



COMMONWEALTH OF MASSACHUSETTS

OMB Circular A-133 Report

June 30, 2010

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June 30, 2010

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Report on Supplementary Schedule of Expenditures of Federal Awards

Mr. Martin Benson, Comptroller
Commonwealth of Massachusetts:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts (the Commonwealth), as of and for the year ended June 30, 2010, which collectively comprise the Commonwealth's basic financial statements and have issued our report thereon dated January 18, 2011. Our report was modified to include a reference to other auditors and included an explanatory paragraph regarding the Commonwealth adopting the provisions of Governmental Accounting Standards Board (GASB) Statements No. 53, *Accounting and Financial Reporting for Derivative Instruments*. 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 89% of the total assets of the business-type activities. We did not audit 48% 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 9% of the total assets of the aggregate remaining fund information. Additionally, we did not audit the financial statements of certain non-major component units, which represent 6% 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 non-major 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

January 18, 2011

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

CFDA number	Federal agency/program or cluster title	Expenditures
U.S. Department of Agriculture:		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 9,679,040
10.156	Federal-State Marketing Improvement Program	278,705
10.199	Federal Operating Reimb-EGG Grading	2,896
10.307	Organic Agriculture Research and Extension Initiative	50,250
10.479	Food Safety Cooperative Agreements	6,536
	<i>SNAP Cluster:</i>	
10.551	Supplemental Nutrition Assistance Program (SNAP)	1,127,190,731
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance Program	43,679,111
10.561	ARRA – State Administrative Matching Grants for Supplemental Nutrition Assistance Program	<u>6,465,962</u>
	<i>Total SNAP Cluster</i>	<u>1,177,335,804</u>
	<i>Child Nutrition Cluster:</i>	
10.555	National School Lunch Program	183,609,727
10.559	Summer Food Service Program for Children	<u>6,366,816</u>
	<i>Total Child Nutrition Cluster</i>	<u>189,976,543</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	110,677,831
10.558	Child and Adult Care Food Program	53,875,623
10.560	State Administrative Expenses for Child Nutrition	3,164,323
10.568	Emergency Food Assistance Program Administrative Costs	1,379,886
10.568	ARRA – Emergency Food Assistance Program Administrative Costs	643,543
10.572	WIC Farmers' Market Nutrition Program (FMNP)	425,272
10.574	Team Nutrition Grants	2,907
10.576	Senior Farmers Market Nutrition Program	546,220
10.578	ARRA – WIC Grants To States (WGS)	1,035
10.579	ARRA – Child Nutrition Discretionary Grants Limited Availability	1,374,476
10.582	Fresh Fruit and Vegetable Program	1,508,100
10.664	Cooperative Forestry Assistance	3,442,276
10.675	Urban and Community Forestry Program	354,891
10.688	ARRA – Recovery Act of 2009: Wildland Fire Management	846,488
10.769	Rural Business Enterprise Grants	45,080
10.913	Farm and Ranch Lands Protection Program	6,591,401
10.914	Wildlife Habitat Incentive Program	<u>17,349</u>
		<u>1,562,226,475</u>
U.S. Department of Commerce:		
11.405	Anadromous Fish Conservation Act Program	23,771
11.407	Interjurisdictional Fisheries Act of 1986	105,267
11.419	Coastal Zone Management Administration Awards	4,816,429
11.420	Coastal Zone Management Estuarine Research Reserves	601,435
11.452	Unallied Industry Projects	1,309,371
11.454	Unallied Management Projects	585,415
11.463	Habitat Conservation	861,554
11.472	Unallied Science Program	57,295
11.474	Atlantic Coastal Fisheries Cooperative Management Act	251,940
11.499	Right Whale Conservation Program	40,200
11.555	Public Safety Interoperable Communications Grant Program	<u>797,616</u>
		<u>9,450,293</u>
U.S. Department of Defense:		
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	1,010,763
12.400	Military Construction, National Guard	9,722,459
12.401	National Guard Military Operations and Maintenance (O&M) Projects	21,875,624
12.401	ARRA – National Guard Military Operations and Maintenance (O&M) Projects	<u>8,885,353</u>
		<u>41,494,199</u>

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

CFDA number	Federal agency/program or cluster title	Expenditures
U.S. Department of Housing and Urban Development:		
14.181	Supportive Housing for Persons with Disabilities	\$ 640,231
<i>Section 8 Project-Based Cluster:</i>		
14.182	Section 8 New Construction Program	6,329,806
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	18,281,078
<i>Total Section 8 Project-Based Cluster</i>		<u>24,610,884</u>
<i>CDBG – State – Administered Small Cities Program Cluster:</i>		
14.228	Community Development Block Grants/State's Program	44,284,036
14.255	ARRA – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	2,093,022
<i>Total CDBG – State – Administered Small Cities Program Cluster</i>		<u>46,377,058</u>
14.231	Emergency Shelter Grants Program	2,317,082
14.235	Supportive Housing Program	7,726,325
14.238	Shelter Plus Care	537,315
14.239	HOME Investment Partnerships Program	18,660,288
14.241	Housing Opportunities for Persons with AIDS	146,000
14.257	ARRA – Homelessness Prevention and Rapid Re-Housing Program	3,877,698
14.258	ARRA – Tax Credit Assistance Program	23,131,323
14.401	Fair Housing Assistance Program State and Local	657,743
14.855	Section 8 Rental Voucher Program	3,181,702
14.871	Section 8 Housing Choice Vouchers	839,399
14.881	Moving to Work Demonstration Program	221,364,309
14.907	ARRA – Lead-Based Paint Hazard Control in Privately Owned Housing	641,378
14.VSH-1	Veterans Affairs Supporting Housing (VASH)	717,130
		<u>355,425,865</u>
U.S. Department of the Interior:		
<i>Fish and Wildlife Cluster:</i>		
15.605	Sport Fish Restoration	4,816,519
15.611	Wildlife Restoration	1,320,995
<i>Total Fish and Wildlife Cluster</i>		<u>6,137,514</u>
15.608	Fish and Wildlife Management Assistance	90,133
15.614	Coastal Wetlands Planning, Protection and Restoration Act	742,371
15.622	Sportfishing and Boating Safety Act	939,552
15.630	Coastal Program	43,925
15.631	Partners for Fish and Wildlife	13,037
15.633	Landowner Incentive	463,259
15.809	National Spatial Data Infrastructure Cooperative Agreements Program	359
15.904	Historic Preservation Fund Grants-In-Aid	719,950
15.916	Outdoor Recreation Acquisition, Development and Planning	1,096,801
15.926	American Battlefield Protection	6,714
15.929	Save America's Treasures	50,000
		<u>10,303,615</u>
U.S. Department of Justice:		
16.202	Offender Reentry Program	54,010
16.393	Residential Substance Abuse Treatment For State Prisoners	230,007
16.451	Part E – Developing, Testing and Demonstrating Promising New Programs	56,849
16.523	Juvenile Accountability Incentive Block Grants	912,100
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	1,122,803
16.541	Part E – Developing, Testing and Demonstrating Promising New Programs	214,734
16.543	Missing Children's Assistance	483,624
16.550	State Justice Statistics Program for Statistical Analysis Centers	66,570
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	156,622
16.575	Crime Victim Assistance	6,510,170
16.576	Crime Victim Compensation	1,146,501
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	780,027
16.582	Crime Victim Assistance/Discretionary Grants	263,855
16.588	Violence Against Women Formula Grants	2,684,425

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CFDA number	Federal agency/program or cluster title	Expenditures
U.S. Department of Justice (Continued):		
16.588	ARRA – Violence Against Women Formula Grants	\$ 1,374,471
16.589	Rural Domestic Violence and Child Victimization Enforcement Grant Program	323,083
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	333,215
16.595	Community Capacity Development Office	425,780
16.606	State Criminal Alien Assistance Program	6,891,270
16.609	Community Prosecution and Project Safe Neighborhoods	320,600
16.610	Regional Information Sharing Systems	4,160,288
16.710	Public Safety Partnership and Community Policing Grants	1,463,729
16.726	Juvenile Mentoring Program	117,100
16.727	Enforcing Underage Drinking Laws Program	214,581
16.738	Edward Byrne Memorial Justice Assistance Grant Program	3,559,366
16.741	Forensic DNA Capacity Enhancement Program	283,412
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	285,665
16.743	Forensic Casework DNA Backlog Reduction Program	256,916
16.744	Anti-Gang Initiative	162,221
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	32,773
16.748	Convicted Offender and/or Arrestee DNA Backlog Reduction Program (In-House Analysis and Data Review)	148,270
16.753	Congressionally Recommended Awards	366,783
16.800	ARRA – Internet Crimes Against Children Task Force Program (ICAC)	230,395
16.801	ARRA – State Victim Assistance Formula Grant Program	140,451
16.802	ARRA – State Victim Compensation Formula Grant Program	304,057
16.803	ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	4,839,097
16.804	ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	408,964
16.999	Department of Justice – Miscellaneous	45,146
16.XXX	Housing Federal Prisoners	16,495,077
		<u>57,865,007</u>
U.S. Department of Labor:		
17.002	Labor Force Statistics	2,178,864
17.005	Compensation and Working Conditions	251,657
	<i>Employment Service Cluster:</i>	
17.207	Employment Service	15,952,130
17.207	ARRA – Employment Service	5,332,718
17.801	Disabled Veterans’ Outreach Program (DVOP)	1,185,182
17.804	Local Veterans’ Employment representative Program	1,781,233
	<i>Total Employment Service Cluster</i>	<u>24,251,263</u>
17.225	Unemployment Insurance	5,063,381,830
17.225	ARRA – Unemployment Insurance	433,673,075
17.235	Senior Community Service Employment Program	2,262,903
17.235	ARRA – Senior Community Service Employment Program	511,330
17.245	Trade Adjustment Assistance Workers	12,455,508
	<i>WIA Cluster:</i>	
17.258	WIA Adult Program	17,965,648
17.258	ARRA – WIA Adult Program	5,766,735
17.259	WIA Youth Activities	19,510,123
17.259	ARRA – WIA Youth Activities	14,309,434
17.260	WIA Dislocated Workers	21,652,276
17.260	ARRA – WIA Dislocated Workers	12,981,626
	<i>Total WIA Cluster</i>	<u>92,185,842</u>
17.266	Work Incentives Grant	540,689
17.267	WIA Incentive Grants Section 503 Grants to States	44,020
17.269	Community Based Job Training Grants	182,855
17.275	ARRA – Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	138,745

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CFDA number	Federal agency/program or cluster title	Expenditures
U.S. Department of Labor (Continued):		
17.504	Consultation Agreements	\$ 1,357,605
17.505	OSHA Data Initiative	87,022
17.600	Mine Health and Safety Grants	72,326
17.802	Veterans' Employment Program	539,179
17.805	Homeless Veterans Reintegration Project	477,138
		<hr/> 5,634,591,851
U.S. Department of Transportation:		
<i>Highway Planning and Construction Cluster:</i>		
20.205	Highway Planning and Construction	569,412,194
20.205	ARRA – Highway Planning and Construction	72,124,157
20.219	Recreational Trails Program	567,088
	<i>Total Highway Planning and Construction Cluster</i>	<hr/> 642,103,439
20.218	National Motor Carrier Safety	3,244,399
20.231	Performance and Registration Information Systems Management	134,564
20.232	Commercial Driver License State Programs	159,647
20.234	Safety Data Improvement Program	43,625
20.238	Commercial Drivers License Information System	67,329
20.505	Federal Transit Metropolitan Planning Grants	1,693,188
20.509	Formula Grants for Other Than Urbanized Areas	2,677,494
20.509	ARRA – Formula Grants for Other Than Urbanized Areas	2,297,917
<i>Transit Services Programs Cluster:</i>		
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	6,559,799
20.516	Job Access Reverse Commute	417,568
20.521	New Freedom Program	157,473
	<i>Total Transit Services Programs Cluster</i>	<hr/> 7,134,840
20.106	Airport improvement Program	339,672
20.600	State and Community Highway Safety	18,734,323
20.614	Safety Incentive Grants for Use of Seatbelts	353,905
20.700	Pipeline Safety	900,032
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	141,443
		<hr/> 680,025,817
Equal Employment Opportunity Commission:		
30.002	Employment Discrimination State and Local Fair Employment Practices Agency Contracts	1,109,550
National Endowment for the Arts:		
45.024	Promotion of the Arts Grants to Organizations and Individuals	32,500
45.024	ARRA – Promotion of the Arts Grants to Organizations and Individuals	25,000
45.025	Promotion of the Arts Partnership Agreements	922,200
45.025	ARRA – Promotion of the Arts Partnership Agreements	314,341
45.028	Promotion of the Arts: Partnership Agreements	400
45.163	Promotion of the Humanities Professional Development	701
45.164	Promotion of the Humanities Public Programs	2,459
		<hr/> 1,297,601
Institute of Museum and Library Services:		
45.310	State Library Program	3,194,895
45.312	National Leadership Grants	24,788
		<hr/> 3,219,683

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Year ended June 30, 2010

CFDA number	Federal agency/program or cluster title	Expenditures
National Science Foundation:		
47.050	Geosciences	\$ 18,156
47.070	Computer and Information Science and Engineering	32,420
47.074	Biological Sciences	266,879
47.076	Education and Human Resources	12,596
47.082	ARRA – Trans-NSF Recovery Act Research Support	79,833
		<u>409,884</u>
U.S. Department of Veterans Affairs:		
64.014	Veterans State Domiciliary Care	3,929,126
64.015	Veterans State Nursing Home Care	14,877,797
		<u>18,806,923</u>
Environmental Protection Agency:		
66.032	State Indoor Radon Grants	150,667
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	635,256
66.036	Clean School Bus USA	112,296
66.039	ARRA – National Clean Diesel Emissions Reduction Program	169,284
66.040	State Clean Diesel Grant Program	260
66.040	ARRA – State Clean Diesel Grant Program	280,907
66.436	Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements – Section 104(b)(3) of the Clean Water Act	(221)
66.439	Targeted Watershed Grants	23,100
66.454	Water Quality Management Planning	108,213
66.454	ARRA – Water Quality Management Planning	803,404
66.456	National Estuary Program	1,132,624
66.458	ARRA – Capitalization Grants for Clean Water State Revolving Funds	5,936,534
66.461	Regional Wetland Program Development Grants	29,242
66.468	ARRA – Capitalization Grants for Drinking Water State Revolving Fund	2,379,815
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	150,562
66.472	Beach Monitoring and Notification Program Implementation Grants	307,427
66.474	Water Protection Grants to the States	55,421
66.605	Performance Partnership Grants	14,350,908
66.606	Surveys, Studies, Investigations and Special Purpose Grants	44,860
66.608	Environmental Information Exchange Network Grant Program	450,521
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	448,539
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	180,592
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	289,861
66.708	Pollution Prevention Grants Program	8,247
66.802	Superfund State, Political Subdivision, and Indian Tribe Site Specific Cooperative Agreements	1,070,597
66.804	State and Tribal Underground Storage Tanks Program	700,225
66.805	Leaking Underground Storage Tank Trust Fund Program	1,111,342
66.805	ARRA – Leaking Underground Storage Tank Trust Fund Program	861,201
66.808	Solid Waste Management Assistance Grants	14,945
66.817	State and Tribal Response Program Grants	1,456,654
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	117,790
66.999	Environmental Protection Agency – Miscellaneous	8,492,938
		<u>41,874,011</u>
U.S. Department of Energy:		
81.041	State Energy Program	606,536
81.041	ARRA – State Energy Program	13,375,701
81.042	Weatherization Assistance for Low-Income Persons	7,212,294
81.042	ARRA – Weatherization Assistance for Low-Income Persons	43,152,227
81.049	Office of Science Financial Assistance Program	130,321
81.087	Renewable Energy Research and Development	180,417
81.090	State Heating Oil and Propane Programs	3,775
81.113	Defense Nuclear Nonproliferation Research	1,096

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Year ended June 30, 2010

CFDA number	Federal agency/program or cluster title	Expenditures
U.S. Department of Energy (Continued):		
81.117	ARRA – Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	\$ 400,569
81.119	State Energy Program Special Projects	181,388
81.122	ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis	210,772
81.127	ARRA – Energy Efficient Appliance Rebate Program (EEARP)	6,210,926
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)	5,842,850
		<hr/> 77,508,872
U.S. Department of Education:		
84.002	Adult Education State Grant Program	9,660,951
	<i>Title I, Part A Cluster:</i>	
84.010	Title I Grants to Local Educational Agencies	228,608,036
84.389	ARRA – Title I Grants to Local Educational Agencies, Recovery Act	72,641,037
	<i>Total Title I, Part A Cluster</i>	<hr/> 301,249,073
84.011	Migrant Education State Grant Program	1,674,307
84.013	Title I Program for Neglected and Delinquent Children	1,941,075
	<i>Special Education Cluster:</i>	
84.027	Special Education Grants to States	271,572,956
84.173	Special Education Preschool Grants	9,573,572
84.391	ARRA – Special Education Grants to States, Recovery Act	122,065,169
84.392	ARRA – Special Education – Preschool Grants	4,537,311
	<i>Total Special Education Cluster</i>	<hr/> 407,749,008
84.031	Higher Education Institutional Aid	678,147
	<i>TRIO Cluster:</i>	
84.042	TRIO Student Support Services	2,569,474
84.044	TRIO Talent Search	786,845
84.047	TRIO Upward Bound	1,845,094
84.066	TRIO Educational Opportunity Centers	374,928
	<i>Total TRIO Cluster</i>	<hr/> 5,576,341
84.048	Vocational Education Basic Grants to States	19,708,823
84.116	Fund for the Improvement of Postsecondary Education	160,937
	<i>Vocational Rehabilitation Cluster:</i>	
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	44,362,394
84.390	ARRA – Rehabilitation Services-Vocational Rehabilitation Grants to States	2,551,717
	<i>Total Vocational Rehabilitation Cluster</i>	<hr/> 46,914,111
84.128	Rehabilitation Services Service Projects	60
84.144	Migrant Education Coordination Program	32,202
84.161	Rehabilitation Services Client Assistance Program	190,344
	<i>Independent Living State Grants Cluster:</i>	
84.169	Independent Living State Grants	1,620,759
84.398	ARRA – Independent Living State Grants, Recovery Act	70,279
	<i>Total Independent Living State Grants Cluster</i>	<hr/> 1,691,038
84.176	Paul Douglas Teacher Scholarship	200,516
	<i>Independent Living Services for Older Individuals Who are Blind Cluster</i>	
84.177	Independent Living Services for Older Individuals Who are Blind	679,504
84.399	ARRA – Independent Living Services for Older Individuals Who are Blind, Recovery Act	308,102
	<i>Total Independent Living Services for Older Individuals Who are Blind Cluster</i>	<hr/> 987,606
	<i>Early Intervention Services Cluster:</i>	
84.181	Special Education Grants for Infants and Families with Disabilities	6,554,556
84.393	ARRA – Special Education – Grants for Infants and Families, Recover Act	5,303,375
	<i>Total Early Intervention Services Cluster</i>	<hr/> 11,857,931
84.185	Byrd Honors Scholarships	742,500

