<b>0905MA5128</b>	<b>Federal Award Year:</b>	<b>2009</b>
	<b>0905MA5148</b>		<b>2009</b>
	<b>0905MA5021</b>		<b>2009</b>
	<b>0905MA5R21</b>		<b>2009</b>
	<b>0905MAMSEA</b>		<b>2009</b>

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

**Reference: 2009-42**

**Requirement**

A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

The financial management systems of other grantees and subgrantees must meet the following standards: (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. (3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes. (6) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc (45 CFR 92.20 (1), (2), (3), and (6)).

A State Plan must provide that the Medicaid agency and, where applicable, local agencies administering the plan will maintain an accounting system and supporting fiscal records to assure that claims for Federal funds are in accordance with applicable Federal requirements (42 CFR 433.32 (a)).

**Finding**

The Executive Office is responsible for the quarterly preparation of the CMS-64 and CMS-21 reports (the reports). The Executive Office prepared the quarterly reports from information primarily retained in the Medicaid Management Information System (MMIS) as well as from the Commonwealth's accounting system, MMARS, and information received in spreadsheets and memorandum from other agencies which is derived from MMARS. The Executive Office prepares quarterly spreadsheets to compile all the information for each line reported in the reports. Upon the completion of these spreadsheets, the Executive Office submits the reports

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

electronically and certifies the submissions on-line. We noted that the compilation of the quarterly reports is a very complex process that involved multiple data sources.

During our test of design of the management review of the CMS-64 and CMS-21 reports, it was demonstrated that a supervisor in the Federal Revenue unit uses a summary spreadsheet to aid in their review of the reports each quarter. We reviewed the summary spreadsheet for the March and June 2009 quarters and noted that they reconcile back to the CMS-64 and CMS-21 reports and the underlying quarterly spreadsheets that compile the information for the quarterly reports and provide for an adequate aid in reviewing the quarterly reports.

However, we noted that the procedures performed during the management review of the CMS-64 and CMS-21 reports are not documented nor is there any document signed that would indicate that the procedures were performed and if any exceptions were noted and/or corrected.

Documented management review and authorization are essential controls involving complex procedures to ensure that amounts reported to the Federal Government for program activities are accurate, are in compliance with the Federal regulations, and agree with the accounting records that support the audited financial statements and the schedule of expenditures of federal awards.

#### **Recommendation**

We recommend that the Executive Office enhance existing policies and procedures to ensure that federal reports have documented reviews by management prior to the submission to the federal government.

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

EOHHS agrees with the importance of internal controls related to the certification and submittal of the quarterly CMS 64 and CMS 21 forms. EOHHS affirms that procedures have been in place in SFY09 to ensure authorization and management review prior to the submission of federal reports.

EOHHS has documented ongoing controls which were in place during SFY09 in the document entitled "EOHHS Explanation of Federal Revenue Internal Controls – Monitoring 10/9/09". In this document, EOHHS outlines how the CMS 64 and CMS 21 are both reviewed by management before management instructs a staff person to certify the reports. The reviews include a thorough variance analysis for the Cost Allocation Plan and a review of spreadsheets with source documents for the rest of the administrative claim. For the program CMS 64 and CMS 21, the reviews include a management review of spreadsheets, spot checking calculations for accuracy, and the completion of a "Program Summary" which compares the federal MBES submittal to the source document. The "Program Summaries" for the CMS 64 (program) and CMS 21 must be reconciled to an immaterial variance before management instructs staff to certify the reports.

After discussion with KPMG, EOHHS has agreed to strengthen its management controls with proof of management sign-off at various levels of review for the CMS 21 and the administrative and program portions of the CMS 64. In addition, EOHHS has agreed to use its already existing "Index – Supporting Documentation" of the Federal Revenue Unit's CMS 64 Program workpapers as a checklist which can be used to document the various steps taken to review the CMS 64. This checklist would be signed off by management before submittal or recertification of the CMS 64. EOHHS agrees that these changes will strengthen and better document its management review process for federal report submittals.

**Contact:** Janice Axelrod, Director, Federal Revenue Claiming

**Implementation Date:** March 31, 2010

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Executive Office of Health and Human Services**

**State's Children Health Insurance Program (SCHIP) (93.767)  
Medical Assistance Payments (93.778)**

<b>Federal Award Number:</b>	<b>0905MA5128</b>	<b>Federal Award Year:</b>	<b>2009</b>
	<b>0905MA5148</b>		<b>2009</b>
	<b>0905MA5021</b>		<b>2009</b>
	<b>0905MA5R21</b>		<b>2009</b>
	<b>0905MAMSEA</b>		<b>2009</b>

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

**Reference: 2009-43**

**Requirement**

A State Plan must provide that the Medicaid agency and, where applicable, local agencies administering the plan will maintain an accounting system and supporting fiscal records to assure that claims for Federal funds are in accordance with applicable Federal requirements (42 CFR 433.32 (a)).

**Finding**

The Executive Office is responsible for the quarterly preparation of the CMS-64 and CMS-21 reports (the Reports). The Executive Office prepared the quarterly reports from information primarily retained in the Medicaid Management Information System (MMIS) as well as from the Commonwealth's accounting system, MMARS, and information received in spreadsheets and memorandum from other agencies which is derived from MMARS. The Executive Office reconciles the reports to MMARS and the information received from other agencies quarterly. Reconciliations are an essential procedure to ensure that amounts reported to the Federal Government for program activities agree with the accounting records that support the audited financial statements and the schedule of expenditures of federal awards.

During our audit, we noted that the Executive Office's reconciliation of the claims paid from MMIS and reported on the Reports to MMARS there was a cumulative \$1,533,854 unexplained variance at March 31, 2009. Amounts reported on the Reports were greater than the amounts reported in MMARS. The June 30, 2009 reconciliation which has historically been performed before the end of November each year has not been performed and will be delayed until March 2010 due to the implementation of a new Medicaid Management Information System (MMIS).

Questioned costs could not be determined as the difference noted above is not definitive until a complete reconciliation is performed between MMARS and the federal reports.

A similar finding was included in the prior year single audit report as finding 2008-42

**Recommendation**

We recommend that the Executive Office strengthen existing policies to regularly ensure that amounts claimed on the CMS-64 report agree with the Commonwealth's books and records.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**Views of Responsible Officials and Corrective Actions**

During FY09, EOHHS has completed a quarterly reconciliation of all CMS 64 expenditures which are paid through MMIS compared to MMARS as part of the corrective action plan for the FY07 and FY08 Single State Audits. EOHHS was able to reconcile the first three quarters of SFY08 to \$1.5M on gross expenditures of approximately \$8.9B. This represents a variance of approximately 0.017% between expenditures tracked on MMIS and MMARS. EOHHS is in the process of implementing and testing reports for a new claims processing system, NewMMIS, which went live in May, 2009. Since the NewMMIS system radically changes the source material for claiming on the CMS 64, EOHHS will continue to further reconcile this report once the NewMMIS reports are fully implemented.

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

EOHHS will continue to reconcile quarterly Medicaid claims on the CMS 64 with background and source materials from MMIS and MMARS for expenditures which were not paid through MMIS on a quarterly basis. During SFY10, EOHHS will redesign the MMIS to MMARS reconciliation report to reflect changes which have been made in NewMMIS. Upon implementation of the new reconciliation, EOHHS will continue to complete the quarterly reconciliations.

**Contact:** Janice Axelrod, Director of Federal Revenue Claiming

**Implementation Date:** June 30, 2010

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Executive Office of Health and Human Services**

**Medical Assistance Payments (93.778)**

<b>Federal Award Number:</b>	<b>0905MA5128</b>	<b>Federal Award Year:</b>	<b>2009</b>
	<b>0905MA5148</b>		<b>2009</b>

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

**Reference: 2009-44**

**Requirement**

A State plan must provide that the Medicaid agency and, where applicable, local agencies administering the plan will maintain an accounting system and supporting fiscal records to assure that claims for Federal funds are in accordance with applicable Federal requirements (42 CFR 433.32 (a)).

**Finding**

The Executive Office is responsible of the quarterly preparation of the CMS-64 report. During our testwork over the CMS-64 report we noted that the Executive Office did not report expenditures on Line 27 – Emergency Services Undocumented Aliens for any of the quarterly reports submitted during the audit period. Further, we noted during our testwork that the Commonwealth’s Medicaid Program does incur costs related to emergency services for undocumented aliens which are reported in the line items corresponding to the type of service provided.

The Executive Office is unable to report expenditures for emergency services for undocumented aliens as the claims payment system cannot separate these payments from payments made for emergency services for documented immigrants who are eligible for federal funding of emergency services. Expenditures for emergency services for undocumented and documented aliens for the period July 1, 2006 to June 30, 2007 were \$41,533,552, for July 1, 2007 to June 30, 2008 were \$45,527,459, and for July 1, 2008 to June 30, 2009 were \$45,746,028.

**Recommendation**

We recommend that the Executive Office revise existing policies and procedures to ensure that costs incurred for emergency services for undocumented aliens are reported on the correct line of the CMS-64 report.

**Related Noncompliance**

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

**Questioned Costs**

None

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Views of Responsible Officials and Corrective Actions**

The workplan to include Qualified Alien Citizens (QAC) which was projected to be finished on June 22, 2009 has been delayed due to changing the priorities related to implementation of NewMMIS. The project is part of the CMS-64 enhancement workplan, and is tentatively planned for the release that will also include changes to support the changes CMS has made in the CMS-64 reporting electronic reporting system, the CMBES. The Executive Office is hoping to have this implemented for the quarter ending March 31, 2010, although this is pending Data Warehouse prioritization.

**Contact:** Janice Axelrod, Director, Federal Revenue Claiming

**Implementation Date:** March 31, 2010

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Executive Office of Health and Human Services**

**Medical Assistance Payments (93.778)**

<b>Federal Award Number:</b>	<b>0905MA5128</b>	<b>Federal Award Year:</b>	<b>2009</b>
	<b>0905MA5148</b>		<b>2009</b>

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

**Reference: 2009-45**

**Requirement**

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) and the providers must make certain disclosures to the State (42 CFR part 455, subpart B (sections 455.100 through 455.106)).

Before the Medicaid agency enters into or renews a provider agreement, or at any time upon written request by the Medicaid agency, the provider must disclose to the Medicaid agency the identity of any person who: (1) Has ownership or control interest in the provider, or is an agent or managing employee of the provider; and (2) Has been convicted of a criminal offense related to that person's involvement in any program under Medicare, Medicaid, or the Title XX services program since the inception of those programs (42 CFR 455.106 paragraph (a)).

The Medicaid agency may refuse to enter into or may terminate a provider agreement if it determines that the provider did not fully and accurately make any disclosure required under paragraph (a) of this section (42 CFR 455.106 paragraph (c)).

**Finding**

The Executive Office has established the Provider Enrollment and Credentialing Department (PEC), whose mission is to ensure that providers meet the required applicable criteria to be an eligible Medicaid provider including reviewing and approving applications, verifying provider licensing and managing the disclosure requirements.

PEC has developed written policies and procedures regarding the processing of new enrollment applications and ongoing provider file maintenance and integrity. Each provider is required to complete a comprehensive application and disclosure process, prior to participation. Applications are reviewed and verified against standards for provider type by the Customer Service Team (CST) contractor. While providers are required to report changes in status within 14 days, the CST and PEC are connected to various information sources to determine material changes in status. PEC also updates all applicable provider information in a three year re-credential cycle at which time PEC obtains the required updated disclosures.



## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

During our testwork, we selected 53 providers, which received approximately \$860 million in total payments during the Commonwealth's fiscal year 2009 to ensure the PEC followed their policies and procedures and the participating practitioners were licensed, had agreements in place and made proper disclosures. 13 of the providers sampled were providers enrolled in or after fiscal year 2005 when the three year re-credential cycle began and the remaining 40 providers were previously enrolled in the program prior to fiscal year 2005.