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Year ended June 30, 2010

CFDA number	Federal agency/program or cluster title	Expenditures
U.S. Department of Education (Continued):		
84.186	Safe and Drug-Free Schools and Communities State Grants	\$ 5,497,037
84.187	Supported Employment Services for Individuals with Severe Disabilities	527,636
	<i>Education for Homeless Children and Youth Cluster:</i>	
84.196	Education for Homeless Children and Youth	953,050
84.387	ARRA – Education for Homeless Children and Youth	554,124
	<i>Total Education for Homeless Children and Youth Cluster</i>	<u>1,507,174</u>
84.206	Javits Gifted and Talented Students Education Grant Program	479
84.213	Even Start State Educational Agencies	1,095,978
84.215	Fund for the Improvement of Education	22,559
84.224	Assistive Technology	517,832
84.235	Rehabilitation Services Demonstration and Training Programs	472,643
84.243	Tech-Prep Education	1,775,687
84.265	Rehabilitation Training State Vocational Rehabilitation Unit in-service Training	79,563
84.282	Charter Schools	1,809,655
84.287	Twenty-First Century Community Learning Centers	17,994,895
84.298	State Grants for Innovative Programs	45,148
84.305	Education Research, Development and Dissemination	711,050
	<i>Education Technology State Grants Cluster:</i>	
84.318	Education Technology State Grants	4,262,127
84.386	ARRA – Education Technology State Grants,	4,147,552
	<i>Total Education Technology State Grants Cluster</i>	<u>8,409,679</u>
84.323	Special Education – State Personnel Development	932,847
84.325	Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	223,302
84.327	Special Education – Technology and Media Services for Individuals with Disabilities	73,943
84.330	Advanced Placement Program	444,829
84.331	Grants to States for Incarcerated Youth Offenders	123,208
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	3,329,768
84.350	Transition to Teaching	92,068
84.357	Reading First State Grants	1,679,573
84.358	Rural Education	46,983
84.365	English Language Acquisition Grants	11,670,785
84.366	Mathematics and Science Partnerships	2,246,373
84.367	Improving Teacher Quality State Grants	50,468,821
84.369	Grants for State Assessments and Related Activities	7,097,177
84.372	Statewide Data Systems	1,684,618
	<i>School Improvement Grants Cluster:</i>	
84.377	School Improvement Grants	7,361,686
84.388	ARRA – School Improvement Grants, Recovery Act	2,829
	<i>Total School Improvement Grants Cluster</i>	<u>7,364,515</u>
84.378	College Access Challenge Grant Program	1,781,930
84.400	ARRA – Centers for Independent Living, Recovery Act.	87,571
	<i>State Fiscal Stabilization Fund Cluster:</i>	
84.394	ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act	383,448,665
84.397	ARRA – State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act	11,270,557
	<i>Total State Fiscal Stabilization Cluster</i>	<u>394,719,222</u>
84.999	Department of Education – Miscellaneous	625,215
		<u>1,336,174,733</u>
U.S. Election Assistance Commission:		
90.401	Help America Vote Act Requirements Payments	2,613
		<u>2,613</u>

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Year ended June 30, 2010

CFDA number	Federal agency/program or cluster title	Expenditures
U.S. Department of Health and Human Services:		
93.003	Public Health and Social Services Emergency Fund	\$ 32,450
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	77,562
93.041	Special Programs for the Aging-Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	95,860
93.043	Special Programs for the Aging-Title III, Part D Disease Prevention and Health Promotion Services	447,394
<i>Aging Cluster:</i>		
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	9,518,143
93.045	Special Programs for the Aging Title III, Part Nutrition Services	13,810,886
93.053	Nutrition Services Incentive Program	3,291,291
93.705	ARRA – Aging Home-Delivered Nutrition Services for States	688,312
93.707	ARRA – Aging Congregate Nutrition Services for States	1,397,344
<i>Total Aging Cluster</i>		28,705,976
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	1,031,409
93.051	Alzheimer’s Disease Demonstration Grants to States	134,023
93.052	National Family Caregiver Support	3,283,154
93.069	Public Health Emergency Preparedness	68,025,284
93.070	Environmental Public Health and Emergency Response	290,406
93.071	Medicare Enrollment Assistance Program	70,990
93.087	Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	560,109
93.089	Emergency System for Advance Registration of Volunteer Health Professionals	500
93.103	Food and Drug Administration Research	771,891
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,569,674
93.110	Maternal and Child Health Federal Consolidated Programs	746,591
93.913	Grants to States for Operation of Offices of Rural Health	177,033
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	1,614,845
93.121	Oral Diseases and Disorders Research	300,739
93.127	Emergency Medical Services for Children	104,647
93.134	Grants to Increase Organ Donations	339,546
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	707,343
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,322,873
93.137	Community Programs to Improve Minority Health Grant Program	41,151
93.150	Project s for Assistance in Transition from Homelessness (PATH)	1,317,558
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	850,187
93.165	Grants To States for Loan Repayment Program	240,000
93.184	Disabilities Prevention	233,773
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	1,067,979
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)	156,363
93.226	Research on Healthcare Costs, Quality and Outcomes	383,348
93.234	Traumatic Brain Injury State Demonstration Grant Program	198,390
93.235	Abstinence Education Program	3,193
93.236	Grants for Dental Public Health Residency Training	216,523
93.240	State Capacity Building	384,488
93.241	State Rural Hospital Flexibility Program	282,212
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	6,615,470
93.251	Universal Newborn Hearing Screening	233,322
93.262	Occupational Safety and Health Program	767,651
<i>Immunization Cluster:</i>		
93.268	Immunization Grants	65,710,422
93.712	ARRA – Immunization	134,102
<i>Total Immunization Cluster</i>		65,844,524

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Year ended June 30, 2010

CFDA number	Federal agency/program or cluster title	Expenditures
U.S. Department of Health and Human Services (Continued):		
93.276	Drug-Free Communities Support Program Grants	\$ 97,518
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	13,027,070
93.358	Advanced Education Nursing Traineeships	33,000
93.402	ARRA – State Loan Repayment Program	100,000
93.407	ARRA – Scholarships for Disadvantaged Students	50,703
93.414	ARRA – State Primary Care Offices	7,100
93.551	Abandoned Infants	746,913
93.556	Promoting Safe and Stable Families	5,270,727
<i>TANF Cluster:</i>		
93.558	Temporary Assistance for Needy Families	370,001,250
93.714	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	96,087,169
<i>Total TANF Cluster</i>		<u>466,088,419</u>
93.563	Child Support enforcement	54,043,250
93.563	ARRA – Child Support enforcement	6,883,598
93.564	Child Support Enforcement research	41,692
93.566	Refugee and Entrant Assistance-State Administered Programs	7,131,843
93.568	Low-Income Home Energy Assistance	196,763,912
<i>CSBG Cluster:</i>		
93.569	Community Services Block Grant	18,408,359
93.710	ARRA – Community Services Block Grant	19,258,415
<i>Total CSBG Cluster</i>		<u>37,666,774</u>
<i>CCDF Cluster:</i>		
93.575	Child Care and Development Block Grant	124,608,245
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	79,310,095
93.713	ARRA – Child Care and Development Block Grant	2,571,357
<i>Total CCDF Cluster</i>		<u>206,489,697</u>
93.576	Refugee and Entrant Assistance Discretionary Grants	931,793
93.583	Refugee and Entrant Assistance Wilson/Fish Program	4,968,932
93.584	Refugee and Entrant Assistance – Targeted Assistance Grants	901,074
93.586	State Court improvement Program	477,326
93.590	Child Abuse Prevention Activities	503,013
93.597	Grants to States for Access and Visitation Programs	106,776
93.599	Chafee Education and Training Vouchers Program (ETV)	835,387
93.600	Head Start	213,608
93.617	Voting Access for Individuals with Disabilities Grants to States	11,386
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,310,498
93.631	Developmental Disabilities Projects of National Significance	55,000
93.643	Children’s Justice Grants to States	292,794
93.645	Child Welfare Services State Grants	2,748,314
93.658	Foster Care Title IV-E	54,865,137
93.658	ARRA – Foster Care Title IV-E	2,965,816
93.659	Adoption Assistance	34,689,450
93.659	ARRA – Adoption Assistance	2,982,148
93.667	Social Services Block Grant	82,070,346
93.669	Child Abuse and Neglect State Grants	487,430
93.671	Family Violence Prevention and Services/Grants for Battered Women’s Shelters Grants to States and Indian Tribes	1,892,321
93.674	Chafee Foster Care Independence Program	3,022,273
93.701	ARRA – Trans-NIH Recovery Act Research Support	221,638
93.717	ARRA – Preventing Healthcare-Associated Infections	364,951
93.720	ARRA – Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative	6,531
93.723	ARRA – Prevention and Wellness-State, Territories and Pacific Islands	68,111
93.725	ARRA – Communities Putting Prevention to Work: Chronic Disease Self-Management Program	1,510
93.767	State Children’s Insurance Program	292,439,982

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

CFDA number	Federal agency/program or cluster title	Expenditures
U.S. Department of Health and Human Services (Continued):		
93.773	Medicare Hospital Insurance	\$ 12,206,322
	<i>Medicaid Cluster:</i>	
93.775	State Medicaid Fraud Control Units	5,353,068
93.777	State Survey and Certification of Health Care Providers and Suppliers	7,784,387
93.778	Medical Assistance Program	5,944,595,732
93.778	ARRA – Medical Assistance Program	<u>1,318,669,982</u>
	<i>Total Medicaid Cluster</i>	<u>7,276,403,169</u>
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	1,567,494
93.790	Alternate Non-Emergency Service Providers or Networks	1,804,833
93.793	Medicaid Transformation Grants	101,993
93.822	Health Careers Opportunity Program	90,031
93.837	Cardiovascular Diseases Research	42,664
93.889	National Bioterrorism Hospital Preparedness Program	12,337,912
93.917	HIV Care Formula Grants	23,213,949
93.926	Healthy Start initiative	5,766,239
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of Hiv and Other Important Health Problems	1,017,863
93.940	HIV Prevention Activities Health Department Based	9,952,921
93.941	HIV Demonstration, Research, Public and Professional Education Projects	1,015,839
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	85,559
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	176,649
93.958	Block Grants for Community Mental Health Services	7,940,271
93.959	Block Grants for Prevention and Treatment of Substance Abuse	31,349,872
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	1,390,170
93.978	Preventive Health Services Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants	393,567
93.991	Preventive Health and Health Services Block Grant	2,514,600
93.994	Maternal and Child Health Services Block Grant to the States	10,338,529
93.999	Department of Health and Human Services – Miscellaneous	<u>771,624</u>
		<u>9,073,604,262</u>
Corporation for National and Community Services:		
94.004	Learn and Serve America School and Community Based Programs	<u>660,934</u>
		<u>660,934</u>
Social Security Administration:		
96.001	Social Security Disability Insurance	41,815,596
96.008	Social Security Benefits Planning, Assistance, and Outreach Program	<u>297,334</u>
		42,112,930
U.S. Department of Homeland Security:		
97.007	Homeland Security Preparedness Technical Assistance Program	241,016
97.012	Boating Safety Financial Assistance	1,324,711
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	164,664
97.029	Flood Mitigation Assistance	431,876
97.036	Public Assistance Grants	17,376,638
97.039	Hazard Mitigation Grant	639,038
97.041	National Dam Safety Program	63,067
97.043	State Fire Training Systems Grants	27,519
97.045	Cooperating Technical Partners	60,338
97.047	Pre-Disaster Mitigation	247,649
97.055	Interoperable Communications Equipment	1,672
97.056	Port Security Grant Program	1,637,355
97.067	Homeland Security Grant Program	33,352,787

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

CFDA number	Federal agency/program or cluster title	Expenditures
U.S. Department of Homeland Security (Continued):		
97.070	Map Modernization Management Support	\$ 42,304
97.075	Rail and Transit Security Grant Program	7,531,316
97.078	Buffer Zone Protection Plan (BZPP)	911,946
97.091	Homeland Security Biowatch Program	676,690
97.110	Severe Loss Repetitive Program	248,072
97.111	Regional Catastrophic Preparedness Grant Program (RCPGP)	163,911
97.113	Rail and Transit Security Grant Program (ARRA)	98,856
97.116	ARRA – Port Security Grant Program (ARRA)	669,539
		<u>65,910,964</u>
99.999	Federal Reimbursement – Miscellaneous	<u>1,394,000</u>
	<i>Student Financial Assistance Cluster:</i>	
	U.S. Department of Education:	
84.007	Federal Supplemental Educational Opportunity Grants	3,526,608
84.033	Federal Work-Study Program	5,076,455
84.033	ARRA – Federal Work-Study Program	513,825
84.063	Federal Pell Grant Program	157,861,260
84.375	Academic Competitiveness Grants	1,840,611
84.376	National Science and Mathematics Access to Retain Talent (SMART) Grants	409,216
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	30,262
	Total U.S. Department of Education	<u>169,258,237</u>
	U.S. Department of Health and Human Services:	
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds	127,770
93.364	Nursing Student Loans	<u>1,043,809</u>
	Total U.S. Department of Health and Human Services	<u>1,171,579</u>
	<i>Total Student Financial and Cluster</i>	<u>170,429,816</u>
	Total Federal Expenditures	<u>\$ 19,185,899,898</u>

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

(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, 2010 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 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, 2010.

(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.

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

(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, 2010 expenditures of \$19,588,398 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:

CFDA number	Program title	Noncash awards
10.555	National School Lunch Program	\$ 16,895,992
10.558	Child and Adult Care Food Program	223,219
10.559	Summer Food Service Program for Children	51,512
10.551	Supplemental Nutrition Assistance Program	1,126,985,402
93.268	Immunization Grants	59,709,279
93.069	Public Health Emergency Preparedness	29,882,980
Total		<u>\$ 1,233,748,384</u>

Commodity inventories for the Food Donation Program at June 30, 2010 totaled \$3,305,785.

(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 2010 totaled \$135,118,633 and FDL Loans totaled \$102,887,536.

(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 2010 activity, excluding the University of Massachusetts included, loan repayments of \$1,615,661 and loan funds disbursed of \$1,324,737. Loans outstanding at June 30, 2010 totaled \$14,933,548.

(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

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

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	\$ 2,286,835,723
Federal UI Funds – Benefits	2,701,579,121
Federal UI Funds – ARRA	433,673,075
Federal UI Funds – Administration	<u>74,966,986</u>
Total expenditures	<u>\$ 5,497,054,905</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 16% of USDA’s total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2010.

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

(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 2010, the Commonwealth passed through the following amounts to subrecipients:

CFDA number	Program title	Expenditures
10.025	Plant and Animal Disease, Pest Control and Animal Care	\$ 100,504
10.156	Federal-State Marketing Improvement Program	193,417
10.307	Organic Agriculture Research and Extension Initiative	50,250
10.551	Supplemental Nutrition Assistance Program	204,612
10.555	National School Lunch Program	166,713,746
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	77,474,479
10.558	Child and Adult Care Food Program	52,956,893
10.559	Summer Food Service Program for Children	6,124,688
10.561	State Administrative Matching Grants for Food Stamp Program	981,121
10.568	Emergency Food Assistance Program Administrative Costs	1,906,347
10.579	Child Nutrition Discretionary Grants Limited Availability	1,356,589
10.582	Fresh Fruit and Vegetable Program	1,508,100
10.664	Cooperative Forestry Assistance	404,718
10.688	Recovery Act of 2009: Wildland Fire Management	192,742
10.913	Farm and Ranch Lands Protection Program	1,966,506
11.419	Coastal Zone Management Administration Awards	2,160,740
11.420	Coastal Zone Management Estuarine Research Reserves	61,482
11.452	Unallied Industry Projects	1,140,272
11.454	Unallied Management Projects	560,150
11.472	Unallied Science Program	26,769
11.499	Right Whale Conservation Program	40,200
11.555	Public Safety Interoperable Communications Grant Program	308,973
14.182	Section 8 New Construction Program	4,171,716
14.228	Community Development Block Grants/State's Program	42,551,790
14.231	Emergency Shelter Grants Program	2,316,725
14.235	Supportive Housing Program	7,603,066
14.238	Shelter Plus Care	537,188
14.239	HOME Investment Partnerships Program	17,257,498
14.255	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	2,082,655
14.257	Homelessness Prevention and Rapid Re-Housing Program	3,828,998
14.258	Tax Credit Assistance Program	23,131,323

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

CFDA number	Program title	Expenditures
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	\$ 17,352,837
14.871	Section 8 Housing Choice Vouchers	223,051,683
14.907	Lead-Based Paint Hazard Control in Privately Owned Housing	622,509
15.614	Coastal Wetlands Planning, Protection and Restoration Act	742,371
15.622	Sport Fishing and Boating Safety Act	813,111
15.904	Historic Preservation Fund Grants-In-Aid	76,000
15.916	Outdoor Recreation Acquisition, Development and Planning	1,096,801
15.926	American Battlefield Protection	6,020
16.393	Residential Substance Abuse Treatment For State Prisoners	137,456
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	657,676
16.541	Part E – Developing, Testing and Demonstrating Promising New Programs	165,102
16.575	Crime Victim Assistance	5,754,030
16.588	Violence Against Women Formula Grants	2,859,726
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	205,795
16.595	Community Capacity Development Office	74,742
16.609	Community Prosecution and Project Safe Neighborhoods	120,195
16.610	Regional Information Sharing Systems	4,160,288
16.726	Juvenile Mentoring Program	114,466
16.727	Enforcing Underage Drinking Laws Program	75,963
16.738	Edward Byrne Memorial Justice Assistance Grant Program	2,059,341
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	62,042
16.744	Anti-Gang Initiative	80,000
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	32,096
16.801	State Victim Assistance Formula Grant Program	82,601
16.803	Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to States and Territories	4,033,938
16.804	Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government	399,008
17.207	Employment Service	7,292,855
17.225	Unemployment Insurance	663,623
17.235	Senior Community Service Employment Program	2,712,604
17.245	Trade Adjustment Assistance Workers	280,669
17.258	WIA Adult Program	15,045,503
17.259	WIA Youth Activities	37,108,192
17.260	WIA Dislocated Workers	29,609,624