We noted that PEC enrolled all providers selected in accordance with the established controls and in accordance with the Federal Regulations including receiving and approving applications and verifying licensing. However, we noted of the 40 previously enrolled providers 24 which received approximately \$625 million in Medicaid payment did not provide updated disclosures as requested by PEC. Subsequent to our testwork, PEC requested updated disclosures for the 24 providers and obtained all but one, a governmental transportation agency. PEC did not have a policy or process in place to obtain disclosures from a governmental transportation agency.

#### **Recommendation**

We recommend that the Executive Office adhere to or enhance their existing policies and procedures to ensure that Federal requirements are complied with.

#### **Related Noncompliance**

The Executive Office was not in compliance with the requirement stated above.

#### **Questioned Costs**

None

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

##### INTRODUCTION

MassHealth recognizes the need to expand upon current practices to establish a clear operational practice for defining and meeting provider periodic disclosure requirements. The agency is currently engaged in a best practice assessment of its entire MassHealth customer service platform, including provider enrollment and credentialing, and through this assessment the agency will identify and implement a long term strategy for PEC operations, including a process and schedule for capturing period disclosures. Until that time, MassHealth is initiating a number of activities in Fiscal Year 2010 aimed at cleaning up files prior to 2004, the year our current outsourced vendor began operations, and capturing periodic disclosures for high risk provider types.

This multi tiered approach for FY10 will leverage our relationships with the Department of Public Health and other State Programs to quickly capture disclosure information on certain provider types, such as Community Health Centers, Nursing Homes, Hospice, Home Health providers, and Transportation providers. By addressing disclosure requirements for these provider types via our relationship with other State entities, MassHealth decreases risk associated with these providers who were enrolled with MassHealth prior to 2004. MassHealth recognizes that the concept of leveraging relationships with other State entities does not alleviate the needs to establish a "clean up" cycle for reviewing files for these provider types; however it does serve as a good control for making progress this fiscal year.

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

In addition to leveraging our relationships with other State programs to capture disclosure information on certain provider types, MassHealth is going undertake a “clean up” process for Group Practice files. Strategically, MassHealth is prioritizing this provider type for two main reasons. First, disclosure information for all other provider types will be collected via our relationships with other entities, thus making the need to “clean up” their files a lower priority. Secondly, by tackling Group Practices, MassHealth will be reviewing groups with multiple servicing practitioners who provide services for many MassHealth members.

Below you will find additional detail on the State’s multi tiered corrective action plan for State Fiscal Year 2010.

#### INCREASING COLLECTION OF DISCLOSURE INFORMATION

##### **Department of Public Health (DPH) disclosure process:**

Meetings with the Department of Public Health (DPH) are being scheduled in an effort to leverage and enhance their current disclosure process for several of our MassHealth provider types such as Community Health Centers, Nursing Homes, Hospice and Home Health providers. Either by strengthening language in EOHHS’ ISA with DPH or by requesting additional disclosure documents in their current requests from providers, this will benefit MassHealth and providers from reducing redundancy of this process.

Meetings for implementation of this process will be bi-weekly starting in February and will proceed until full implementation of these periodic disclosures elements are instituted; target end date is by June 30, 2010. These meetings will be tracked by project management and provider operations.

##### ***Programs with ISAs, RFAs:***

We are working with Human Services Transportation (HST), the Office of Acute and Ambulatory Care (OAAC), and Office of Long Term Care OLTC), program staff to enhance disclosure language used during their annual contract renewal process in order to obtain our future periodic review data. This will reduce duplicate efforts and allow us to obtain information in a timely manner.

##### ***Portal enhancements:***

With automation becoming a significant portion of the current business model, and it’s increasing of the number of providers electing to conduct business transactions in this manner, we are utilizing the use of our Provider On-Line Service Center (POSC) to communicate, advise and enforce the regulations and policies that are today only conveyed through the paper claim process.

Our plan is to provide language consistent with Single State audit recommendations which would appear when a provider elects to do a claim submission either through our Direct Data Entry (DDE) option or a batch transaction or any type of account inquiry, accessing.

We shall also include the requirement of this attestation when a provider submits other batch transactions such as an eligibility inquiry and response (270-271) or a claim status inquiry and response (276-277).

An additional enhancement that we are reviewing is designing an “I agree” button that an authorized agent must click in order to proceed to the next step of the transaction submission. A tracking feature would also be pursued. An assessment of cost as well as feasibility for completing in FY 2010 is being done.

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

#### ***Provider Updates through the Portal:***

Again leveraging the Provider On-Line Service Center (POSC) Providers can now file updates and additional disclosure information using the POSC in lieu of paper. To promote this feature, education and communication material will showcase this functionality as well as its importance. Starting in February providers will begin seeing topic specific messages on the virtual gateway, provider remittance advices, and on Mass.Gov. Trainings for our newly enrolled as well as existing providers will dedicate a segment on this topic.

#### **PROVIDER FILE INTEGRITY PLAN (GROUP PRACTICE CLEAN UP)**

In addition to implementing technology opportunities and enhancing language that will further support the requirement to obtain periodic disclosures, we developed a strategy that addresses providers who may not be addressed through the above approaches, and are considered high risk provider types for Provider file integrity.

We begin our selection with Group Practices. The structure of Groups Practices require both validation of the corporation and the servicing practitioners that make-up this provider type. It is the continual flow of servicing providers enrolling or dis-enrolling within a Group Practice, and the potential changes within the corporate structure itself that make this provider type our first selection for provider file integrity.

Starting in February 2010 through June 30, 2010, we will begin the selection of Group Practice files starting in year 2004 and working backwards through 2001 for a total of 802 files. The 802 providers will receive a package pertaining to the items listed below. Currently we have established a work group dedicated to this provider type. This work group will allow us to receive timely updates from some of those providers who have been selected and provide feedback on the process. This will allow us to make adjustments to the process that requires more assistance. We will again utilize the assistance of our project contract management staff to support the various aspects of this effort.

The following disclosure documents will be obtained for these files:

- Party and interest appendix
- Attestation (updated agreement)
- TPA if needed
- Updated list of practitioners participating in the group with an attestation from the group that all individual practitioners have been credentialed by the group.

#### **ADDITIONAL IMPROVEMENTS**

##### ***Policy and Procedure modifications:***

With the implementation of the NewMMIS it is necessary to update those documents that will provide clarity on how PEC has in past years and will now be conducting its business. Efforts on this process have begun and will be completed by June 30, 2010.

In an effort to bring clarity to all our MassHealth programs, we will be creating a program grid that will reflect where disclosure information is maintained e.g. Nursing Home disclosure information that is maintained by DPH.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Contact:** Joshua Ruminski, Deputy Director, MassHealth Operations  
Janice Wadsworth, Director, Provider Operations  
Elizabeth Abbott-Graves, Director, Vendor Operations, MassHealth Operations

**Implementation Date:** June 30, 2010

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Executive Office of Health and Human Services**

**Medical Assistance Payments (93.778)**

<b>Federal Award Number:</b>	<b>0905MA5128</b>	<b>Federal Award Year:</b>	<b>2009</b>
	<b>0905MA5148</b>		<b>2009</b>

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

**Reference: 2009-46**

**Requirement**

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

**Finding**

During our testwork, we selected 40 program participants receiving benefits from the Medical Assistance program that used the MA-21 eligibility system. In order to continue eligibility, the Executive Office is required to re-determine the eligibility of program recipients with respect to circumstances that may change at least every 12 months. In our selection of 40 program participants with total gross claims of \$9,966,551, we noted that the re-determination for seven participants was not performed after 12 months of program participation.

Executive Office research on one of the participants with gross medical assistance payments made during the year under audit of \$796,039, found that the participant was from a mixed household where the adults are covered under the State funded Commonwealth Care program, and the children were covered under the State's Federal participating Medical Assistance Program. This participant did have a re-determination completed; however it was done 10 months after the date required. The Executive Office was able to substantiate eligibility during the re-determination period in question.

Executive Office research on the other six participants with gross payments made during the year under audit of \$875,298, found that the participants were Department of Mental Retardation (DMR) cases. The Executive Office explained that due to a State Plan waiver, beginning in the fall of 2006 and through the spring of 2009 the DMR cases were moved from the DMR eligibility system to the State's Medicaid eligibility system, MA-21. During this transition and currently, re-determinations were not made on the approximately 2,100 DMR cases. The Executive Office was able to substantiate eligibility for the six DMR cases during the re-determination period in question.

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

We also selected ten program participants whose eligibility and redeterminations were determined by the Department of Transitional Assistance (DTA) and the Executive Office of Health and Human Service (EOHHS) using a system other than the MA-21 eligibility system. The DTA program participants are those who also receive other benefits such as Food Stamps or Temporary Assistance to Needy Families and the EOHHS program participants are generally confined to long-term care facilities.

In order to continue eligibility, DTA and EOHHS are required to re-determine the eligibility of program recipients with respect to circumstances that may change at least every 12 months. In our selection of ten program participants with total gross claims of \$2,640,617, we noted the following:

- In the five DTA cases selected we noted that eligibility re-determinations for two participants with \$331,659 in gross claims paid on their behalf were not performed within 12 months of their last re-determination.
- In the five long-term care cases selected we noted that eligibility re-determinations for three participants with \$448,147 in claims paid on their behalf were not performed within 12 months of their last re-determination.

Questioned costs were determined by calculating the Federal financial participation percentage (50%) amount for the amounts paid for the DTA (\$331,659) and the long-term care (\$448,147) participants that could not substantiate eligibility during the re-determination period.

#### **Recommendation**

We recommend that the Executive Office adhere to their existing policies and procedures or review the current policies and procedures to ensure that Federal requirements are complied with or that the implemented policies and procedures were designed to ensure compliance with the Federal requirements.

#### **Related Noncompliance**

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

#### **Questioned Costs**

\$389,903

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

*Mental Retardation Waiver (DMR) Financial Eligibility Annual Review Omission*

##### Waiver Purpose

The purpose of the DMR waiver is to provide community-based supports to adults with mental retardation who have been determined through an assessment process to require supports to reside successfully in the community. Included in this waiver are individuals with a variety of needs that can be met through supports that range from basic to intensive levels. Some participants may live in a home that they manage or their family home with natural supports. Other participants may have significant behavioral, medical and/or physical support needs and require 24 hour supports outside of their homes due to the absence of available natural supports and services that can meet their needs in a setting that is less than 24 hours. The population to be served includes individuals moving from ICF/MRs, individuals diverted from nursing facility admission, young adults aging out of the

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

educational system and individuals whose needs and caregiver circumstances have become more complex and now require support to maintain their status in the community.

#### Goal:

The goal of this waiver is to provide support to these individuals in their communities to obviate the need for more restrictive institutional care. A second goal is to construct for consumers a clear and equitable gateway to these supports based on the administration of a consistent standard assessment and prioritization process and clear pathways to services.

#### DMR Waiver Organizational structure:

The Department of Mental Retardation (DMR) is a state agency within the Executive Office of Health and Human Services (EOHHS). DMR is responsible for providing supports for day-to-day operation of this waiver. EOHHS the Single State Medicaid Agency oversees the Department's operation of the waiver.

The Department is organized into four geographical Regional Offices with 24 Area Offices assigned to the regions. Intake and Eligibility into the system occurs at the regional level through a dedicated group of Waiver Eligibility Teams. These teams collect information and conduct assessments used to determine if the individual meets the agency's clinical eligibility criteria. If determined eligible, individuals are assigned to the Area Office nearest the city or town where they live. The Area Office builds on the information and assessments collected during the eligibility process to determine prioritization for services, service needs and funding level and initial financial eligibility for the waiver.