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

CFDA number	Program title	Expenditures
17.266	Work Incentives Grant	\$ 241,620
17.275	Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	116,060
17.801	Disabled Veterans' Outreach Program (DVOP)	109,634
17.802	Veterans' Employment Program	452,000
17.804	Local Veterans' Employment representative Program	122,217
17.805	Homeless Veterans Reintegration Project	445,000
20.205	Highway Planning and Construction	19,187,940
20.219	Recreational Trails Program	475,110
20.505	Federal Transit Metropolitan Planning Grants	123,140
20.509	Formula Grants for Other Than Urbanized Areas	311,281
20.516	Job Access Reverse Commute	2,057
20.600	State and Community Highway Safety	2,667,386
20.614	Safety Incentive Grants for Use of Seatbelts	180,000
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	87,249
45.025	Promotion of the Arts Partnership Agreements	1,202,200
45.310	State Library Program	975,339
47.082	Trans-NSF Recovery Act Research Support	28,279
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	67,825
66.040	State Clean Diesel Grant Program	180,537
66.439	Targeted Watershed Grants	13,823
66.454	Water Quality Management Planning	471,061
66.456	National Estuary Program	106,406
66.605	Performance Partnership Grants	2,690,484
66.608	Environmental Information Exchange Network Grant Program	23,349
66.808	Solid Waste Management Assistance Grants	2,871
66.817	State and Tribal Response Program Grants	130,959
81.041	State Energy Program	10,587,500
81.042	Weatherization Assistance for Low-Income Persons	49,218,160
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	400,000
81.119	State Energy Program Special Projects	160,349
81.127	Energy Efficient Appliance Rebate Program (EEARP)	6,203,825
81.128	Energy Efficiency and Conservation Block Grant Program	5,269,192
84.002	Adult education State Grant Program	7,542,411
84.010	Title I Grants to Local Educational Agencies	216,533,214
84.011	Migrant Education State Grant Program	1,660,050

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

CFDA number	Program title	Expenditures
84.013	Title I Program for Neglected and Delinquent Children	\$ 1,210,789
84.027	Special Education Grants to States	249,239,896
84.048	Vocational Education Basic Grants to States	17,977,977
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	2,934,060
84.144	Migrant Education – Coordination Program	32,202
84.169	Independent Living State Grants	1,456,464
84.173	Special Education Preschool Grants	8,311,011
84.176	Paul Douglas Teacher Scholarship	200,516
84.177	Independent Living Services for Older Individuals Who are Blind	26,936
84.181	Special Education Grants for Infants and Families with Disabilities	3,566,504
84.185	Byrd Honors Scholarships	742,500
84.186	Safe and Drug-Free Schools and Communities State Grants	5,091,338
84.187	Supported Employment Services for Individuals with Severe Disabilities	210,075
84.196	Education for Homeless Children and Youth	709,640
84.213	Even Start State Educational Agencies	993,376
84.224	Assistive Technology	324,088
84.235	Rehabilitation Services Demonstration and Training Programs	75,000
84.243	Tech-Prep Education	1,505,610
84.282	Charter Schools	1,696,809
84.287	Twenty-First Century Community Learning Centers	17,210,383
84.298	State Grants for Innovative Programs	(2,097)
84.318	Education Technology State Grants	3,822,669
84.330	Advanced Placement Program	404,606
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	2,514,585
84.350	Transition to Teaching	(6,200)
84.357	Reading First State Grants	348,696
84.358	Rural Education	46,983
84.365	English Language Acquisition Grants	10,924,631
84.366	Mathematics and Science Partnerships	1,952,686
84.367	Improving Teacher Quality State Grants	46,726,165
84.372	Statewide Data Systems	302,933
84.377	School Improvement Grants	5,876,877
84.386	Education Technology State Grants,	4,127,174
84.387	Education for Homeless Children and Youth	551,866
84.389	Title I Grants to Local Educational Agencies, Recovery Act	70,804,905
84.390	Rehabilitation Services-Vocational Rehabilitation Grants to States	14,940

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

CFDA number	Program title	Expenditures
84.391	Special Education Grants to States, Recovery Act	\$ 119,948,640
84.392	Special Education – Preschool Grants	4,537,311
84.393	Special Education – Grants for Infants and Families, Recover Act	5,297,318
84.394	State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act	173,385,880
84.397	State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act	7,409,108
84.399	Independent Living Services for Older Individuals Who are Blind, Recovery Act	8,584
84.400	Centers for Independent Living, Recovery Act	85,506
93.041	Special Programs for the Aging – Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	47,286
93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	447,394
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	8,155,264
93.045	Special Programs for the Aging Title III, Part Nutrition Services	13,810,886
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	781,220
93.051	Alzheimer’s Disease Demonstration Grants to States	133,267
93.052	National Family Caregiver Support	3,197,769
93.053	Nutrition Services Incentive Program	2,471,721
93.069	Public Health Emergency Preparedness	16,845,847
93.070	Environmental Public Health and Emergency Response	43,214
93.071	Medicare Enrollment Assistance Program	70,990
93.087	Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	491,516
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,359,458
93.110	Maternal and Child Health Federal Consolidated Programs	83,788
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	284,025
93.136	Injury Prevention and Control Research and State and Community Based Programs	501,672
93.137	Community Programs to Improve Minority Health Grant Program	12,000
93.150	Projects for Assistance in Transition from Homelessness (PATH)	1,316,964
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	552,502
93.165	Grants T o States for Loan Repayment Program	240,000

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

CFDA number	Program title	Expenditures
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	\$ 280,000
93.234	Traumatic Brain Injury State Demonstration Grant Program	55,341
93.236	Grants for Dental Public Health Residency Training	79,051
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	2,724,141
93.268	Immunization Grants	105,000
93.276	Drug-Free Communities Support Program Grants	10,705
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	1,068,696
93.402	State Loan Repayment Program	100,000
93.551	Abandoned Infants	413,464
93.556	Promoting Safe and Stable Families	3,701,872
93.566	Refugee and Entrant Assistance State Administered Programs	5,585,652
93.568	Low-Income Home Energy Assistance	194,883,767
93.569	Community Services Block Grant	17,620,538
93.576	Refugee and Entrant Assistance Discretionary Grants	1,692,014
93.590	Child Abuse Prevention Activities	481,489
93.630	Developmental Disabilities Basic Support and Advocacy Grants	380,917
93.631	Developmental Disabilities Projects of National Significance	55,000
93.643	Children's Justice Grants to States	76,613
93.669	Child Abuse and Neglect State Grants	119,972
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	1,449,089
93.674	Chafee Foster Care Independence Program	63,038
93.701	Trans-NIH Recovery Act Research Support	203,991
93.705	Aging Home-Delivered Nutrition Services for States	687,525
93.707	Aging Congregate Nutrition Services for States	1,395,745
93.710	Community Services Block Grant	19,150,320
93.712	Immunization	51,005
93.713	Child Care and Development Block Grant	2,304,755
93.779	Centers for Medicare and Medicaid Services (CMS) Research's Demonstrations and Evaluation	1,214,838

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

CFDA number	Program title	Expenditures
93.790	Alternate Non-Emergency Service Providers or Networks	\$ 1,770,930
93.837	Cardiovascular Diseases Research	70
93.889	National Bioterrorism Hospital Preparedness Program	7,426,315
93.917	HIV Care Formula Grants	5,345,941
93.938	Cooperative Agreements to Support Comprehensive Programs to Prevent the Spread of HIV and Other Important Health Problems	(7,452)
93.940	HIV Prevention Activities Health Department Based	5,072,833
93.958	Block Grants for Community Mental Health Services	7,734,098
93.959	Block Grants for Prevention and Treatment of Substance Abuse	17,173,868
93.978	Preventive Health Services Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants	19,750
93.991	Preventive Health and Health Services Block Grant	526,523
93.994	Maternal and Child Health Services Block Grant to the States	1,273,091
94.004	Learn and Serve America School and Community Based Programs	535,184
97.029	Flood Mitigation Assistance	421,143
97.036	Public Assistance Grants	17,350,388
97.039	Hazard Mitigation Grant	638,730
97.047	Pre-Disaster Mitigation	227,692
97.055	Interoperable Communications Equipment	1,672
97.056	Port Security Grant Program	1,595,673
97.067	Homeland Security Grant Program	24,109,225
97.075	Rail and Transit Security Grant Program	7,208,781
97.078	Buffer Zone Protection Plan (BZPP)	665,040
97.110	Severe Loss Repetitive Program	248,071
97.111	Regional Catastrophic Preparedness Grant Program	144,073



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

Mr. Martin Benson, Comptroller
Commonwealth of Massachusetts:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts (the Commonwealth), as of and for the year ended June 30, 2010, which collectively comprise the Commonwealth's basic financial statements and have issued our report thereon dated January 18, 2011. Our report was modified to include a reference to other auditors and included an explanatory paragraph regarding the Commonwealth adopting the provisions of Governmental Accounting Standards Board (GASB) Statements No. 53, *Accounting and Financial Reporting for Derivative Instruments*. 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 certain non-major component units 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 2010 – 01 through 2010 – 08 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 January 18, 2011.

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

January 18, 2011



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**Report on Compliance with Requirements That Could Have a
Direct and Material Effect on Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

Mr. Martin Benson, Comptroller
Commonwealth of Massachusetts:

Compliance

We have audited the Commonwealth of Massachusetts' (the Commonwealth) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each the Commonwealth's major federal programs for the year ended June 30, 2010. 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, 2010. 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 2010 – 19, 2010 – 22, 2010 – 27, and 2010 –29 in the accompanying schedule of findings and questioned costs, the Commonwealth did not comply with the requirement regarding student status changes and reporting that are applicable to its Federal Family Education Loans, Federal Direct Student Loans, and Vocational Rehabilitation Cluster 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The results of our auditing procedures also 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 2010 – 09, 2010 – 12, 2010 – 13, 2010 – 15, 2010 – 16, 2010 – 17, 2010 – 18, 2010 – 20, 2010 – 21, 2010 – 23, 2010 – 25, 2010 – 28, 2010 – 30, 2010 – 31, 2010 – 32, 2010 – 33, 2010 – 34, 2010 – 38, 2010 – 39, 2010 – 40, 2010 – 41, 2010 – 42, 2010 – 43, 2010 – 44, 2010 – 45, and 2010 – 47.

Internal Control over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010 – 19, 2010 – 22, 2010 – 27, and 2010 – 29 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with the type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010 – 09, 2010 – 10, 2010 – 11, 2010 – 12, 2010 – 13, 2010 – 14, 2010 – 15, 2010 – 16, 2010 – 17, 2010 – 18, 2010 – 20, 2010 – 21, 2010 – 23, 2010 – 24, 2010 – 25, 2010 – 26, 2010 – 28, 2010 – 30, 2010 – 31, 2010 – 32, 2010 – 33, 2010 – 34, 2010 – 35, 2010 – 36, 2010 – 37, 2010 – 38, 2010 – 39, 2010 – 40, 2010 – 41, 2010 – 42, 2010 – 43, 2010 – 44, 2010 – 45, 2010 – 46, and 2010 – 47 to be significant deficiencies.



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 28, 2011

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

(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, 2010.
- 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, 2010. 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, 2010.

Single Audit

- d) The audit disclosed significant deficiencies in connection with the major federal programs of the Commonwealth for the year ended June 30, 2010. 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, 2010 except for the Federal Family Education Loans, Federal Direct Student Loans, and the Vocational Rehabilitation Cluster 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, 2010.
- 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, 2010 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 Defense

- National Guard Military Operations and Maintenance (O & M) Projects (12.401)

U.S. Department of Housing and Urban Development

- CDBG – State – Administered Small Cities Program Cluster (14.228 and 14.255)
- Moving to Work Demonstration Program (14.881)

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

U.S. Department of Labor

- Unemployment Insurance (17.225)
- 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 Energy

- Weatherization for Low-Income Persons (81.042)

U.S. Department of Education

- Title I, Part A Cluster (84.010 and 84.389)
- Special Education Cluster (84.027, 84.173, 84.391 and 84.392)
- Vocational Rehabilitation Cluster (84.126 and 84.390)
- 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

- Public Health Emergency Preparedness (93.069)
- Immunization Cluster (93.268 and 93.712)
- TANF Cluster (93.558 and 93.714)
- Child Support Enforcement (93.563)
- Low-Income Home Energy Assistance (93.568)
- Community Services Block Grant Cluster (93.569 and 93.710)
- Child Care Development Fund Cluster (93.575, 93.596, and 93.713)
- 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)

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Social Security Administration

- Social Security – Disability Insurance (96.001)

U.S. Department of Homeland Security

- Homeland Security Grant Program (97.067)

h) The Commonwealth did not qualify as a low-risk auditee for the year ended June 30, 2010.

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

See accompanying pages 32 through 41.

(3) Findings and Questioned Costs Relating to Federal Awards

See accompanying pages 42 through 123.

**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, 2010

Office of the State Comptroller

Fixed Asset Additions and Disposals

Finding Reference: 2010-01

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 and in response has undertaken several inventory processes to identify and properly classify capital assets. During fiscal 2010 the Commonwealth identified approximately \$145.2 million in previously unrecognized assets. This adjustment highlights the need for continued monitoring and training on the identification of capital assets at the Commonwealth. We recognize the inventory process as an improvement in financial reporting and 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.

Similar to the identification of capital additions, individual departments are responsible for the proper identification of asset transfers and disposals. The Comptroller has issued policies to assist departments in the proper identification of eligible expenditures and in the proper classification of assets for financial reporting purposes. Periodically, capital assets may be transferred between departments. These transfers do not give rise to a new capital asset but rather the property records should be updated to reflect the current location and condition of the asset. In connection with our audit, we noted that one item in our sample of 12 was incorrectly recorded as an asset disposal rather than as a transfer between DMR and DCAM. This transfer was subsequently corrected.

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 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 and that items recognized as additions meet the definitions set forth by the Comptroller.

Views of Responsible Officials and Corrective Actions

To address FY2009 finding related to Fixed Assets reporting the Commonwealth has implemented a semi-annual inventory process for all Commonwealth Departments. During FY2009 the major cleanup effort was performed by all departments and the Department of Conservation and Recreation (DCR) was one of the major contributors for FY2009 clean up. Because of the time consuming process DCR had to undergo to reveal all assets not recorded in MMARS, the clean up process for this particular department spilled over to the FY2010. Thus, the FY2010 cleanup of capital assets was limited and was essentially narrowed to one department: DCR.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

To ensure accurate posting of assets in the future, the Office of the Comptroller continues to update its procedures to ensure the correct and timely recording of capital assets and will continue to review those procedures going forward. In addition to the semi-annual process already implemented and described above, this updating of procedures includes: the planned issuance of new capital spending and fixed asset reports to agencies to assist them in reconciling capital spending and fixed asset additions on a regular basis; additional training of agencies in the correct procedures for posting capital assets; and planned additional review (including supporting documentation) of fixed asset-related transactions above a certain threshold.

Responsible Official: BJ Trivedi, Financial Reporting and Analysis Bureau Director, Office of the Comptroller

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Department of Workforce Development

Accounts Payable and Accrued Liabilities – Unemployment Compensation Trust Fund

Finding Reference: 2010-02

Observation

As part of the normal closing process, the Commonwealth accrues payments made after June 30 related to activity and transactions occurring prior to June 30. These accruals are properly shown as expenditures in the year in which the transaction occurred (e.g. fiscal 2010). We noted that the Department of Workforce Development (DWD) failed to properly capture unemployment compensation payments made subsequent to year end related to benefits earned in June. Specifically, benefits paid on July 1, 2010 and July 2, 2010 which related to benefit weeks prior to June 30, 2010 were excluded from certain reports required to prepare complete and accurate financial statements. These amounts were subsequently adjusted by DWD.

Recommendation

We recommend that the DWD evaluate its policies, procedures and controls in place to gather and review the information required to prepare the financial statements for the Unemployment Compensation Trust Fund. Attention should be paid to ensure reports are complete and accurate and that all required information is included.

Views of Responsible Officials and Corrective Actions

DWD has requested that the query be modified to provide a detailed register of payments to ensure that the summary report is complete and accurate.

Explanation

As part of the Massachusetts Department of Workforce Development's (DWD) usual year-end closing process, the Finance Service requests a query to be run for all UI benefit payments made subsequent to the fiscal year end for claims relating to week-ending dates June 30 or previous. The report provided to Finance is a summary of the payments made. It does not contain the date range used for the query.

Relative to the finding, the programmer assigned to run the query inadvertently used 7/3/2010 (the week-ending date for the first week of the new fiscal year) instead of 7/1/2010 (the first day of the new fiscal year).

The error was discovered during KPMG's field audit. The Finance Service requested the query be corrected and re-run. An adjustment was made to the year-end Accrued UI Liability entry.

Responsible Official: Barbara McDonough, CFO, Department of Workforce Development

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Department of Workforce Development

Reconciliation of Cash Accounts

Finding Reference: 2010-03

Observation

The Department of Workforce Development (the Department or DWD) manages the Unemployment Compensation Trust Fund (the Trust) which is reported as an Enterprise Fund in the Comprehensive Annual Financial Report. The Trust 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 are collected by DWD and held in an account at the United States Treasury. When needed, funds are then transferred into Commonwealth bank accounts for the payment of benefits to the unemployed.

DWD maintains an independent IT system for the facilitation of program operations and administration. Activity from the non-integrated DWD system is aggregated and input into the MMARS accounting system on a summary basis. In prior year audits it was noted by KPMG that several DWD 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; however, upon review of the entries recorded in fiscal 2010 we found that reconciliations between the MMARS system and the underlying details at DWD were not performed on a timely basis and as a result differences were not identified until the year-end audit was conducted.

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

In December 2009, DWD implemented the revenue portion of the Quality Unemployment System Transformation, (hereafter identified as QUEST) Project which systemically performs daily reconciliations between DWD's bank account(s) and QUEST. Further, DWD personnel within both the Finance Service and Revenue Dept. perform daily reconciliations in regard to the transactions (MMARS accounts) referenced above.

Responsible Official: Barbara McDonough, DWD Chief Fiscal Officer

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Department of Workforce Development

Accounts Receivable – Review of the Allowance for Uncollectible Items

Finding Reference: 2010-04

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).

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 will work with the Comptroller's Office in formulating a generally accepted procedure for calculating the reserve amount using data available as of December 7, 2009.