#### MassHealth eligibility support structure

Recognizing the DMR waiver members represents a vulnerable population with sensitive care needs a decision was made to designate case maintenance activities exclusively to one MassHealth Enrollment Center (MEC) located in Tewksbury. Specific MEC staff was designated to work closely in coordination with DMR Waiver staff to facilitate necessary eligibility information for the purpose of processing initial and ongoing financial eligibility.

#### Systems eligibility support structure – PACES/MA-21 conversion

EOHHS has been working to decommission the PACES eligibility system where certain "Traditional" populations reside. The DMR waiver population has historically resided within the PACES system.

In June of 2005 the MA-21 eligibility system was enhanced to accommodate eligibility determinations for the DMR waiver population and all "new" waiver eligible members were established within the MA-21 system. An initial exclusion from normal annual review selection in MA21 was established to enable the limited human resources assigned to focus fully on the task of caseload conversion via the appropriate completion and processing of an annual review form. In June 2008 this exclusion was removed to enable MA21 to select DMR waiver members for annual review via routine systems logic. The caseload conversion effort which began in November 2006 and lasted until spring of 2009 proved to be too burdensome in conjunction with the caseload conversion reviews. In response, MassHealth Operations recognized the ability to accomplish both tasks was unmanageable and once again forced a temporary suspension of MA21 systems logic to select members for automated MA21 for annual review. In both instances of suspending MA21's automated selection process for annual review, the decision was made based on the fact that many of these individuals have been on Medicaid for over 20 years and their clinical and financial situation seldom changes.

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

#### Single State Audit case selection findings for DMR Waiver members

Eligibility Operations reviewed the six DMR Waiver members selected for the Single State Audit and found that all members met continuous eligibility criteria for the waiver benefits.

Eligibility Operations and DMR staff met to strategize on a corrective action plan to review all members on MA-21 by June 30, 2010. The plan will be managed in coordination with MassHealth Eligibility Operations staff and DMR Regional Directors to spread out the eligibility reviews over an 8 month period. This will provide available DMR and MassHealth human resources the needed time to gather and process needed documentation to support the annual review.

The Tewksbury MEC will continue to be the designated responsible party for the intake and initial eligibility processing of all new DMR waiver applicants referred by DMR.

To ensure adequate human resources are available for the ongoing successful completion of annual reviews within MA21 responsibility for this task has been designated to all four MassHealth Enrollment Centers (MEC's) across the state. An operations memo, training and desk guide materials have been distributed to ensure good understanding with all eligibility staff within the statewide MECs.

Effective 7/1/10 the DMR population will be subjected to existing MA21 internal controls for automated/systems generated annual review selections.

#### Single State Audit case selection findings for the NON-DMR case

This non-DMR member had a FY 2009 audit finding of a gap in annual review. This case was identified as part of the 2008 SSA year findings to which MassHealth provided a response establishing a conscious decision was made by MassHealth Operations to delay annual reviews for "mixed households" during the time the agency was implementing the State's Massachusetts Health Care Reform Act. (Note: Mixed households are defined as households consisting of both Commonwealth Care and MassHealth members)

MA21's annual review history for this non-DMR member reflects an annual review was completed on 01/29/07, a time when the member's household did not meet the definition of a "mixed household". As a direct result of MassHealth Operations deliberate action to begin, for the first time, to perform annual re-determinations on the "mixed household" caseload, on 10/20/08 a subsequent annual review was completed for this member. We do not believe this gap constitutes a finding since we reviewed the case within the 2009 fiscal year and brought the "mixed household" caseload into compliance within the 2009 fiscal year.

#### Second Audit Selection of 5 PACES LTC cases

Of the five long term care cases selected for audit review auditors found omissions of annual review on three of the members. The state acknowledges the fact that there is not supporting documentation for the omissions, however in one of the cases a review occurred on 11/21/08, on another case a review occurred on 01/28/09 and the third, on 11/14/09.

In all cases the members continued to meet eligibility criteria. By virtue of the fact that all 3 members are long residents of a Long Term Care facility they represent stable eligibility criteria in terms of their incomes and assets. In addition most of the members' only source of income is via a Social Security Benefits.



**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Systems eligibility support structure

The eligibility system has an internal control to perform routine/scheduled electronic data matches with the Social Security Administration which ensures accurate updates of SSA income as changes occur and always in the event of a Cost Of Living Adjustment (COLA) increase.

MassHealth eligibility support structure

The Long Term Care caseload annual review selection cycle is managed by a designated senior manager at the Springfield MEC who on a monthly basis receives a report of all LTC cases due for the annual review. This report is geographically segregated by MEC ownership and distributed to each MEC Director. Respective MEC's engage in the process to issue an annual review form to the member with communication about requirements to comply with the process.

The Director of MassHealth Eligibility Processing employs an internal control which ensures all long term care cases are in compliance with the annual review requirement. The internal control monitors caseload report data to ensure respective MEC's are compliant with meeting their monthly annual review expectations.

The CAP goal is to ensure the LTC caseload is compliant with annual reviews by 6/30/10. Additionally, MassHealth Operations is working on a major systems enhancement effort which will establish the ability to determine eligibility for LTC members within the MA21 system. We anticipate a targeted delivery date of July 1, 2010 which will establish the capacity to integrate this population into the MA-21 system where logic exists for automated selection of annual reviews.

Single State Audit case selection findings for 5 Department of Transitional Assistance (DTA) members

Of the five DTA cases selected for audit review, auditors found two to be out of compliance with the annual review. MassHealth Eligibility Operations and DTA leaders have discussed a strategy for a corrective action plan. Beginning January 2009 DTA began a self-initiated CAP with the goal of having the caseload in compliance with the annual review by 6/30/10.

While two of the selected DTA cases had not had a full eligibility review, DTA requires members to report all changes. Additionally, some members are subjected to monthly reports and informal reviews of eligibility via change report activities. DTA's Assistant Commissioner of Field Operations has requested a monthly monitoring report of cases overdue for the annual review and has assigned Regional Directors the responsibility of monitoring the CAP. On July 1, 2010 DTA will provide MassHealth with a report to assure MassHealth that the caseload eligible for Medicaid are compliant with annual review.

The CAP plan will be managed and monitored by DTA's Assistant Commissioner of Field Operations. Periodic CAP progress reports will be provided to the Director of MassHealth Eligibility Processing.

**Contact:** Amy Andrade, Director MassHealth Eligibility Processing  
Joseph Sousa, Program Coordinator, MassHealth Member Policy  
Implementation Unit

**Implementation Date:** June 30, 2010

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Executive Office of Health and Human Services**

**Medical Assistance Payments (93.778)**

<b>Federal Award Number:</b>	<b>0905MA5128</b>	<b>Federal Award Year:</b>	<b>2009</b>
	<b>0905MA5148</b>		<b>2009</b>

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

**Reference: 2009-47**

**Requirement**

If a check remains uncashed beyond a period of 180 days from the date it was issued, i.e., the date of the check, it will no longer be regarded as an allowable program expenditure. If the State has claimed and received Federal Financial Participation (FFP) for the amount of the uncashed check, it must refund the amount of FFP received. At the end of each calendar quarter, the State must identify those checks which remain uncashed beyond a period of 180 days after issuance. The State Agency must refund all FFP that it received for uncashed checks by adjusting the Quarterly Statement of Expenditures for that quarter. If an uncashed check is cashed after the refund is made, the State may file a claim. The claim will be considered to be an adjustment to the costs for the quarter in which the check was originally claimed. This claim will be paid if otherwise allowed by the Act and the regulations issued pursuant to the Act. If the State does not refund the appropriate amount as specified in this section, the amount will be disallowed. If the State has claimed and received FFP for the amount of a cancelled (voided) check, it must refund the amount of FFP received. At the end of each calendar quarter, the State Agency must identify those checks which were cancelled (voided). The State must refund all FFP that is received for cancelled (voided) checks by adjusting the Quarterly Statement of Expenditures for that quarter. If the State does not refund the appropriate amount as specified in this section, the amount will be disallowed (42 CFR 433.40 (c) and (d)).

**Finding**

The Executive Office relied on the Office of the State Treasurer to provide the value of uncashed and purged checks on a quarterly basis to be included on the CMS-64 report. During our testwork we reviewed three quarterly CMS-64 reports noting the following:

For the quarter ended September 30, 2008, the Treasurer's Office was unable to provide purged checks information due to information system limitation.

- For the quarter ended March 31, 2009, the dates of the outstanding checks ranged from January 18, 2008 through March 26, 2008 and had a value of \$113,124.
- For the quarter ended June 30, 2009, the dates of the outstanding checks ranged from April 1, 2008 through June 25, 2008 and had a value of \$133,181.

Based on our review, it does not appear that the Federal Financial Participation of uncashed checks with issuance dates greater than 180 days are refunded in accordance with Federal regulations.

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Questions costs could not be determined as the value of outstanding checks greater than 180 days are not known.

**Recommendation**

We recommend that the Executive Office work with the Office of the State Treasurer to modify their existing policies and procedures to ensure that the Executive office receives the appropriate information to ensure checks that remain uncashed beyond a period of 180 days are refunded as required by Federal requirements.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**Views of Responsible Officials and Corrective Actions**

EOHHS has been working with the Office of the State Treasurer (TRE) to bring reports filed on the quarterly CMS-64 related to purged checks in line with federal regulations. Historically, TRE has purged uncashed checks after 365 days and then forwarded information on the purged checks to EOHHS for inclusion on the CMS 64 report. However, federal regulations require that FFP claimed on checks must be refunded to the federal government if not cashed within 180 days. Also, in the past, reports on purged checked were not always forwarded by TRE on a timely basis, compounding the timing problem for the CMS 64 submittal.

EOHHS has communicated with staff at TRE to attempt to resolve these problems. TRE was responsive to solving the problems related to sending reports to EOHHS on a timely basis. EOHHS is pleased to report that reports on purged checks are now received regularly. EOHHS Federal Revenue is now able to included data on purged checks on a regular basis.

EOHHS and TRE have previously met regarding purging checks at 180 days. EOHHS plans to enter into further discussions with TRE and the Office of the State Comptroller concerning this issue.

**Contact:** Jackie Harris, Executive Office of Health and Human Services, Director of Accounting  
David Margas, Executive Office of Health and Human Services, Accounting Manager

**Implementation Date:** February, 2010

**COMMONWEALTH OF MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Executive Office of Health and Human Services**

**Medical Assistance Payments (93.778)**

<b>Federal Award Number:</b>	<b>0905MA5128</b>	<b>Federal Award Year:</b>	<b>2009</b>
	<b>0905MA5148</b>		<b>2009</b>

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

**Reference: 2009-48**

**Requirement**

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

**Finding**

During our testwork regarding the requirement above, we noted that the Executive Office has not had in the past two years a review of the ADP system security for the Executive Office's Medicaid Management Information System (MMIS). The Executive Office replaced its MMIS with a new MMIS in May of 2009.

A similar finding was reported in the prior year single audit report as finding 2008-43.

**Questioned Costs**

None

**Views of Responsible Officials and Corrective Actions**

EHS is currently completing a Self Audit Questionnaire on all applications containing Personal Information. Once completed, its accuracy will be attested to by the Secretariat Chief Information Officer, the Information Security Officer and the Internal Control Officer. The Self Audit Questionnaire will then be submitted to and reviewed by security staff from the Massachusetts Information Technology Division and audit staff from the Massachusetts State Auditors Office. The Medicaid Management Information System (MMIS) has been included in this Audit.

Part A of the Questionnaire "ISP and ESP Compliance Assessment" is designed to support the assessment of the organizations compliance level associated with the laws, regulations, policies, standards, guidelines, contractual obligations and applications identified in the most recently approved Electronic Security Plan.