Responsible Official: Barbara McDonough, DWD Chief Fiscal Officer

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Group Insurance Commission

Post Employment Benefits Accrual

Finding Reference: 2010-05

Observation

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

Under current accounting rules for governments, the Commonwealth is required to record a liability for the future benefits owed to employees and retirees (Other Post-Employment Benefits, or OPEB). For financial reporting purposes, the Commonwealth needs information in order to apportion the liability between the Commonwealth and non-Commonwealth participating employers on an individual claim basis. This information was not available for the preparation of the 2010 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

Recommendation Part 1

The GIC will work with the Comptroller to resolve Part 1 of the above recommendation.

Recommendation Part 2

The GIC currently performs a monthly reconciliation of the estimated premiums that participating entities owe the GIC. A final reconciliation of the premiums owed the GIC by these agencies is performed quarterly. This is current and long-standing procedure at the GIC.

Responsible Official: Robert Johnson, Deputy Director, Group Insurance Commission

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Executive Office of Health and Human Services

Logical Access Controls – MMIS

Finding Reference: 2010-06

Observation

The EOHHS Security Request Process requires an annual access review of all applications containing Personally Identifiable Information or of additional applications as specified by Management.

We were informed that a review of NewMMIS users was not performed in FY 2010.

The lack of formal user access reviews for applications increases the risk that active user accounts belonging to terminated employees may not be disabled for a prolonged period of time. In addition, inappropriate employee access privileges may not be detected and modified in a timely manner.

Recommendation

EOHHS should perform a periodic review of end user NewMMIS application access privileges on to ensure that only authorized personnel have system access based on their job responsibility. IT Administrators should perform follow-up procedures to perform corrective action for identified deviations.

Views of Responsible Officials and Corrective Actions

A Draft Access Control Policy is being developed by ITD and the Enterprise Security Board. To date, Security Operations has created a database which combines our users' access to the Network, email, NewMMIS, MA-21 SEVS Systems, has identified who the users' Directors are and created a report for each Director to review. Implementation is pending approval of the policy notification by management.

Responsible Official: Walter Johnson, Director, IT Operations, EOHHS

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Information Technology Division

Change Management – Commonwealth Information Warehouse

Finding Reference: 2010-07

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 sufficient auditing ability to generate an activity report that will allow ITD to implement a monitoring control.

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

Sufficient systemic auditing is not available in our current release of Netezza (4.5). Although provided in release 4.6.5, we're unable to upgrade due to compatibility issues with our ETL software. To minimize the risk while we work with Netezza and Informatica to address this, we've initiated the following compensating controls:

- Only three senior developers (one primary, one secondary and one restricted to CIW front-end security tables only) will have named accounts with the necessary rights to modify Netezza production data.
- None may modify Netezza data without meeting the following four criteria:
 1. The data modification cannot be handled via the source system and uploaded to the Netezza appliance.
 2. There is a written request from the respective data owner that specifies what needs to be done, why it cannot be addressed via the source system and the request is supported by documented, senior-level approval.

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Schedule of Findings and Questioned Costs

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3. A supporting Service Request ticket is created and tracked via ITD's enterprise-wide Service Management application (ComiT).
 4. There is written approval from CIW management to initiate the change.
- Management will continue to monitor the Informatica audit reports.

Responsible Official: Maureen Chew, Chief Application Officer, ITD
Lou Angeloni, Chief Financial Officer, ITD

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Year ended June 30, 2010

Information Technology Division

Developer Access – HR/CMS

Finding Reference: 2010-08

Observation

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

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 completed upgrading to Oracle/PeopleSoft 9.0 application software with an Oracle database release of 11G in March, 2010. The database upgrade to Oracle 11G provides auditing capabilities that can capture all database changes at a detailed level that can support the database auditing that has been recommended. We are currently in the process of analyzing these capabilities and anticipate having this designed, developed, and implemented in FY11.

Update:

The HRCMS team implemented the solution on September 13, 2010 by creating an audit report (msecur08.sqr) which runs on a weekly basis and captures activities from sources other than normal day to day processing. This audit report will list the Operating system ID, Database ID, and the SQL statements consisting of UPDATE, DELETE, Or INSERT statements. This report will be monitored on a weekly basis by the Application Support Manager to ensure that these statements are legitimate and that they can be tracked back to an incident that was logged by an end user.

Responsible Official: Maureen Chew, Chief Application Officer, ITD
Lou Angeloni, Chief Financial Officer, ITD

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

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Recommendation

We recommend that SMD follow policies and procedures implemented in December 2009 to draw down Federal funds on a reimbursement basis. We further recommend that SMD continue to follow up with the Department of Defense on the proposed settlement of interest due.

Related Noncompliance

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

Questioned Cost

Cannot be determined

Views of Responsible Officials and Corrective Action

SMD tendered a payment for \$535,107.53 as the full and final settlement on the federal demand of \$1,669,743.81. United States Property and Fiscal Officer (USPFO) of Massachusetts, representative of federal funds, has made inquiries to National Guard Bureau (NGB) on the status of the check. NGB has informed the USPFO that Department of Defense Judge Advocates (DODJA) (lawyers) are still looking into this matter but have no official response. Department of Justice is the only one with the authority to waive claim over 100,000 dollars.

Effective December 2009, SMD is drawing down Federal funds on a reimbursement basis.

Contact: Jeanne Spadorcia

Implementation Date: Reimbursement basis – December 2009, Settlement of Interest – unknown

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

State Military Department

National Guard Military Operations and Maintenance (O&M) Projects (12.401)

Federal Award Number: W912SV-10-2-1000 **Award Year:** 2009-2010

U.S. Department of Defense

Finding Reference: 2010-10

Requirement

The Grantee must maintain effective internal controls and accountability over all CA funding (National Guard Regulation 5-1 Chapter 11 -2 Standards of Financial Administration).

Finding

The State Military Division has a process to review invoices to ensure that they are appropriate costs before they are paid. The review is document by the reviewer's signature on the invoice.

We selected 50 invoices for review and noted that 1 invoice did not contain a signature indicating that the invoice was reviewed before payment.

Recommendation

We recommend that SMD examine its existing policies and procedures to ensure that invoices are reviewed and approved before payments are made.

Views of Responsible Officials and Corrective Action

We concur that one invoice did not have proper authorization and will ensure proper supporting documentation for processing in the future.

Contact: Jeanne Spadorcia

Implementation Date: Immediately

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Department of Housing and Community Development

Low-Income Home Energy Assistance (93.568)

Federal Award Number: G-09BIMALIEA Federal Award Year: 2008-2010

U.S. Department of Health and Human Services

Reference: 2010-11

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 \$197 million dollars for the Commonwealth's fiscal year ended June 30, 2010. 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.

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."

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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 Comptroller's (CTR) 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).

Even though FCU procedures are in place, DHCD stated that it relied on CTR to notify them of negative balances and takes appropriate action when notified. By not requiring the weekly monitoring of the MMARS NCA495 reports, federal accounts could reflect negative balances, requiring DHCD's immediate attention to reallocate funds.

A similar finding was reported in the prior year single audit report as finding number 2009-13

Recommendation

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

Views of Responsible Officials and Corrective Actions

DHCD's Accounting Unit within the Department's Office of Administration and Finance (OAF) works in conjunction with each division within DHCD to reconcile all federal grants. The Department's Chief Accountant implemented the following weekly federal grant reconciliation procedure for LIHEAP and all other federal grants that are on OSC's automated central draw.

In the beginning of each week, OAF's Accounting Unit generates and provides the NCA495W Report and the CMIA Weekly Draw Status Report to each division including DHCD's LIHEAP Financial Compliance Unit.

Each Division reviews the reports and provides to OAF a spreadsheet by Wednesday of that week listing the payment doc information for the specific draw. The spreadsheet is signed and dated by the Division to confirm the detailed backup payment documentation. Each division keeps a central binder for weekly draw reports. In addition, OAF archives the reports and division payment documentation for all DHCD federal grants on automatic central draw.

If after reviewing the CMIA Weekly Draw Status Report a rejected draw is identified, then the NCA495W report will be compared to the Division's payment spreadsheet and the Accounting unit in conjunction with the Division will develop the necessary corrective action plan.

This procedure ensures that weekly requests are properly drawn down, revenue is accurately posted to the MMARS BQ82, BQ88 and BQ89 budget screens, and that DHCD is compliant with all CTR guidelines to monitor grant activity on a weekly basis.

Contact: Jennifer Maddox

Implementation Date: Implemented

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Department of Workforce Development

Unemployment Insurance (17.225)

Federal Award Number:	18026-09-55-A-25	Federal Award Year:	2009
	FAC Agreement		2009
	19588-10-55-A-25		2010

U.S. Department of Labor

Reference: 2010-12

Requirement

A Treasury-State agreement documents the accepted funding techniques and a method for calculating interest agreed upon by the US Treasury and a State, and identifies the federal assistance programs governed by subpart A of this regulation. If anything in a Treasury-State agreement is inconsistent with subpart A, that part of the Treasury-State agreement will not have any effect and 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 in to Treasury-State Agreement (TSA), with the United State 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 Labor and Workforce Development (Department) enters into an annual sub-agreement with the Office of the State Comptroller (OSC) acknowledging and agreeing to the federal funding techniques in the TSA.

The Department receives federal funds for the Unemployment Insurance Program (17.225) on a reimbursement basis, which is included in the TSA. This federal program is not a part of the Commonwealth's Automated Central Draw process. For this program, the Commonwealth has implemented a non-central draw process where the Department notifies the Office of the State Treasurer of the amounts drawn down for reimbursement.

The Department makes all Unemployment benefit payments, regardless of the type, from a local payment account. The accepted funding technique for requesting reimbursement of Federal Employee Compensation (FECA) and Extended Unemployment Compensation (EUCA) benefits paid from the Federal (funded) Benefit Account at the U.S. Treasury is on a weekly reimbursement basis. The agreed upon technique for drawing from the State (funded) Benefit Account at the U.S. Treasury for other benefits paid is based on the same day those disbursements clear the Department's local payment account. All funds drawn from the US Treasury for Unemployment benefits are deposited in the local payment account.

During fiscal year 2010, the Department drew FECA and EUCA benefits on a daily basis rather than weekly, while other benefits were only drawn when the local payment account had insufficient funds to pay all benefits clearing on a particular day. This was inconsistent with the Commonwealth's Treasury State Agreement.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Recommendation

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

Related Noncompliance

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

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The Commonwealth's account in the Unemployment Trust Fund (UTF), which includes the Federal Employees Compensation Account (FECA) and the Extended Unemployment Compensation Account (EUCA) is governed by 31 CFR section 205 which states that funding techniques should be efficient and minimize the exchange of interest between States and Federal agencies (interest neutral). The method used to draw down EUCA, FECA and FAUC benefit payment reimbursements is consistent with the interest neutral method of drawing down funds three days after The Division of Unemployment Assistance (DUA) issues the benefit payments.

In FY 2010, DUA disbursed more than \$3.0 billion in daily payment for Federal Extensions related Unemployment Insurance benefits. If the Commonwealth drew down funds to cover those payments weekly, as listed in the CMIA, DUA would have been required to use funds from the Commonwealth's account in the UTF, if available; or borrow money from the Federal government through Title XII loans. Neither of those options is permissible. Section 3304(a)(4) of the Federal Unemployment Tax Act (FUTA) states that all money withdrawn from the unemployment fund of the State shall be used solely in the payment of state unemployment compensation (UC).

We recommend that the CMIA be modified to reflect the current and preferred drawdown method. As such, the Agency has been in contact with the Office of the Comptroller to facilitate this change.

Contact: Barbara Mc Donough

Implementation Date: September 30, 2011

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Department of Workforce Development

Unemployment Insurance (17.225)

Federal Award Number:	1675-08-55-A25	Federal Award Year:	2009
	18026-09-55-A-25		2009
	19588-10-55-A-25		2010

U.S. Department of Labor

Reference: 2010-13

Requirement

Fiscal control and accounting procedures of the State must be sufficient to permit the preparation of reports required by this part and the statutes authorizing the grant. 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 (29 CFR 97.20).

All financial and programmatic records, supporting documents, statistical records, and other records of grantees which are (i) required to be maintained by the terms of this part, program regulations or the grant agreement, or (ii) otherwise reasonably considered as pertinent to program regulations or the grant agreement must be retained for three years from the starting date specified in paragraph (c) of this section. According to paragraph (c), when grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee submits to the awarding agency its single or last expenditure report for that period.(29 CFR 97.42).

Finally, as stated under the instructions for Form 227, Overpayment and Detection and Recovery Activities in Employment and Training Administration (ETA) UI Reports Handbook 401, that report is due the first day after the month following the quarter to which it relates.

Finding

During our testwork on the 9130, ETA Financial Report, the ETA 581 Contribution Operations Report and the Form 227, Overpayment and Detection and Recovery Activities which were filed with the Department of Labor during fiscal year 2010 we noted the following:

- The 9130 ETA Financial Report filed for the quarter ending December 31, 2009, for grant UI167520855A25/UI167521GO, showed cumulative administrative expenditures as \$58,510,112. Due to an additional zero being incorrectly added to the correct number, this resulted in an overstatement of \$52,660,000 in the expenditures reported. This clerical error did not result in an administrative expense overcharge to the program.
- Information to support the ETA 581, Contributions Operations report for the quarter ending December 31, 2009 could not be provided. Staff noted that because the Department had begun using its new on-line QUEST employer contribution system on December 7, 2009, they found it necessary to run several versions of data to file the 581 report. Because of this, they did not feel comfortable with providing a particular version as support.

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Year ended June 30, 2010

- The Form 227, Overpayment and Detection and Recovery Activities report was filed 23 days late. The report is due the first day after the month following the quarter to which it relates.

Recommendation

The Department should strengthen existing policies and procedures to ensure reports are accurate, supported by documentation that is retained, and submitted in a timely manner.

Related Noncompliance

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

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

- This clerical error was discovered after the quarter closed. USDOL was notified via e-mail. DWD was not able to effect a correction per telephone conversation with Marisol Lopez of USDOL/ETA. The electronic reporting system had closed for that period.

A new procedure has been established to minimize the risk of transmission errors. Two reviews will occur prior to transmission.

- The 581 Contributions and Operations report in question was supported by data which originated from the agency's Legacy mainframe system however, that same data had migrated to different software and hardware platforms (QUEST). Further, it is to be noted that the quarter chosen for the review by KPMG (ending December 31, 2009) was the same month as the go-live date (December 7, 2009) for the QUEST System.

During the conversion process, several anomalies occurred which the agency addressed. The 581 report in question was filed and accepted by the Department of Labor. Prior to the implementation of the QUEST system, this report was filed timely and the supporting data was readily available and accurate. Subsequent to the initial implementation of QUEST, the agency's 581 report has been compiled accurately and that the supporting data is available and accurate. We expect that this anomaly will not occur in the future.

- Relative to the late filing of the Form 227, Overpayment and Detection and Recovery Activities Report, the report was late due to staffing issues. The report has since been filed timely and accurately. The agency advises that future Form 227 Reports will be filed on the deadline.

Contact: Barbara Mc Donough

Implementation Date: June 30, 2011

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Department of Workforce Development

Unemployment Insurance (17.225)

WIA – Adult Program (17.258)

WIA – Dislocated Worker Program (17.259)

WIA – Youth (17.260)

Federal Award Number:	UI-15126-06-55	Federal Award Year:	2006
	AA-14681-05-55		2006

U.S. Department of Labor

Reference: 2010-14

Requirement

Funds allotted to a State for any program year are available for expenditure by the State during that program year and the two succeeding programs years. (19 USC 2317 and 29 USC 2939(g)(2))

Finding

The Department of Workforce Development (Department) has a policy to remove phase codes, which represent grants, from MMARS in order to ensure that costs cannot be charged to a grant after it is closed. During a review of the phase codes open in 2010, it was noted that numerous phase codes were still active for 2006 grants, which were closed in fiscal year 2009. Staff responsible for this process noted difficulty in obtaining agreement from all individuals involved that obligated expenditures had been fully liquidated.

Recommendation

The Department should strengthen its control procedures to ensure that costs cannot be charged to a grant once it is closed.

Views of Responsible Officials and Corrective Actions

The Department has implemented a new reporting procedure that focuses on the Grant award and mimics the weekly cash draw report data. This new report will be reviewed and analyzed to determine that grants are expended properly and timely. This report will also be reviewed and discussed by the Department's internal program staff to determine any issues with any forthcoming grant close out.

Contact: Barbara Mc Donough

Implementation Date: June 30, 2011

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Department of Workforce Development

Workforce Investment Act – Adult Program (17.258)

Workforce Investment Act – Dislocated Worker Program (17.259)

Federal Award Number: AA-18646-09-55-A-25 Federal Award Year: 2010

U.S. Department of Labor

Reference: 2010-15

Requirement

Office of Management and Budget Circular, A-87, *Cost Principles for State, Local and Indian Tribal Governments*, as adopted by the U.S. Department of Labor at 29 CFR 97.22, establishes certain Basic Guidelines a cost must meet to be allowable under Federal Awards. Attachment A paragraph C.1 (b)(3) of the Circular states that to be allowable a cost must be authorized and not prohibited under State or local laws or regulations.(2 CFR 225 Appendix A).

Finding

During the test of payments to subrecipients, it was noted that in two of the 25 items selected, costs incurred before a contract amendment's effective date were invoiced and paid by the Department. Both payments were made under the same amendment for one subrecipient. The amendment added new funds that were not previously granted and increased the amount of existing funds under another award to the subrecipient.

The subrecipient indicated on the contract amendment, that it had not incurred any obligations prior to the effective date of September 8, 2009. However, two invoices subsequently submitted for reimbursement were for costs beginning on July 1, 2009.

It could not be readily determined how much of the \$591,884 (\$75,000 for 17.258 and \$516,884 for 17.259) invoiced by the subrecipient were for expenses incurred between July 1 and September 8, 2009. As such questioned costs could not be determined.

Recommendation

The Department should strengthen its review of subrecipient invoices to ensure that costs billed for reimbursement are within the contract period.

Related Noncompliance

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

Questioned Costs

Cannot be determined

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Views of Responsible Officials and Corrective Actions

DWD views this potential finding as an administrative error not a potential questioned cost.

The funds in question were granted to the Commonwealth by USDOL for the period beginning July 1, 2009.

The current process is to amend the existing contract with the pre-determined subrecipients as soon as the accounts are enacted at the Comptroller's office. The period of performance for the funds begins July 1, 2009.

Due to the nature of these annually recurring funds it is expected that all subrecipients will begin using these funds on July 1 of each year. The mechanism to permit this use for contracts executed after July 1 is the Commonwealth of Massachusetts Settlement Agreement. In the future, the Agency will ensure that the Settlement Agreement is implemented as necessary.

Contact: Barbara Mc Donough

Implementation Date: July 31, 2011

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Massachusetts College of Art and Design

Federal Direct Loan Program (84.268)

Federal Award Number: P268K090205 Award Year: 2009-2010

U.S. Department of Education

Reference: 2010-16

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 Federal Family Education Loan (FFEL) and Direct Loan program funds disbursement notification letters were not sent by Massachusetts College of Art and Design (MCA&D or the College) to students in compliance with federal notification requirements. The letter must contain the disbursement dates and the proper time frame for cancelling all or part of the FFEL/Direct Loans.

Once the Financial Aid Office has determined a student's award, an award letter should be sent by MCA&D to the student. The award letter should contain information on factors the award was based on, such as residency classification, enrollment status and living situation. The letter requests the student to review the information and indicate an acceptance or declination of each award and then sign the award letter for submittal to the Financial Aid Office by the date indicated.

Our audit determined that Disbursement Notification Letters were not sent to 20 students in our sample of 25 students receiving FFEL/Direct Loans program funds. MCA&D must notify students of the amount of funds the student and his or her parent can expect to receive from Federal Student Aid (FSA) and how and when those funds will be disbursed.

MCA&D did not have any written policies and procedures regarding the distribution of the Disbursement Notification Letters.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Recommendation

We recommend MCA&D develop written policies and procedures documenting the process for issuing notification letters to students and parents to ensure that students are notified as required under Federal regulations.

Related Noncompliance

Based on the above MCA&D was not in compliance with the requirement above.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The College contends that it is acting compliant with the federal regulations and provides proper, accurate and timely information to the student and his or her family. As a Direct Loan school much of the disclosure and borrower rights information is provided directly by the federal government. The College places a very high emphasis on assisting a student and his or her family in the financing of their education.

The following procedures are included in the financial aid processing at MassArt:

1. The students and their families who apply for financial aid are sent an award letter from the College based on and including the following information; residency classification, enrollment status and living situation. The letter requests the student to review the information and indicate an acceptance or declination of each award and then sign the award letter and return it to the MassArt Office of Student Financial Assistance. (Paragraph 2 of audit finding)
2. If a student accepts a Direct Loan which has been the primary student loan mechanism for the College, he or she is required to accept the College award letter plus complete the Direct Loan application. Disclosure information is then sent to the student/family by the federal government. This notification includes the disbursement dates and the proper time frame for cancelling all or part of the Direct Loans. (Paragraphs 1&3 of audit finding)

The practices contained within the above procedures are sufficient by themselves to address the audit concern. The following other services also exist in College practices to provide assistance and information to its students;

3. Once the Student Account has been credited with the Direct Loans funds and if there is an excess beyond College charges, then a College Student Refund Check is processed. The student/family is notified of the Student Refund Check and the check has a printout of the Student Account attached. The majority of students with Direct Loans at MassArt will have a Student Refund check processed.
4. The Direct Loan service system of the federal government processes a notice of disbursement made letter to the student/family with the specific loan information.
5. In addition, the College has always been open to assisting a student/family within the semester if they desire to cancel or change the amount of a Direct Loan.

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6. Should a student not wish to use the Direct Loan process and acquire a loan from another source; the College has historically allowed this request and assisted in the loan processing.

Contact: Director of Student Financial Assistance
College Computer Users Group

Implementation Date: The College as a whole is working to provide its students with online information and electronic communications.

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Massachusetts College of Art and Design

Federal Supplemental Educational Opportunity Grants (84.007)

Federal Direct Loan Program (84.268)

Federal Pell Grant Program (84.063)

Federal Award Number:	P007A091893	Award Year:	2009-2010
	P0063P090205		2009-2010
	P268K090205		2009-2010

U.S. Department of Education

Reference: 2010-17

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 Department of Education (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

When a student receiving 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 funds 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 disbursed to the student as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs 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.

- MCA&D did not calculate seven refunds of Title IV program funds for seven students who unofficially withdrew during a semester. These refunds should have been calculated when MCA&D determined that the students, in fact, stopped attending. On July 19, 2010, MCA&D identified the seven students that

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unofficially withdrew who accepted \$67,300 in federal student Financial Aid Funds. As of September 30, 2010, MCA&D still had not performed calculations of Title IV refunds, as required. We determined that MCA&D should have returned \$33,844.88 of Title IV funds for the seven students (\$25,357 for 84.268 and \$8,487 for 84.063).

- MCA&D did not return Title IV program funds to the ED in a timely manner. Specifically, we noted that for two refunds processed by MCA&D, refunds were calculated properly but were returned after the 45-day limit had expired.

An institution must return the amount of Title IV funds for which it is responsible as soon as possible. Return of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to the ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. We determined that the MCA&D processed returns by electronic funds transfers and that one of the students return was processed in 225 days and the other students return was processed in 106 days. MCA&D does not address the return of Title IV funds within 45 days in its SFA policies and procedures. Consequently, the MCA&D did not comply with federal regulations regarding the processing of two Title IV refunds in a timely manner.

Questioned costs were determining by summing the amounts questioned above by the respective Title IV program.

Recommendation

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

Related Noncompliance

Based on the above MCA&D was not in compliance with the requirement above.

Questioned Costs

\$8,487 (84.063)

\$25,357 (84.268)

Views of Responsible Officials and Corrective Actions

The College is in agreement that funds need to be returned in a timelier manner when it is determined that students may not have fully earned their federal financial aid.

Student academic records are reviewed when the financial aid is applied to the student account.

The College will work on reviewing student withdrawals forms in a more expeditious manner if an adjustment for financial aid is applicable.

For walkaway and unofficial withdrawals, the offices are working on processes to evaluate the student academic records upon completion of the semester to determine if students may not have fully earned the financial aid processed to them.

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The College is currently reviewing the audit listing of 8 students;

Student number 8 – completed the fall semester – 2 courses, 2 passing grades. It appears there was confusion recording the official withdrawal form; filed in the fall but for the upcoming spring – where no registration exists. This student has fully earned the fall financial aid applied to her account.

Student number 2 has a completed course with a passing grade. This student has fully earned the financial aid applied to his account.

In regards to the other 6 students on the audit listing; a review of attendance has been requested to determine if they are entitled to more than the audit determination of 50%.

Contact: Director of Student Financial Assistance

Implementation Date: Funds returned on 6 students – January, 2011
Stronger administration review for return of funds – Spring Semester 2011

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Year ended June 30, 2010

Massachusetts College of Art and Design

Federal Work Study Program (84.033)

Federal Award Number: P033A091893 **Award Year:** 2009 to 2010

U.S. Department of Education

Reference: 2010-18

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

During our audit of the Massachusetts College of Art and Design (MCA&D or the College) Federal Work Study Program we reviewed students in the program during the Fall 2009 and Spring 2010 semester and reviewed student timesheets for both on-campus and off-campus employment, actual payroll reports compiled by Human Resources, and work study contracts and agreements with outside employers for compliance with Federal MCA&D regulations.

Our audit included a review of 40 timesheets from four students, with total payments of \$3,420. Our audit indicated conditions of noncompliance within MCA&D’s established student financial aid policies and procedures and federal regulations for three of the student as follows:

The first student started work study employment on October 1, 2009, and the following instances of noncompliance with Federal regulations were noted:

- The student’s Employment Eligibility Verification Form I-9 was completed and signed by the student on November 17, 2009, after her employment date and the Employee Review and Verification section was not completed or signed by the employer. The Form I-9, Employment Eligibility Verification must be completed no later than the time of hire, which is the beginning of employment and Section 2, requires that “Employers must complete Section 2 by examining evidence of identity and employment authorization within three business days of the date employment begins.”

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The student's MCA&D federal work study contract was not submitted until December 2, 2009 even though the student commenced employment on October 1, 2009. The contract states that, "If you begin working before the contract is complete and approved by our office, the work you do will be considered volunteer work". Also, the student submitted three timesheets to payroll on January 13, 2010 for employment completed on October 14, 2009, October 28, 2009 and November 11, 2009 (Fall Semester) which is contrary to the MCA&D annual federal work study contract requiring students to submit timesheets no later than 30 days after the work week. The contract states that, "late timesheets must be submitted less than 30 days after the work week, or they will not be honored." Therefore, because the student started work before the contract was complete and did not adhere to the contract, we question the payroll costs of \$356.

- The student also submitted four timesheets to payroll on March 25, 2010 for employment completed for the weeks of January 27, 2010; February 3, 2010; February 10, 2010; and February 17, 2010 (Spring Semester), which is contrary to the MCA&D annual federal work study contract requirement. Therefore, because the student did not adhere to the MCA&D contract, we question the payroll costs of \$160.
- Timesheets processed by the MCA&D for this student contained a number of work-study hours that conflicted with the student's class schedule. We found 5 instances of work hours recorded on the student's timesheets where the Registrar's records indicated the student was scheduled for classes. No notations were found on timesheets to indicate released time or class cancellations.

The second student started work study employment on September 16, 2009, and the following instance of noncompliance with Federal regulations were noted:

- The student submitted one timesheet on January 28, 2010 for employment completed on November 11, 2009, which is contrary to the MCA&D annual federal work study contract requiring students to submit timesheets no later than 30 days after the work week. Therefore, because the student did not adhere to the MCA&D contract, we question the payroll costs of \$20.

The third student started work study employment on September 9, 2009, and the following instances of noncompliance with Federal regulations were noted:

- The student submitted one timesheet on December 16, 2009 for employment completed on November 4, 2009, which is contrary to the MCA&D annual federal work study contract requiring students to submit timesheets no later than 30 days after the work week. Therefore, because the student did not adhere to the MCA&D contract, we question the payroll cost of \$64.
- The student also submitted three timesheets on April 7, 2010 for pay periods ended February 3, 2010, February 17, 2010, March 3, 2010, which is contrary to the MCA&D annual federal work study contract requiring students to submit timesheets no later than 30 days after the work week. Therefore, because the student did not adhere to the MCA&D contract, we question the payroll costs of \$192.
- Timesheets processed by MCA&D for this student contained a number of work hours that conflicted with the student's class schedule. We found 2 instances of work hours recorded on the student's timesheets where the Registrar's records indicated the student was scheduled for classes. No notations were found on timesheets to indicate released time or class cancellations.

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- MCA&D did not have a federal work study contract for one of the 2 work study jobs assigned to this student.

Our audit further disclosed that MCA&D does not address the work study payroll procedures within its SFA policies and procedures.

The total questioned costs were determined by adding the questioned costs identified above for a total of \$792.

Recommendation

We recommend that MCA&D establish written policies and procedures to ensure that federal regulations related to the Federal Work Study program are complied with.

Related Noncompliance

Based on the above MCA&D was not in compliance with the requirement above.

Questioned Costs

\$792

Views of Responsible Officials and Corrective Actions

The College has a centralized administration of the College Work Study Program. We also have a decentralized hiring and supervision of Work Study students to allow the funds to assist many areas across the College. The College will work with the area supervisors to assist with better management and oversight of the program along with processing items in a timelier manner. The Office of Student Financial Assistance will follow up in a stronger capacity during the year when departments submit late documents. Information to students will be strengthened as well.

The students questioned in this finding were eligible for College Work Study funds. The time was worked and duties were performed by the three students in the situations listed. They are entitled to the payments received. The late processing of paper work is an issue of administrative oversight and controls, not eligibility. The College does overmatch its share of funds to the College Work Study program.

Contact: Director of Student Financial Assistance

Implementation Date: Follow-up on FY2010 – February 2011
Stronger administration of CWS program – Authorization of FY2012 funds to departments – Fall Semester 2011

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Massachusetts College of Art and Design

Federal Direct Loan Program (84.268)

Federal Award Number: P268K090205 **Award Year:** 2009-2010

U.S. Department of Education

Reference: 2010-19

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

The Massachusetts College of Art and Design's (MCA&D or the College) policy is to report student enrollment to a contracted third party, the National Student Clearinghouse (NSC). MCA&D 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, MCA&D is ultimately responsible to ensure that NSLDS is properly and timely notified of all student enrollment status changes. MCA&D reports changes in enrollment status to NSC a total of 10 times, three times each during the fall and spring semesters and summer session, then once at graduation.

Our audit disclosed that MCA&D does not have written policies and procedures identifying the process that MCA&D utilizes to ensure that student enrollment changes are reported to NSLDS in the required timeframe. From our sample of 25 students, nineteen students' enrollment status changes were reported to NSLDS from 57 to 182 days beyond the 30 or 60-day requirement. The students officially or unofficially withdrew, were on leave of absence, or were dismissed.

Additionally, a withdrawn student's status has not been reported to NSLDS. In another instance a student requested a leave of absence for the spring semester which was not reported to NSC or NSLDS; instead the student was reported as enrolled less than half-time. The student returned from leave as scheduled. Under Federal regulations a student would enter repayment status if she/he did not return from leave as scheduled. As a result of the late or incorrect reporting, there is no assurance that these students' deferments, grace periods, or repayment schedules were appropriately determined.

Although MCA&D has no written procedures explaining the NSC reporting process and the federal reporting requirement, we identified that MCA&D's Registrar is responsible for filing enrollment status updates with NSC and submits the updates according to a predetermined transmission schedule. The process in place is to ensure he

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prepares and coordinates the reporting of enrollment status with the academic calendar such as the end of the add/drop period, semester mid-point, last day to withdraw from classes, and graduation. The Registrar understood his responsibilities to report the enrollment changes to NSC on a regular basis, but was unfamiliar with NSLDS. A follow-up and monitoring with NSLDS was not performed by MCA&D.

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 MCA&D implement written policies and procedures to ensure the timely reporting of enrollment data to NSLDS in accordance with federal regulations requirements.

Related Noncompliance

Based on the above MCA&D was not in compliance with the requirement above.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The College believes it is reporting student enrollment information to the federal government (via the National Student Clearinghouse) in a timely and proper manner. We will review the process to see how some information is not being submitted on a timely basis. In addition we will strengthen the process in regards to students who have withdrawn from the College.

Contact: College Registrar
Director of Student Financial Assistance

Implementation Date: Review and monitoring of reporting – to begin Spring Semester 2011

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Views of Responsible Officials and Corrective Actions

The College is very aware of this important requirement. The College apologizes for its oversight in this matter as it mistakenly thought that separate exit counseling for Perkins Loan were being done. We will work on a process that provides exit counseling for Perkins Loans in the 2010-2011 year.

The Perkins program provides a value loan for students; however the availability of funds is extremely limited. In FY2010, Perkins Loans accounted for less the 3/10ths of 1% of the loan activity processed by MassArt.

Contact: Director of Student Financial Assistance & Office Staff

Implementation Date: Graduation class, May 2011

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Greenfield Community College

Federal Direct Loan Program (84.268)

Federal Award Number: P268K101594 **Award Year:** 2009-2010

U.S. Department of Education

Reference: 2010-21

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 Direct Loan program funds disbursement notification letters sent to students were not sent by Greenfield Community College (GCC) in compliance with federal requirements regarding the content of these notification letters. The letter must contain the disbursement dates and the proper time frame for cancelling all or part of the Direct Loans. Specifically, we found the disbursement notification letters did not contain disbursement dates or the proper time frame for cancelling all or part of their Direct Loans, as follows:

- Disbursement notification letters sent to 8 of 15 students in our sample receiving Title IV funds under the Direct Loan program were not properly notified of Spring Semester disbursements as required by federal regulations governing student financial assistance. Our review of disbursement notification letters showed that the 8 students receiving Direct loan disbursements for both fall and spring semesters were notified only once in the fall that disbursements would be made for both semesters.

According to Student Financial Aid officials, they were not aware that letters were also required to be sent out with spring disbursements. GCC's disbursement notification letter sent to the students in each fall semester notifying the students of their loans for the entire year was felt sufficient to meet the disbursement notification requirement. However, this fall letter does not meet the requirement of no earlier than 30 days before, and no later than seven days after, crediting the student account at the institution for loans disbursed in the spring semester.

- Disbursement notification letters sent to our sample of 15 students receiving Federal Title IV funds under the Direct Loan program did not contain the proper Direct Loan cancellation notice as required by federal regulations. Specifically, institutions that do not implement an affirmative confirmation process must

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notify a student no earlier than 30 days before, but no later than seven days after, crediting a student's account and must give the student 30 days to cancel all or part of the loan.

Our review of the disbursement notification letters sent by the Department of Education to Direct Loan recipients disclosed that they do not require affirmative confirmation. The letters state in part: "Within 14 days after the date your school notifies you that it has credited loan money to your account at the school, or by the first day of your school's payment period, whichever is later, you may tell your school that you want to cancel all or part of the loan money that was credited to your account...". During our discussions with GCC, it was noted that the Department of Education sends out the Direct Loan disbursement notification letters and GCC is not aware that they do not obtain affirmative confirmation. As GCC does not use affirmative confirmation to notify students receiving Direct loans, it is required under to notify Direct Loan recipients that they have 30 days to cancel all or part of their loan.

Recommendation

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

Related Noncompliance

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

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

GCC notifies every loan recipient of his Direct Loan disbursement via student email. These email correspondence are automatically generated to each loan recipient on the day the disbursement action takes place within Banner. (The email notification is attached). GCC's disbursement notification does not explicitly state the loan disbursement amount or type but it does direct the student to access his personal account information on the GCC student information portal My GCC. My GCC is a secure portal to which only the student has access to view his personal information. Once on MY GCC, the student sees both the loan type, disbursement date, and exact amount disbursed. We do not release confidential student information via GCC student email, rather the student is directed to view this information through the secure portal, My GCC.

GCC does not create a loan origination for any student without first obtaining confirmation from the student indicating the types and amounts of FSA program loans that he/she wants for an award year. All initial Direct Loan awards are made in offered status only. The status changes from "Offered" to "Certified" upon the student's action, by award acceptance, via My GCC. The electronic certification and acceptance remains in My GCC but paper copies of the Award Certification and Acceptance Form are also kept in the student's financial aid file. Because GCC obtains affirmative confirmation from the student, our notification states the 14-day requirement for cancellation of all or part of their federal loans as allowed by federal regulations. GCC is an affirmative confirmation school, we never create a Direct Loan record with COD without the student's award acceptance and confirmation.

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GCC will include the disbursement date, type of loan and the amount in the email notification of disbursement to students, and will develop methods for confirmation that the notification has been received.