## COMMONWEALTH OF MASSACHUSETTS

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part B of the Questionnaire “Information Security Program Management Review” is designed to support the review of an organization’s information security management program. This review is focuses on the following security areas:

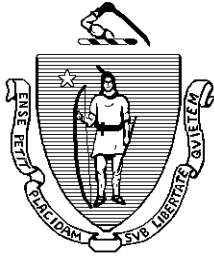
- Risk Management,
- Security Policy,
- Organization of information security,
- Asset Management,
- Human Resources Security,
- Physical and environmental Security,
- Communications and operations management,
- Access control,
- Information systems acquisition, development and maintenance,
- Information security incident management,
- Business continuity management,
- Compliance

**Contact:** Catherine Moriarty, Chief Security Officer EOHHS  
Russ Murray, Acting Security Officer, MassHealth

**Implementation Date:** June 30, 2010

**SUMMARY OF PRIOR YEAR'S FINDINGS  
AND QUESTIONED COSTS**

(Not Covered by Auditors' Reports)



Martin J. Benison  
Comptroller

***Commonwealth of Massachusetts  
Office of the Comptroller  
One Ashburton Place, Room 901  
Boston, Massachusetts 02108***

Phone (617) 727-5000  
Fax (617) 727-2163  
Internet <http://www.mass.gov/osc>

**Commonwealth of Massachusetts  
Summary Schedule of Prior Year Audit Findings  
FY 2009**

The attached schedule lists the finding reference number, CFDA, program, and description for each of the findings included in the fiscal year 2008 Single Audit Report. The Schedule indicates a "Y" if the corrective action plan (CAP) was fully implemented and an "N" if the CAP was not fully implemented. If not fully implemented, an updated CAP is included.

## Commonwealth of Massachusetts

## Single Audit

## FY2009 Prior Year Findings Summary

Final Finding Reference	Dept.	CFDA Number	Program(s)	Related Compliance Requirement	Description/Summary	Implemented	Corrective Action Plan
2008-12	DPH	93.268 10.557 93.959	Immunization Grants WIC SAPT	Allowable Costs/Cost Principles	Support of salaries and wages not in accordance with OMB Circulat A-87	Y	
2008-13	DWD	17.225 17.258 17.259	Unemployment Insurance WIA Cluster	Reporting	Inadequate segregation of duties of preparing and submitting reports to the Federal government	Y	
2008-14	MHD	20.205	Highway Planning and Construction	Allowable Costs/Cost Principles	Support of salaries and wages not in accordance with OMB Circulat A-87; Approved timesheet could not be located for two individuals selected.	Y	
2008-15	MHD	20.205	Highway Planning and Construction	Davis-Bacon	Payroll certifications are not obtained from contractors and subcontractors prior to payment by MHD	N	The new software package allows contractors to file their certified payrolls electronically and will allow the payrolls to be viewed as needed. This program is expected to be fully implemented during FY 2010.
2008-16	MHD	20.205	Highway Planning and Construction	ST - Materials Sampling Program	A complete listing of materials tested during the year could not be provided.	Y	
2008-17	WSC	84.038	Student Financial Aid Cluster	Program Income	Perkins Loan program income not identified and retained in program fund	Y	
2008-18	WSC	84.007 84.033	Student Financial Aid Cluster	ST-Title IV Returns	Westfield did not properly calculate Return of Title IV program funds	Y	
2008-19	WSC	84.033	Student Financial Aid Cluster	ST - College Work Study	Inadequate controls over the FWS payroll process	Y	
2008-20	WSC	84.032	Student Financial Aid Cluster	ST - Student Status Changes	Did not update student status changes timely	Y	
2008-21	MWC	84.032	Student Financial Aid Cluster	ST - Student Status Changes	College reported status to to clearinghouse but clearing house did not promptly transmit from the colleges to the NSLDS	Y	
2008-22	BRC	84.033	Student Financial Aid Cluster	ST - College Work Study	Inadequate controls over the FWS payroll process	Y	
2008-23	BRC	84.032	Student Financial Aid Cluster	ST - Student Status Changes	Not updated NSLDS as required by Federal regulaton	N	The College agrees with the assessment that the corrective action plan to address the specific issues mentioned in the auditors report was not implemented until July 2009, which was outside the scope of the testing performed by the auditors. The corrective action taken by the College in July 2009 remains in affect and the College now believes it is in full compliance with timely and accurate reporting of student status changes.



**Commonwealth of Massachusetts**

**Single Audit**

**FY2009 Prior Year Findings Summary**

<b>Final Finding Reference</b>	<b>Dept.</b>	<b>CFDA Number</b>	<b>Program(s)</b>	<b>Related Compliance Requirement</b>	<b>Description/Summary</b>	<b>Implemented</b>	<b>Corrective Action Plan</b>
2008-24	<b>MRC</b>	84.126	Vocational Rehabilitation Services	Eligibility	Eligibility determinations not being made within 60 days	N	In January, 2009, the VR Assistant Commissioner began issuing monthly reports on cases out of compliance. Offices were required to provide a corrective action plan to improve compliance. Average non compliance rates were reduced from over 22% to less than 6%.
2008-25	<b>MRC</b>	84.126	Vocational Rehabilitation Services	Program Income	Understatement of program income of \$172K.	Y	
2008-26	<b>DOE</b>	84.367 84.010	Title I Grants to LEAs Improving Teachers' Quality	Special Test (Charter Schools)	Charter schools were not allocated funds.	Y	
2008-27	<b>DOE</b>	84.367	Improving Teacher Quality	Earmarking	Five instances where schools in corrective action transferred Title II funds	N	The quality review team will receive a list of all districts in Corrective Action status prior to grant reviews. Adjustments and communication will be made if necessary. A rubric is saved in each districts folder that identifies the districts inability to transfer funds.
2008-28	<b>DTA</b>	93.558	TANF	Special Test (ST) - NonCooperation Child Support	Were not sanctioned for not cooperating with enforcing a support order.	Y	
2008-29	<b>DTA</b>	93.558	TANF	Eligibility	Convicted felon of a drug charge was receiving benefits before she was eligible.	Y	
2008-30	<b>DTA</b>	93.558	TANF	Eligibility	Dependents were removed from home by DSS or DYS and the HOH did not notify DTA nor were benefits sanctioned in a timely fashion for the absent children.	Y	
2008-31	<b>DTA</b>	10.561 93.558	Food Stamps TANF	Allowable Costs/Cost Principles	Undercharging costs to program due to changes made to MMARS that were not picked up until next fiscal year and not charging certain FB to grants	Y	
2008-32	<b>DOR</b>	93.563	Child Support Enforcement	ST - Establishment of Paterity and Support Obligations	Cases were not opened within 20 days of being received as required	N	CSE has made significant progress in its effort to introduce imaging technology that had been in the planning stages at the time when the audit response was given in 2008.