Contact: Linda Desjardins, Director of Financial Aid

Implementation Date: Spring semester, 2011

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Greenfield Community College

Federal Direct Loan Program (84.268)

Federal Award Number: P268K101594 Award Year: 2009-2010

U.S. Department of Education

Reference: 2010-22

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

Greenfield Community College's (GCC) policy is to report student enrollment to a contracted third party, the National Student Clearinghouse (NSC). GCC did not have a policy as to the frequency or timing of reporting student enrollment to NSC. GCC 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, GCC is ultimately responsible to ensure that NSLDS is properly and timely notified of all student enrollment status changes.

In our sample of 25 students who received Federal Direct Loans NSLDS showed six students who officially withdrew in November 2009 and one who withdrew in April 2010 right after GCC's scheduled transmissions to NSLDS for those months. Our review of the GCC transmissions disclosed that there were no transmissions scheduled for December 2009 and May 2010. Due to not having scheduled transmission for these months, GCC had not reported the enrollment status changes of the seven students who withdrew to the NSLDS within the 60-day time limit, as required under federal regulations. Delayed reporting for these students ranged between 5 to 9 days beyond the 60-day limit to report.

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 GCC improve existing procedures to ensure the timely reporting of enrollment data to NSLDS in accordance with federal regulations requirements.

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Related Noncompliance

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

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

GCC is in the process of reviewing our internal controls for the reporting of student status changes to NSC. We are considering changes to our current record transmission schedule to increase the frequency of student status changes throughout the award year in order to ensure that the changes are reported to NSLDS within the required timeframe.

Contact: Heather Hoyt, Registrar & Shane Hammond, Dean of Enrollment

Implementation Date: Spring semester, 2011

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Greenfield Community College

Federal Work Study Program (84.033)

Federal Supplemental Educational Opportunity Grant (84.007)

Federal Pell Grant Program (84.063)

Federal Direct Loan Program (84.268)

Federal Award Number:	P033A091872	Award Year:	2009-2010
	P007A091872		2009-2010
	P063P091594		2009-2010
	P268K101594		2009-2010

U.S. Department of Education

Reference: 2010-23

Requirement

If an eligible institution enters into a written arrangement with another eligible institution, or with a consortium of eligible institutions, under which the other eligible institution or consortium provides all or part of the educational program of students enrolled in the former institution, the Secretary considers that educational program to be an eligible program if it otherwise satisfies the requirements of Sec. 668.8. (34 CFR Sec. 668.5 (a)).

Finding

During our audit, we found that Greenfield Community College (GCC) had entered into individual consortium agreements for students taking part of their educational program at other institutions. Of the 19 students that we reviewed, we determined that four students did not have individual consortium agreements on file and two students had individual consortium agreements on file but were not signed by the host institution. In addition, both unsigned agreements did not document the student's enrollment status and tuition and fees at the host school.

Our review also disclosed that GCC does not address institutional agreements within its Student Financial Aid policies and procedures.

Recommendation

We recommend that GCC implement policies and procedures to ensure that written agreements between schools are in compliance with federal requirements regarding Institutional Agreements.

Related Noncompliance

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

Questioned Costs

None

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Views of Responsible Officials and Corrective Actions

The staff person primarily responsible for this process retired in May, 2010 and subsequently, we were unable to confirm if consortium agreements existed for the four students in question or if signed agreements were not placed into the file for the two students who had agreements, but were not signed appropriately by the receiving institution.

The Office of Financial Aid at GCC is currently developing an internal policy and procedure for Consortium agreements in compliance with SFA regulations. Our current consortium agreement form does relate the policy to both the student and the host institution, but there is no formal written documentation of the policy within the financial aid office. The form was update for the 2010-2011 award year and the changes will be addressed in the stated policy. Office procedures will be noted, including the development of reports and keeping records on file.

Contact: Linda Desjardins, Director of Financial Aid

Implementation Date: Spring semester, 2011

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Greenfield Community College

Federal Work Study Program (84.033)

Federal Award Number: P033A091872 **Award Year:** 2009 to 2010

U.S. Department of Education

Reference: 2010-24

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 (34CFR 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

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

Our audit procedures included tests for proper authorization, supporting documentation, accuracy, completeness, timeliness, and adherence to award specifications and campus polices. In our sample of 51 students, which involved a review of 104 timesheets taken from payrolls in the fall 2009 and the spring 2010 semesters, we noted seven students worked numerous hours during scheduled classroom hours.

GCC has not established policies and procedures that govern the practice of working during class time. The Financial Aid Director stated that that in this regard students are told that working during scheduled class time is prohibited and to note on their time sheet if class has been canceled. However, FWS supervisors do not ask for class schedules and the Student Financial Aid and payroll department have not established monitoring procedures for FWS student timesheets and class schedules.

Recommendation

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

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Year ended June 30, 2010

Views of Responsible Officials and Corrective Actions

The Office of Financial Assistance is enhancing its FWS programming for both the student worker and the federal work study supervisor to include information about when the student is and is not allowed to perform work study hours. FWS supervisors are now required to know the student worker's class schedule and student worker will be required to provide their signature indicating that they are aware that they cannot work during scheduled class time. We are in the process of including this information on our website, in a section specifically designated to the FWS student and supervisor, as well as during all programming for the FWS.

GCC is in the process of designing on-line class cancelation functionality on the GCC website for faculty. Once in place, this process will provide added checks and balances to ensure students are not working during regularly scheduled class time unless the class has been canceled in advance of the hours worked.

GCC is in the process of modifying their FWS timecards to include a disclaimer to students that they cannot work during regularly scheduled class time. If a class is canceled, the student will have an area on the time card to indicate such and a place for the supervisor to acknowledge.

Contact: Linda Desjardins, Director of Financial Aid and Karen Phillips, Comptroller

Implementation Date: Spring semester, 2011

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Cape Cod Community College

Federal Family Education Loan Program (84.032)

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

U.S. Department of Education

Reference: 2010-25

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 FFEL program funds disbursement notification letters sent to students were not sent by Cape Cod Community College (CCCC) in compliance with federal requirements regarding the content of these notification letters. The letter must contain the disbursement dates and the proper time frame for cancelling all or part of the FFEL Loans. Specifically, we found the disbursement notification letters did not contain disbursement dates or the proper time frame for cancelling all or part of their Direct FFEL Loans, as follows:

- All five disbursement notification letters disclosed that all of the letters were sent within the required timeframe; however, the letters did not include a statement notifying the student of their right to cancel the loan after the later of the first day of a payment period or 14 days after the date the college notifies the student or parent of his or her right to cancel.

CCCC officials acknowledged that the notifications letters did not comply with these requirements and indicated that they would review their policies and procedures along with instructing their information technology department to make changes to ensure that in the future letters will contain the required dates and instructions for cancellation. These changes should be considered as the CCCC transitions into the obtaining and awarding of Direct Loans for its students going into the future.

Recommendation

We recommend that CCCC modify its loan notification process to ensure that students are notified as required under Federal regulations.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Related Noncompliance

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

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

During the 2009-10 academic year, the Business Office automated the disbursement notification letters. During the implementation, text was inadvertently dropped from the standard letter. After identifying the problem, the correction was made. All 2010-11 disbursement notification letters include specific information indicating the student has 14 days to cancel the loan and to contact the Financial Aid Office.

The Financial Aid Office's policy and procedures do include references to disbursement notices and cancellation policies in the Stafford Loan section under Disbursement of Loans.

Contact: Sherry Anderson, Director of Financial Aid

Implementation Date: Completed

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Cape Code Community College

Federal Work Study Program (84.033)

Federal Award Number: P033A091893 **Award Year:** 2009-2010

U.S. Department of Education

Reference: 2010-26

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 (34CFR 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

Cape Cod Community College's (CCCC) has established policies and procedures for maintaining, monitoring and controlling CCCC's student Federal Work Study (FWS) payroll records and files in accordance with both federal and state regulations.

Our audit procedures included tests for proper authorization, supporting documentation, accuracy, completeness, timeliness, and adherence to award specifications and campus polices. In our sample of 4 students, which involved a review of 15 timesheets taken from payrolls in the fall 2009 and the spring 2010 semesters, we noted two students worked numerous hours during scheduled classroom hours.

CCCC has established policies and procedures that govern the practice of working during class time. FWS supervisors in addition to signing time sheets are to be provided class schedules. The Student Financial Aid and payroll departments have not established monitoring procedures for FWS student timesheets and class schedules.

Recommendation

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

Views of Responsible Officials and Corrective Actions

While there is no specific federal regulation mandating that students cannot work during scheduled class hours or that the institution must monitor hours worked against the class schedule, it would be inappropriate for

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

supervisors to require students work at the same time as class. In all cases, the student's coursework takes precedence over work-study. To further support the verbal information the Financial Aid Office provides supervisors, the Work Study Handbook which will be updated in Spring 2011 to address the issue. It is the supervisor's responsibility to know the student's class schedule to avoid conflicts.

In many cases, the reason a student works during scheduled class time is due to cancellation, early release, etc. When this occurs, the supervisor should document why the student is working rather than attending class. If this type of activity is occurring frequently, the supervisor should contact the teacher for verification.

Since scheduling and verifying hours is the supervisor's responsibility, the Time Sheet is being updated to include a statement reminding both parties that working during class time is prohibited. For the exceptions when a student does work, the student/supervisor must add a note of explanation. This revision will be in place as soon as possible.

Contact: Sherry Anderson, Director of Financial Aid

Implementation Date: In process

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Cape Cod Community College

Federal Family Education Loan Program (84.032)

Federal Award Number: NA Award Year: NA

U.S. Department of Education

Reference: 2010-27

Requirement

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

Finding

Cape Cod Community College’s (CCCC) policy is to report student enrollment to a contracted third party, the National Student Clearinghouse (NSC). CCCC reports enrollment status three times each semester, excluding summers, including a special report of the graduating students at year end. CCCC 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, CCCC is ultimately responsible to ensure that NSLDS is properly and timely notified of all student enrollment status changes.

In our sample of 25 students who received Federal Family Education Loans it was determined that CCCC had not reported changes in the ten students’ enrollment status to NSLDS through NSC within the 30 and 60-day time limit as required under Federal regulations. Delayed reporting for these students ranged between 11 to 28 days beyond the 60-day limit to report.

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 CCCC 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 CCCC was not in compliance with the requirement above.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The College uses the National Student Clearinghouse (NSC) to complete the federally required Student Status Confirmation Reports (SSCR) for the National Student Loan Database System (NSLDS). The Jenzabar student information system has built in reporting mechanisms to identify and prepare data for the Clearinghouse. The Registrar supervises this activity three times per semester, plus any follow up needed between reporting periods.

The Registrar's Office will ensure there is a written policy and procedure for the Clearinghouse activities. It will include explanations of how the College identifies withdrawals, graduations, etc., and when they are first able to be aware if a student is re-enrolling in a subsequent term. The procedures will be created with input from Registration, Financial Aid, and Information Technology. Written procedures will be created during summer 2011.

For 2011-2012, the Registrar and Financial Aid Director will monitor a sample of students from each Clearinghouse submission to verify the data reaches NSLDS within the required timeframe. The College will monitor submissions to NSLDS and will follow up with the Clearinghouse if discrepancies or timing issues arise.

Contact: Sherry Anderson, Director of Financial Aid

Implementation Date: Summer 2011

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Year ended June 30, 2010

Massachusetts Rehabilitation Commission

Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)

Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act (84.390)

Federal Award Number:	H126A080028D	Federal Award Year:	2009
	H126A090028A		2010
	H390A090028A		2010
	H126A100028B		2011

U.S. Department of Education

Finding Reference: 2010-28

Requirement

A State must expend 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 (34CFR 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. (34CFR 80.20 (b)).

Finding

In our review of the quarterly Financial Status Report (SF-269) or the Federal Financial Report (SF-425), for the quarters ending September 30, 2009 and March 31, 2010, we noted that the Massachusetts Rehabilitation Commission (MRC) did have controls in place to ensure the accuracy and completeness of these reports but did not have documentation of management review. Our audit disclosed the following reporting deficiencies:

- Federal unliquidated obligations totaling \$101,311 were undervalued on the March 2010 (ARRA) SF-269. This error was later corrected on the June 2010 report.
- State unliquidated obligations totaling \$9,316,194 were not reported on the September 2009 SF-269 report. This error was later corrected on the March 2010 report.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Recommendation

We recommend that MRC review the current policies and procedures in place and make the necessary adjustments to ensure that reports submitted to the Federal government are complete and accurate.

Related Noncompliance

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

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

MRC concurs with the recommendation that the Department review the current policies and procedures in place. MRC will make the necessary adjustments to ensure that reports submitted to the Federal government are complete and accurate.

Contact: Ruth Paulson

Implementation Date: On-going with a scheduled completion date of 12-31-11

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Massachusetts Rehabilitation Commission

Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)

Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act (84.390)

Federal Award Number:	H126A080028D	Federal Award Year:	2009
	H126A090028A		2010
	H390A090028A		2010
	H126A100028B		2011

U.S. Department of Education

Reference: 2010-29

Requirement

A State must expend 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.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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, 2009. Specifically we noted:

- MRC did not submit its report until April 8, 2010; over three months after the December 31st deadline.
- MRC did not maintain documentation to support management's review and approval of their report and continues to complete the RSA-2 without written policies and procedures in place detailing its process.
- Federal unliquidated obligations totaling \$9,503,793 – of which \$188,626 represents American Recovery and Reinvestment Act (ARRA) obligations – were not included in the reporting period ending September 30, 2009. Moreover, not reporting unliquidated obligations as expenditures in the proper reporting period results in the overstatement of funds carried over to and expenditures reported in the next fiscal year (period ending September 30, 2010).
- Program income expenditures paid for with funds carried over from the previous fiscal year were overstated by \$378,462.
- Vocational Rehabilitation (VR) expenditures paid for with funds carried over from the previous fiscal year were understated by \$3,004,218.
- Client related services totaling \$6,549,862 purchased from private vendors not properly supported by an audit trail.

Further, person-years, in full year increments, must be reported for all state agency personnel whose salaries are charged in whole or in part to Section 110 funds, Title VI-B or other rehabilitation funds. Person-years mean the actual time that vocational rehabilitation jobs were filled during the period covered by the report. For example, if a job is filled throughout a fiscal year, it is counted as one person-year; two jobs each filled half a year would also count as one person-year. MRC reported the number of full-time employees (person-years) by counting the number of agency staff as of March 19, 2009, rather than, the actual time vocational rehabilitation jobs were filled.

A similar finding was reported in the prior year single audit report as finding number 2009-30.

Recommendation

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

Related Noncompliance

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

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

MRC concurs with the recommendation and continues to document and implement policies and procedures to ensure that the RSA-2 report is submitted completely and accurately. It is noteworthy that some figures included

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

in the RSA-2 flow from the SF269 and that MRC prepares the SF269 on a cash basis vs. an accrual basis both of which may be used as the basis of accounting. (See Policy Directive RSA-PD-10-03.) Reporting on a cash basis vs. an accrual basis impacts on how unliquidated obligations are reported. Therefore, reporting unliquidated obligations as expenditures is not considered best practices in cash reporting.

Contact: Ruth Paulson

Implementation Date: On-going with a scheduled completion date of December 31, 2011.

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Year ended June 30, 2010

Massachusetts Rehabilitation Commission

Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)

Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act (84.390)

Social Security Disability Insurance (96.001)

Federal Award Number:	H126A1000028B	Federal Award Year:	2010
	H390A090028A		2010
	04-1004MAD100		2010

U.S. Department of Education

Social Security Administration

Reference: 2010-30

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 27, 2010), requires that time sheets be approved by an employee's supervisor. Further an Executive Office of Health and Human Services (EOHHS) Time and Attendance Reporting Training Job Aid (issued February 2007) directs EOHHS supervisors to sign and keep on file transmittal spreadsheets that are used to document payroll items such as sick days and hours work by hourly employees. The Massachusetts Rehabilitation Commission (MRC) also issued an administrative bulletin related to payroll on March 22, 2010 that directed Unit Supervisors or managers to review and approve time and attendance for their respective Units.

For the Rehabilitation Services – Vocational Rehabilitation Grants to States Program, we examined 60 weekly timesheets covering five pay periods for payroll costs charged to the federal VR grant; at least one pay period was selected for each of the 25 Area Offices, as well as 1 Regional Office. We also reviewed 40 weekly timesheets covering four pay periods for payroll costs charged to the VR American Recovery and Reinvestment Act (ARRA) grant. These timesheets represented 17 Area Offices and 1 Central Office department. For the above

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

sampled items all payroll support documentation was received from agency personnel including proof of supervisory approval.

As an alternative test, site visits to five VR Area Offices were conducted. The review of 50 weekly timesheets covering five pay periods disclosed that 8 of the 50 weekly timesheets—six from the Boston Area Office and two from the Somerville Area Office—were missing evidence of a supervisory approval signature. As a result, questionable costs for the timesheets involved amounted to \$121,085.

With respect to Social Security Disability Insurance Program (DDS), we inspected 82 weekly timesheets covering five pay periods from 25 departments that were charged to the Federal DDS grant. For the above examination all payroll support documentation was received from agency personnel including proof of a supervisory approval signature for all 182 weekly timesheets reviewed.

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.

Our review also disclosed the following deviations related to EOHHS or MRC policy:

Electronic Transmittals (EOHHS)

- Although our own comparison did not detect any discrepancies between authorized employee timesheets and payroll exceptions reported on EOHHS electronic transmittals, 8 of the 50 EOHHS timesheets inspected during our site visits to Area Offices (payroll costs charged to the VR federal grant) did not have evidence of a supervisory approval signature. Four of the 8 incidences occurred after the MRC Administrative Bulletin revision was effective.
- 4 out of 40 EOHHS Transmittals (payroll costs charged to the VR ARRA federal grant) did not have evidence of a supervisory approval signature. All four occurrences transpired after the MRC Administrative Bulletin revision and took place at the Boston Area Office.
- 4 out of 82 EOHHS timesheets (payroll costs charged to the DDS federal grant) did not have evidence of a supervisory approval signature. All four occurrences transpired before MRC's revised Administrative Bulletin. Additionally, we noted that DDS management did not implement the MRC agency-wide Administrative Bulletin until May 24, 2010; roughly two months after the Administrative Bulletin effective date.

Bi-Weekly Payroll Reports

- 21 out of 55 MRC bi-weekly payroll reports (payroll costs charged to the VR federal grant) did not have evidence of a supervisory approval signature. Fourteen of the twenty-one were identified during our site visits to Area Offices, with 5 taking place after the MRC Administrative Bulletin revision.
- 2 out of 20 MRC bi-weekly payroll reports (payroll costs charged to the VR ARRA federal grant) did not have evidence of a supervisory approval signature. Both occurrences transpired after the MRC Administrative Bulletin revision and took place at the Boston Area Office.

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- 33 out of 41 MRC bi-weekly payroll reports (payroll costs charged to the DDS federal grant) did not have evidence of a supervisory approval signature. Seven of the thirty-three occurrences took place after the MRC Administrative Bulletin revision.

A similar finding was reported in the prior year single audit report as finding number 2009-31.

Recommendation

MRC should provide training and dedicate adequate resources to ensure that existing policies and procedures are implemented.

Related Noncompliance

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

Questioned Costs

\$121,085 (84.126)

Views of Responsible Officials and Corrective Actions

MRC has developed an Agency-wide Payroll Policy to ensure that employee timesheets are reviewed by program supervisors. This payroll policy was issued in March 2010. MRC will continue to provide additional training to ensure that existing policies and procedures are followed and monitored. MRC submits that the time sheets in question did not have the proper approvals. MRC's internal control process uses reports provided on Document Direct to ensure that payroll is accurate and consistent. MRC's internal controls minimize the risk of reportable questioned costs.

Contact: Ruth Paulson

Implementation Date: MRC will continue on an on-going basis to provide additional training to ensure that existing policies and procedures are followed and monitored.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Massachusetts Rehabilitation Commission

Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)

Federal Award Number:	H126A080028D	Award Year:	2008 – 2009
	H126A090028A		2009 – 2010
	H126A100028B		2010 – 2011

U.S. Department of Education

Finding Reference: **2010-31**

Requirement

To be allowable under Federal awards, costs must meet the following general criteria: 1) Be allocable to Federal awards under the provisions of this Circular. 2) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit. (OMB) Circular A-87, Attachment A, Section C (1) Factors affecting allowability of costs.

A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. All activities which benefit from the governmental unit’s indirect cost, including unallowable activities and services donated to the governmental unit by third parties, will receive an appropriate allocation of indirect costs. Any cost allocable to a particular Federal award or cost objective under the principles provided for in this Circular may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal award, or for other reasons. OMB Circular A-87, Attachment A, Section C (3) Allocable Costs.

Finding

The Office of the Comptroller (CTR) and the Executive Office of Health and Human Services (EOHHS) entered into Cost Allocation Agreements with the federal Department of Health and Human Services as required under the provisions of the Federal OMB Circular A-87. The Cost Allocation Agreements allow for central supportive service costs (chargebacks) to be allocated to state agencies that receive federal grants to administer federal programs. Allocations identified for the Massachusetts Rehabilitation Commission (MRC) were further allocated based on a spreadsheet developed by MRC to various federal programs administered by MRC. We reviewed the allocations of central support service costs (chargebacks) for secretarial central services and information technology data processing services from July 1, 2009 to June 30, 2010.

Our review of MRC’s claiming of chargebacks disclosed the following:

- The Rehabilitation Services – Vocational Rehabilitation Grants to States program (VR Program) was overcharged \$9,516 for secretarial central services chargeback costs. The overcharge represents EOHHS human resource, facilities, and information technology supportive services that should have been allocated to other federal programs in accordance with the central support services allocation spreadsheet developed by MRC.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

- The VR program was overcharged \$6,654 for Information Technology chargeback costs. The overcharge represents Information Technology Department and CTR data processing costs that should have been allocated to other federal programs according to the central support services allocation spreadsheet developed by the MRC.

As a result of our audit, MRC processed a Massachusetts Management reporting and Accounting System (MMARS) expenditure correction (EX) transaction that reassigned \$6,869 of the \$9,516 in secretarial central service costs from the federal VR program to the VR program income appropriation. The VR program income represent reimbursements received from the Social Security Administration (SSA) for Social Security beneficiaries and recipients for costs of services associated with achieving employment outcomes. Similarly, an additional \$6,654 in information technology data processing services was also reallocated to the VR program income appropriation from the federal VR program. This action, however, only reassigned \$13,523 of the \$16,170 in questioned costs. Accordingly, \$2,647 in secretarial central support service costs—services that benefit other federally funded programs—continue to be incorrectly charged to the federal VR program.

As noted above, MRC in an effort to realign central support service chargebacks reassigned costs totaling \$13,523 to its VR Program Income appropriation. MRC advised us that these costs could be charged to the program income appropriation and provided us with documentation to support their interpretation of the regulations regarding the use of program income to fund these other federally funded programs which included the Informed Members Planning and Assessing Choice Together (IMPACT); Supported Employment Program; Innovation Strategies for Transition Youth with Disabilities; Traumatic Brain Injury (TBI) Implementations Grant; and Assistive Technology Act.

MRC officials explained that the incorrect central support service charges made to the VR program were not allocated to the proper federal programs because in their view the amounts were not material and, therefore, did not justify the added administrative recordkeeping. Further, although MRC pointed out that it had inadvertently used the wrong secretarial central support service amount in its MMARS expenditure correction, MRC used \$6,867 rather than \$9,516, MRC noted that no further adjustments would be made.

Additionally, we noted MRC did not have specific written policies and procedures in place to instruct staff on the proper procedures for allocating central support service chargebacks and to make certain that federally funded programs received an appropriate allocation in accordance with the relative benefits received.

Recommendation

We recommend that MRC develop written policies and procedures to ensure that central support service chargebacks are appropriately allocated to benefiting programs.

Related Noncompliance

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

Questioned Costs

\$16,170

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Views of Responsible Officials and Corrective Actions

MRC's allocation plan for EOHHS chargebacks is based upon information at the beginning of the federal fiscal year; however, MRC concurs that \$2,647 was incorrectly overcharged to the VR program as the questioned cost. This overcharge was the result of MRC receiving its final chargeback amount from EOHHS in the closing period of the fiscal year. MRC continues to monitor chargeback allocations throughout the fiscal year and where needed makes the necessary adjustments as authorized by The Comptroller of the Commonwealth.

MRC did not overcharge the VR program for IT chargeback costs in FY10. The amount in question was identified during the fiscal year by the State Audit Team prior to MRC reconciling the final allocations for all chargebacks. MRC made the necessary adjustment during the reconciliation process that takes place during the fiscal year closing period.

MRC concurs that we further develop written policies and procedures as presented in OSC's Fiscal Year Closing Instructions and MMARS policy on Expenditure Corrections to ensure that central support service chargebacks are allocated in accordance with State and Federal guidelines.

Contact: Ruth Paulson

Implementation Date: By June 30, 2011

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Department of Elementary and Secondary Education

Improving Teacher Quality (Title II) (84.367)

Federal Award Number:	S367A0600020	Award Year:	2007
	S367A0600020A		2007
	S367A0700020		2008
	S367A0700020A		2008
	S367A0800020		2009
	S367A0800020A		2009
	S367A0900020		2010
	S367A0900020A		2010

U.S. Department of Education

Reference: 2010-32

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% 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% 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 of Elementary and Secondary Education’s (Department) monitoring over the program we tested a sample 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 above. The LEA transferred \$164,632 in federal fiscal year 2009 program funds.

This finding was the result of the Title I unit within the Department changing the list of LEA’s in corrective action without notifying the other units in the Department.

A similar finding was reported in the prior year single audit report as finding number 2009-32.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Recommendation

The Department should improve their monitoring policies and procedures as well as communications between units within the Department to ensure LEAs are transferring funds in accordance with Federal regulations.

Related Noncompliance

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

Questioned Costs

\$164,632

Views of Responsible Officials and Corrective Actions

When changes to school and district accountability status occur, we will plan to update our school & district status lists – highlighting any changes – and send those lists to the other federal Title staff (currently II-A, II-D, III, IV), special education staff, and all associate commissioners. We'll ask the associate commissioners to disseminate the info further, as they deem necessary.

Our next planned update will be in late November/early December, after we receive final MCAS data from our contractor.

Contact: Matt Pakos, Title I

Implementation Date: December 15, 2010

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Department of Transitional Assistance

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (10.561)

Federal Award Number:

Award Year:

2010

U.S. Department of Agriculture

Finding Reference:

2010-33

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 reports. (2 CFR 225 Appendix B 8 (h) (3) and (4)).

Finding

The Department of Transitional Assistance (Department) prepares electronic certifications on an every-other month basis. Every two months, a list of employees, hours charged, their role, office and region along with detailed instructions to perform is sent along via email to each appropriate Department manager. The Department manager is to certify that each employee's position for the time period being certified is accurate. Any changes necessary are communicated back to the Program Coordinator Supervisor. If no changes are to be made, an email authorizing this certification is sent.

During our audit, we noted a lack of internal controls over safeguarding and maintain these certifications reported back from the field. During six months of fiscal 2010, the files were only being saved to an employee's hard drive and not a mainframe server. The employee's hard drive 'crashed' in July 2010, making the certifications for four of the 25 tested non-retrievable.

Recommendation

We recommend the Department institute controls over safeguarding and maintaining these certifications on a monthly basis.

Related Noncompliance

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

Questioned Cost

Cannot be determined

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Views of Responsible Officials and Corrective Action

The Department agrees with this finding. The Department notes that, as a result of the computer “crash” described in the finding, the Department was unable to provide the cover letter electronic mail correspondence that accompanied the support documentation. The Department did provide the underlying support documentation to the auditors. Notwithstanding this clarification, on or about July 9, 2010, the Department’s Management Information Systems unit redirected the Program Coordinator Supervisor’s electronic mail to a network server which eliminates the possibility of the circumstances that produced the finding from recurring. Moreover, as a further improvement to the Department’s Internal Controls, the Department’s Deputy Commissioner for Program, Policy and Field Operations will complete periodic certifications for the list of employees until such time as the Department employs an Assistant Commissioner for Field Operations who will, then, assume this responsibility.

Contact: Birgitta Damon, Deputy Commissioner for Program, Policy and Field Operations
Mark S. Miller, Assistant Commissioner for Program Integrity

Implementation Date: Initial corrective action completed on or about July 9, 2010.
Additional corrective action to commence on March 1, 2011.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Department of Revenue

Child Support Enforcement (93.563)

Federal Award Number: G0904MA4004 **Federal Award Year:** 2009
G1004MA4004 2010

U.S. Department of Health and Human Services

Reference: 2010-34

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)) For State IV-D agencies, these services must be provided within the time frames specified in 45 CFR sections 303.3(b)(3) and (b)(5), 303.3(c) and, 303.4(d).

Finding

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

- Two cases exceeded the 90 day requirement to obtain a support order.
- Four case files were not established within the 20 day required time frame and did not have quarterly attempts (after the initial attempt) to determine the location as required by Federal regulation.

Similar findings were reported in the prior year single audit report as finding 2009-36 and 2009-37.

Recommendation

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

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

We recognize that this finding is a repeat finding, however, we want to note that our compliance with federal case processing time standards has improved. Of the 4 cases cited as errors due to CSE's failure to open and

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

assess new cases within 20 days, we missed the deadline by 2 days in two of the cases and by 5 days in another case. While the 20-day timeframe was not met, the margin by which we missed the mandated timeframe was less than in past years.

CSE continues with major systems improvements to that will increase compliance with case processing time standards and improve services to our customers. CSE developed and released a comprehensive Request for Response (RFR) for the development of a new computer system. Bids are due December 10, 2010 and CSE anticipates that having a vendor in place for this 5-year project by the first half of SFY2012.

CSE's imaging system has helped the Division improve compliance with case processing time standards.

While that project was a major initiative to modernize the handling of cases and provide an on-line application for caseworkers take appropriate action, we have not yet programmed the management reports also cited in last year's Corrective Action Plan. These reports are now in development. On September 17, 2010, the Associate Deputy Commissioner sent a memo to key managers and supervisors reminding them of the case processing time standards and of the responsibility the managers and supervisors have in monitoring compliance.

Finally, until CSE is in a position to be adequately staffed, we will continue to struggle to meet these particular case processing time standards as the work involved requires manual effort.

Contact: Paul Cronin, Associate Deputy Commissioner

Implementation Date: Immediate

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Department of Revenue

Child Support Enforcement (93.563)

Federal Award Number: G0904MA4004 **Award Year:** 2009
G1004MA4004 2010

U.S. Department of Health and Human Services

Reference: 2010-35

Requirement

To be allowable under Federal awards, costs must be adequately documented. (OMB Circular A-87 Attachment A Section C (j)).

Finding

The Massachusetts Department of Revenue (Department) obtains approval on an annual basis from the U.S. Department of Health and Human Services for an indirect cost rate applicable to the Child Support program. The rates are approved after the fiscal year-end for which they are applicable and as such the approved rate available for testing in fiscal 2010 was the fiscal 2009 approved rate.

During our test work of the Department's indirect cost rate calculation we noted that the portion of the rate associated with Information Services was incorrectly calculated. This calculation resulted in an overstatement in the approved indirect rate of 0.04%.

Recommendation

We recommend that the Department strengthen existing policies and procedures in order to ensure that all rates are appropriately calculated and in accordance with allowable cost requirements.

Views of Responsible Officials and Corrective Actions

A single calculation error resulted in the addition of 26,543 in costs added to the numerator or an overstatement of 0.07 to the proposed FY2009 Indirect Rate submission. The original rate submission was 23.53% the corrected rate submission should have been 23.46% in both cases the final approved rate would be 23.5% as OCSE rounds our proposed rate submission to the first decimal place. Examples of this can be found in our FY2004 proposed rate that was submitted at 9.78% with a final approved rate of 9.8%, our FY2007 proposed rate was 9.23 with a final approved of 9.2% and our FY2008 proposed rate was submitted at 9.14% with the final approved rate being rounded to 9.1%. While we do acknowledge that, there was a computation error in the calculation the FY2010 Indirect Rate. The Approved rate remains unaffected and as such, no material breach of 304.20 or 304.22 resulted.

Contact: Bryan Kingsbury, Budget Unit

Implementation Date: Immediate

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Department of Revenue

Child Support Enforcement (93.563)

Federal Award Number:	G0904MA4004	Award Year:	2009
	G1004MA4004		2010

U.S. Department of Health and Human Services

Reference: 2010-36

Requirement

Consistent with the approved title IV-D plan, allowable activities are dictated by 45 CFR sections 304.20 through 304.22. The IV-D agency should design and implement controls to ensure that expenditures are for allowable activities as dictated by 45 CFR sections 304.20 and 304.22.

Finding

One of the key controls designed by the Department of Revenue (Department) to ensure that expenditures charged to federal grants are allowable and appropriate is a review and approval of invoices by authorized contract managers.

During our test work we noted that for one out of twenty five cases tested there was no evidence that the invoice was reviewed by the contract manager.

Recommendation

We recommend that the Department strengthen existing controls in order to ensure that invoices are reviewed and approved before payment.

Views of Responsible Officials and Corrective Actions

The Department of Revenue's telecommunication group reviews all telephone invoices and verifies the amount to be paid. However, the invoices lacked the signature of the telecommunication's reviewer. A procedure has since been implemented to have all telephone invoices signed or initialed by the telecommunication's reviewer.

Contact: Paul Naves, Chief Financial Officer

Implementation Date: Immediate

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Department of Revenue

Child Support Enforcement (93.563)

Federal Award Number:	G0904MA4004	Award Year:	2009
	G1004MA4004		2010

U.S. Department of Health and Human Services

Reference: 2010-37

Requirement

Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. (45 CFR 92.20 (b)(1)).

Finding

The Department of Revenue (Department) is responsible for submitting *Financial Status Reports (OCSE 396-A)* and *Federal Cash Transactions Reports (SF-272)*. Information regarding award disbursements is gathered by the individual responsible for the Financial Status Report and is communicated to the individual responsible for preparing the Federal Cash Transaction Report.

During our test work we noted that the award disbursement information on the quarterly Federal Cash Transaction Report tested did not agree to the disbursement information reported on the Financial Status Report and other accounting records. It was noted that the information in the Federal Cash Transaction Report did not match due to a revision on the Financial Status Report which was not included on the Federal Cash Transaction Report.

Recommendation

We recommend that the Department strengthen communication between individuals responsible for the various reporting requirements.

Views of Responsible Officials and Corrective Actions

CSE Finance is responsible for the data compiling, report, and submission of the 396-A Child Support Enforcement Program Expenditure Report. Financial Service Bureau is responsible for the data collection, report and submission of the SF-272 Federal Cash Transaction Report. Both units collaborate effectively at the end of each quarter comparing data collection and reporting results.

During the period in questions (QE 12-31-2009) the 396-A and SF-272 were submitted on time, with both reflected collaborated data. Following this submission, and at the request of the OCSE regional office, \$54,275.00 of "CEN" costs were to be reclassified as "ADM" costs. This revision to the final 396-A following the actual submission resulted in the submitted SF-272 reflecting an over disbursing \$858.66 in 0904MA4002 grant money and the under disbursement of \$35,821.50 in 0904MA4004 grant money for the quarter. Corrections made in preceding quarter correct the above-mentioned disbursement discrepancies.

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Schedule of Findings and Questioned Costs

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In the Future, CSE Finance and the Financial Service Bureau will continue to work closely improving its collaboration efforts in accurately reporting all cost and disbursements reported on the related reports.

Contact: Frank Reardon

Implementation Date: Immediate

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Department of Children and Families

Foster Care – Title IV-E (93.658)

Adoption Assistance (93.659)

Federal Award Number:	G-1001MA1401	Award Year:	2010
	G-1001MA1407		2010

U.S. Department of Health and Human Services

Finding Reference: 2010-38

Requirement

A State must claim FFP for costs associated with a program only in accordance with its approved cost allocation plan. However, if a State has submitted a plan or plan amendment for a State agency, it may, at its option claim FFP based on the proposed plan or plan amendment, unless otherwise advised by the Division of Cost Allocation (DCA). However, where a State has claimed costs based on a proposed plan or plan amendment the State, if necessary, shall retroactively adjust its claims in accordance with the plan or amendment as subsequently approved by the Director, DCA. The State may also continue to claim FFP under its existing approved cost allocation plan for all costs not affected by the proposed amendment (45 CFR 95.517 (a)).

Finding

The Department of Children and Families (the Department) made FFP claims based on allocations that were not in accordance with the approved Public Assistance Cost Allocation Plan. Two instances of non-compliance with the PACAP were noted. In the first instance, there was a formula error in the calculation of one of the statistics. In the second instance, one plan department (i.e. Cost Center) was allocated using a different allocation statistic than the allocation statistic in the approved PACAP. This plan department was allocated based on the Number of Title IV-E and Non-Title IV-E Foster Care and Adoption Placements; however, the approved statistic was FTE Count Supported in Domestic Violence Coordinators and in Domestic Violence Specialists.