Final Finding Reference	Dept.	CFDA Number	Program(s)	Related Compliance Requirement	Description/Summary	Implemented	Corrective Action Plan
2008-33	DOR	93.563	Child Support Enforcement	ST - Securing and Enforcing Medical Support Obligations	The COMETS system had identified that an employer for the NCP had been located but a letter was not immediately sent out.	N	CSE is in the process of implementing the following enhancements to improve the enforcement of medical support orders: 1)Amending its legislation to include penalties that CSE can impose on employers for failure to comply with the NMSN; and 2)Creating an interface with our Medicaid agency that will provide updated health insurance information.
2008-34	DSS	93.658 93.667	Foster Care Social Service Block Grant	Cash Management	Drawdowns not in compliance with TSA	Y	
2008-35	DSS	93.556 93.566 93.599 93.658 93.659 93.669 93.671 93.674	Promo Safe Families Refugee and Entrant Chafee Education Foster Care Adoption Asstist Child Abuse/Neglect Family Violence Chafee Foster Care	Allowable Costs/Cost Principles	Support for direct wages and missing timesheet	N	Semi-annual certification statements are being produced for senior management review and signature, listing any employee who is 100% federally funded. The signed certification statements are maintained in the office of the CFO. Guidance to senior managers, reminding them of the requirements associated with payroll time/attendance and supporting documentation has been drafted and will be distributed within the 1st quarter of state fiscal year 2010.
2008-36	DSS	93.558 93.659 93.667	Foster Care Adoption Assistance Social Service BG	Allowable Costs/Cost Principles	Department did not meet its approved valid moments for its RMTS	Y	
2008-37	DSS	93.558 93.659 93.667	Foster Care Adoption Assistance Social Service BG	Allowable Costs/Cost Principles	Exceptions with the FTE count methodology, no support for one charge to the PACAP and a misapplication of a fring rate	Y	
2008-38	EEC	93.575 93.596	Child Care Cluster TANF	Subrecipient Monitoring	Inadequate subrecipient monitoring	Y	
2008-39	EEC	93.575 93.596	Child Care Cluster	Allowable Costs/Cost Principles	Inadequate controls over accounts receivable	N	Expendable trust account draft language submitted to CTR for review on 2/8/10.
2008-40	EEC	93.575 93.596	Child Care Cluster	Procurement	Not in compliance with contract pocurement regulations	N	The FY2009 single state audit includes a finding related to EEC's non-compliance with the Commonwealth's competitive procurement requirements under 801 CMR 21:00. While the Department is still in the process of coming into full compliance with these requirements, the Procurement Management Team (PMT) has developed a project structure and internal protocol for managing contract procurements and is nearing the completion of the bidding process for the income eligible financial assistance program, the Department's largest contract program. EEC expects to make contract award announcements for this program in July of 2009.

**Commonwealth of Massachusetts**

**Single Audit**

**FY2009 Prior Year Findings Summary**

<b>Final Finding Reference</b>	<b>Dept.</b>	<b>CFDA Number</b>	<b>Program(s)</b>	<b>Related Compliance Requirement</b>	<b>Description/Summary</b>	<b>Implemented</b>	<b>Corrective Action Plan</b>
2008-41	<b>EHS</b>	93.767	SCHIP	Eligibility	Re-determinations not performed in accordance with the Federal guidelines	Y	
2008-42	<b>EHS</b>	93.778 93.767	Medicaid Cluster SCHIP	Reporting	Significant variance with the reconciliation being performed between amounts claimed and MMARS	N	EOHHS has continued to reconcile quarterly Medicaid claims on the CMS 64 with MMIS and MMARS. EOHHS has agreed that once NewMMIS is in place, EOHHS will redesign the report to reflect changes which have been made in NewMMIS. EOHHS will attempt to identify any variances in the reconciliation upon implementation of NewMMIS and completion of the NewMMIS reports which are used to complete the federal draws and CMS 64 submission. Since the implementation of NewMMIS was delayed until late May, 2009, EOHHS will not be able to attempt to reconcile the NewMMIS claims on the CMS 64 with MMARS by June 30, 2009. EOHHS plans to develop a new process to reconcile quarterly Medicaid claims on the CMS 64 with MMIS and MMARS during SFY2010.
2008-43	<b>EHS</b>	93.778 93.767	Medicaid Cluster SCHIP	Special Test (ST) - ADP Security Reviews and Risk Analysis	Informal management reviews of end-user access and formal documentation evidencing review was not retained by EHS.	N	Formal access reviews were completed for MA21 and MMIS. The network LAN access review is in progress with six offices completed and five office reviews remaining. Due to budget constraints EOHHS was unable to procure an external audit in FY09. However, due to certification requirements for NewMMIS, EOHHS will have a thorough external review in FY10.
2008-44	<b>EHS</b>	93.778	Medicaid Cluster	Eligibility	Re-determinations not performed in accordance with the Federal guidelines	Y	
2008-45	<b>ITD</b>	All	All	Allowable Costs		Y	