In the first instance, the cause was human error in calculating the percentage used to allocate the consultants contract costs to different programs. The calculation is supposed to result in a percentage representing the amount of resources dedicated to Title IV-E programs versus non-Title IV-E programs.

In the second instance, the PACAP was amended at the beginning of the third quarter, changing the allocation statistic for the plan department. However, the State did not update the allocation statistic in the PACAP system.

The effect was that the State claimed costs that were not charged in accordance with the approved Public Assistance Cost Allocation Plan. Both instances resulted in the State claiming more costs than if the approved PACAP had been followed.

Questioned costs were calculated for Foster Care (93.568) by netting the second quarter under claim of 7,194 by the third quarter over claim of \$41,433 for a net amount of \$34,239. The above items had a impact on the Adoption Assistance program of \$3,380.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Recommendation

We recommend that the Department implement a review process over the manually calculated statistics and develop procedures to ensure that changes to the Public Assistance Cost Allocation Plan are reflected in its system.

Related Noncompliance

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

Questioned Cost

\$34,239 (93.658)

\$3,380 (93.659)

Views of Responsible Officials and Corrective Action

MA DCF acknowledges the miscalculation of billing percentages for quarters 2 and 3, and the application of incorrect allocation statistics for one plan department in quarter 3.

Revenue operations have been improved to address both non-compliance issues related to the cost allocation plan.

Additional checks have been incorporated into the quarterly quality assurance review to verify billing percentages calculated from the raw data; and a review that the calculated amounts are then correctly entered into the CAP data base.

The quarterly quality assurance review has also been modified to include a comparison of approved allocation basis for each plan department to the current quarter's CAP data.

Contact: Janice Axelrod, EHS

Implementation Date: January 1, 2011

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Year ended June 30, 2010

Department of Children and Families

Foster Care – Title IV-E (93.658)

Adoption Assistance (93.659)

Federal Award Number:	G-1001MA1401	Award Year:	2010
	G-1001MA1407		2010

U.S. Department of Health and Human Services

Finding Reference: 2010-39

Requirement

Charges to federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with the 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

In reviewing payroll charged to the Foster Care and Adoption Assistance programs, the Department of Children and Families (Department) was unable to provide a timesheet for one out of 80 individuals tested. Additionally, 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 the leave records, either the weekly time log or exception report must be approved by a manager. For two of the 80 individuals tested, an exception report was not approved by a manager. As such, costs related to the three employees were not supported or approved and therefore the inclusion in the Cost Allocation Plan is questioned.

Questioned costs could not be readily determined as the individuals were part of the Random Moment Time Study and the salary costs were allocated to various programs including Foster Care and Adoption Assistance.

Recommendation

The Department should develop procedures to ensure that timesheets are properly retained to support the individuals' time worked. Further, the importance of documenting the approval of leave records should be stressed to the responsible managers.

Related Noncompliance

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

Questioned Cost

Cannot be determined

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Views of Responsible Officials and Corrective Action

MA DCF acknowledges its inability to produce one timesheet out of the 80 records tested. In addition, 2 exemption reports were produced to support relevant time/attendance but were not signed-off by an appropriate manager. While the result of the FY10 Single State Audit represents a significant improvement from the previous years' review of payroll and time/attendance, DCF will continue to provide guidance and stress the importance of documenting time/attendance.

The Department will notify all Supervisory and Managerial staff that:

1. Timesheets must be reviewed and signed by appropriate manager and retained on site for review.
2. Completed weekly attendance (exception) reports must be signed by an authorized office manager with a hard copy kept in a secure location with unit timesheets attached.

Contact: Barry Kroening

Implementation Date: January 24, 2011

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Department of Early Education and Care

Child Care and Development Block Grant (93.575)

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

Federal Award Number:	G0901MACCDF	Federal Award Year:	2008 to 2011
	G1001MACCDF		2009 to 2012

U.S. Department of Health and Human Services

Reference: 2010-40

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 Comptroller (CTR), 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. Recoupments are now being aggressively pursued. We noted that EEC began utilizing BARS for its detailed accounts receivable system in June of 2008. As of June 30, 2010, EEC's accounts receivable balance was \$537,230; however, no funds have yet been re-obligated or returned to the federal government.

A similar finding was reported in the prior year single audit report as finding number 2009-39.

Recommendation

We recommend that EEC continue to develop procedures that ensure that amounts due to the EEC are properly credited to benefiting programs. The next step in the process is for EEC to reconcile the recovered funds with the claims for reimbursement. EEC should then make appropriate adjustments to claims so that the recovered funds can be reobligated.

Related Noncompliance

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

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Questioned Costs

Cannot be determined

Views of Responsible Officials and Corrective Actions

EEC will continue to develop procedures that ensure that amounts due to the Department are properly credited to benefiting programs. EEC is in the process of reconciling the recovered funds with the claims for federal reimbursement. If necessary, EEC will then make appropriate adjustments to claims so that the recovered funds can be re-obligated.

Contact: Constantia Papanikolaou, Chief Counsel

William Concannon, Deputy Commissioner for Administration and Finance

Implementation Date: May 2011

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Year ended June 30, 2010

Executive Office of Health and Human Services

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

Federal Award Number:	0905MA5021	Federal Award Year:	2009
	1005MA5MAP		2010
	1005MA5021		2010

U.S. Department of Health and Human Services

Reference: **2010-41**

Requirement

A State must expend 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 canceled 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 presented in the reports. Upon the completion of these spreadsheets, the Executive Office submits the reports

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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.

We noted that during our testing of the CMS-64 and CMS-21 reports for quarter ending December 31, 2009 and quarter ending June 30, 2010, there were instances where expenditures were presented in the incorrect line items which resulted in misstatements in the CMS-21 and CMS 64 reports. In all cases the grand total presented on the reports was correct.

Specifically in the December 31, 2009 CMS-21 report, lines 2 and 5 were over and understated by \$2,484,207 respectively and lines 7 and 8 were over and understated by \$321,522, respectively. In the June 30, 2010 CMS-21 report lines 9 and 10 were over and understated by \$1,125 respectively and lines 13 and 14 were over and understated by \$129,944 respectively.

Specifically in the December 31, 2009 CMS-64 report, lines 6A and 7 were over and understated by \$243,500 respectively. In the June 30, 2010 CMS-64 report lines 24A and 25 were over and understated by \$296,306 respectively and lines 26 and 27 were over and understated by \$207,346 respectively.

Recommendation

We recommend that the Executive Office enhance existing policies and procedures to ensure that amounts are properly reported in Federal reports.

Related Noncompliance

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

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

To complete the quarterly CMS 64 report, EOHHS prepares excel spreadsheets and then transfers data from the spreadsheets to the CMS MBES electronic report submittal system. Several hundred pages and several thousand lines of data are included on the CMS 64. EOHHS has several verification systems to check the figures that are transferred for each page and for the grand total of the CMS 64. KPMG has mentioned that no problems were found with the grand total of information submitted.

KPMG has found some instances in which data was submitted on the wrong federal type of service line (FTOS), although the page totals and grant totals of the reports were correct. As the CMS MBES system does not supply a total for the report by FTOS, there is no way to reconcile the EOHHS backup worksheets with the final CMS 64 submittal by FTOS.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

EOHHS performs spot checking to confirm that numbers are transmitted correctly to each FTOS, however a manual detail check of FTOs line by line done by staff would be the only option for EOHHS to ensure the accuracy of each FTO line. The effort may result in issues submitting reports in a timely manner. EOHHS is going to investigate whether it is possible to devise a way to convert the MBES system to excel and link the pages to result in a grand total by FTOS for the CMS 64. EOHHS will also work with CMS to see if CMS is aware of a way to generate grant totals for FTOS through the MBES system.

Contact: Janice Axelrod, Director, Federal Revenue Claiming

Implementation Date: June 1, 2011

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Executive Office of Health and Human Services

Medical Assistance Payments (93.778)

Federal Award Number: 1005MA5MAP Federal Award Year: 2010

U.S. Department of Health and Human Services

Reference: 2010-42

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 fiscal years 2008, 2009, 2010 were \$45,527,459, \$45,746,028, and approximately \$41,000,000, respectively.

A similar finding was reported in the prior year single audit report as finding 2009-44.

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

Views of Responsible Officials and Corrective Actions

KPMG is correct in stating that EOHHS is unable to separately report expenditures for emergency services for undocumented aliens as the claims payment system does not distinguish payments based on immigration status.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Separating these expenditures has been delayed because of other priorities in the development of the NewMMIS system. EOHHS is confident that the line 27 data will be available by June 1, 2011.

Contact: Janice Axelrod, Director, Federal Revenue Claiming

Implementation Date: June 1, 2011

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Executive Office of Health and Human Services

Medical Assistance Payments (93.778)

Federal Award Number: 1005MA5MAP Federal Award Year: 2010

U.S. Department of Health and Human Services

Reference: 2010-43

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 updated all applicable provider information in a three year re-credential cycle at which time PEC obtains the required updated disclosures. However, we noted that for fiscal year 2010 PEC has stopped their re-credentialing process as they are in the process of implementing new procedures to be integrated with new MMIS. As of the completion of our audit fieldwork, the new procedures have been implemented and therefore, no re-credentialing of providers was performed.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

KPMG performed further procedures over new providers admitted into the program during fiscal year 2010 and noted that out of the 25 new providers selected, proper credentials were obtained at the time of application.

A similar finding was reported in the prior year single audit report as finding 2009-45.

Recommendation

We recommend that the Executive Office continue with their plans to develop new procedures for re-credentialing existing providers.

Related Noncompliance

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

Questioned Costs

Could not be determined

Views of Responsible Officials and Corrective Actions

The Executive Office of Health and Human Services (EOHHS) would first like to clarify certain facts stated in this finding. It is true that during 2009 the CST policy and procedures manual made reference to a PEC three-year re-credentialing cycle. However, in the 2010 response, that provision was removed from the policy and procedures manual, and updated to reflect NewMMIS current procedures. A CD was provided to the audit team to reflect these new policies and procedures.

As soon as the finding was issued related to provider disclosure in February of 2010 EOHHS initiated a corrective action plan designed to enhance the controls specific to CFR 455 sections 100-106 (periodic disclosure from providers around ownership and interest, OIG exclusions, and other factors which might affect the provider's eligibility to participate in MassHealth). Specifically, EOHHS initiated a pilot outreach campaign to 792 group practice providers. This provider type was targeted because of the continual flow of servicing providers enrolling or dis-enrolling within a group practice, and the potential changes within the corporate structure itself. For these providers, EOHHS requested several documents to be completed and returned, including:

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

Although an outreach and communications strategy was initiated and executed during FY10, for several reasons, the agency was not able to receive packets from providers and update the files in the new MMIS until the first few months of FY11 (July September 2010). However, the results were very positive: of the 792 providers that were targeted for this pilot, 650 providers responded with the necessary documentation, and their files were appropriately updated in the NewMMIS. Another 76 providers were suspended due to either non-response (60), or lacking certain information in their return packets (16). Finally, another 39 practices voluntarily dis-enrolled,

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

the vast majority of these being groups that have had little or no claims submitted to MassHealth within the last 18 months. For additional detail please refer to the attached final disclosure project status report.

EOHHS intends to expand on the success of these early FY11 efforts by continuing the disclosure process. At this time, the intention is to continue with more group practice providers, and expand to other provider types pending time and resources.

In addition, the agency will continue efforts to implement other aspects of the 2009 corrective action plan. This includes enhancements to the provider online service center (POSC) (adding reminders concerning disclosure requirements whenever a claim is submitted through direct data entry or batch transaction, as well as adding an “I agree” button to claims transactions compelling providers to attest to understanding what their responsibilities are with regards to periodic disclosure). It also includes continued work with 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. Finally, all of these activities, in addition to all relevant policies, procedures, and efforts within EOHHS, will be carefully and strategically coordinated with new compliance measures set forth in the Affordable Care Act.

Contact:

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

Implementation Date:

June 2011

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Executive Office of Health and Human Services

Medical Assistance Payments (93.778)

Federal Award Number: 1005MA5MAP Federal Award Year: 2010

U.S. Department of Health and Human Services

Reference: 2010-44

Requirement

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

Finding

During our testwork, we selected 40 program participants receiving benefits from the Medical Assistance program that used the MA-21 and/or PACES 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 \$1,566,910, we noted that the re-determination for three participants was not performed after 12 months of program participation. The three participants in question had total claims of \$76,409 in fiscal year 2010. Subsequently, re-determinations were performed and the participants were found to be eligible.

Recommendation

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

Related Noncompliance

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

Questioned Costs

None

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Views of Responsible Officials and Corrective Actions

The state accepts the recommendation and will continue to make an effort to be fully compliant with 42 CFR Section 435.916.

Contact: Amy Andrade, Director MassHealth Eligibility Processing & Member Policy Implementation

Implementation Date: December 1, 2010

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Executive Office of Health and Human Services

Medical Assistance Payments (93.778)

Federal Award Number: 1005MA5MAP Federal Award Year: 2010

U.S. Department of Health and Human Services

Reference: 2010-45

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 canceled (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 canceled (voided). The State must refund all FFP that is received for canceled (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 December 31, 2009, the dates of the outstanding checks ranged from September 12, 2008 to December 29, 2009 and had a value of \$110,857.
- For the quarter ended March 31, 2010, the dates of the outstanding checks ranged from January 2, 2009 to March 25, 2009 and had a value of \$120,558.
- For the quarter ended June 30, 2010, the dates of the outstanding checks ranged from April 1, 2009 to November 30, 2009 and had a value of 361,575.

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.

A similar finding was reported in the prior year single audit report as finding 2009-47.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Recommendation

We recommend that the Executive Office continue their efforts with the Office of the State Treasurer to implement new 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

In May 2010, the Office of the State Treasurer sent a request to the bank to purge MassHealth checks at 180 days. This change went into effect for the June 2010 purge.

An email is sent out by the Federal Revenue Claiming Unit at the end of each quarter indicating the deadline necessary to be able to include claims or adjustments in that quarter's CMS-64. For the quarter ending 06/30/10 the cut off was 07/15/10. The purged check report that included checks dated 12/01/10 through 12/31/10 was not received from the Office of the State Treasurer until 08/09/10. Although the information was received prior to the submission of the CMS 64, including the information would have delayed the submission. The reason is that when the purged checks information is received, each check is reviewed to remove checks related to state funded programs. In addition, the purged checks information requires time-consuming adjustments to the CMS 64 because many schedules are affected such as collections, CMS 21, Title XIX Expansion, and Drug Rebate. The Federal Revenue Claiming Unit did not receive the report in time to be able to include that data in the CMS-64 for quarter ending 06/30/10 and maintain the timeliness of the submission as required by CMS as well as the Commonwealth.

Federal Revenue will continue to reiterate the due date required for claims to our contact at the Treasurer's Office.

Contact: Janice Axelrod, Director, Federal Revenue Claiming

Implementation Date: June 1, 2011

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Executive Office of Health and Human Services

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

Federal Award Number: 1005MA5MAP Federal Award Year: 2010

U.S. Department of Health and Human Services

Reference: 2010-46

Requirement

States are required to include in their State plans a description of the standards used to determine eligibility of targeted low-income children. The Commonwealth's Title XXI State Plan Section 4 outlines the eligibility standards and methodology, including income determination. MassHealth has a family income limit of 300% FPL for children who are not eligible for Medicaid under Title XIX.

Finding

During our testwork of 40 SCHIP participants, we noted that three participants' gross income was incorrectly input into the MA-21 system for eligibility determination. In all three instances, the gross income was understated in the MA-21 system. Subsequently, it was determined that these members were still eligible based on the correct gross income as stated on their member application form.

Recommendation

We recommend that the Executive Office improve existing policies and procedures to ensure that eligibility information is accurately processed when determining eligibility.

Views of Responsible Officials and Corrective Actions

The State accepts the recommendations and will continue to educate Benefits Eligibility Representatives Specialist (BERS) to avoid errors in income calculations. The State has enhanced the eligibility system with pop-up windows that request the BERS to confirm the income calculation.

Contact: Amy Andrade, Director MassHealth Eligibility Processing & Member Policy Implementation

Implementation Date: December 31, 2010

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Executive Office of Health and Human Services

Medical Assistance Payments (93.778)

Federal Award Number: 1005MA5MAP Federal Award Year: 2010

U.S. Department of Health and Human Services

Reference: 2010-47

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 2009-48.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

Access Management Policy

EOHHS is currently developing a written policy requiring access reviews but in the interim will use the state requirement as the working policy.

EOHHS is presently working with the Commonwealth's Enterprise Security Board on developing this policy and is due out 4th quarter FY2011.

Access Management Procedures

Access management procedures are in place but do not address access reviews.

EOHHS will develop and approve a access review procedure for ADP systems by the 3rd quarter FY2011.

In the meanwhile EOHHS will execute the following steps to ensure that access rights for existing users are appropriately established and maintained:

- Produce User Access Lists – Last pulled for Active Directory, MA21 and NewMMIS as of 8/4/2010.
- Identify responsible Business User Managers – December 31, 2010

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

- Business User Manager's Review – February 25, 2011
- Business Application Owner's Review – March 31, 2011
- Remediation and corrections – April 30, 2011

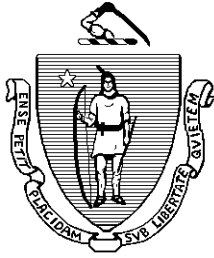
These planned activities will ensure that EOHHS is in compliance with the requirements set out in 45 CFR 94.621 (f) (3). The additional work associated with the policy development and procedures will ensure organizational awareness of the requirements, institute a recurring process and establish internal controls.

Contact: Catherine Moriarty, Chief Security Officer, EOHHS
Russell J. Murray, Jr. Director – IT Strategic Initiatives

Implementation Date: April 30, 2011

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

(Not Covered by Auditors' Reports)



Martin J. Benison
Comptroller

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**Commonwealth of Massachusetts
Summary Schedule of Prior Year Audit Findings
FY 2010**

The attached schedule lists the finding reference, CFDA #, state agency, program and description for each of the 48 findings included in the fiscal year 2009 Single Audit Report. The Schedule indicates “fully” if the corrective action plan (CAP) was fully implemented and “partially” if the CAP was not fully implemented. If not fully implemented, an updated CAP is included.

Schedule of Prior Year Finding for FY2010 Report

Finding Reference	CFDA #	Agency	Program	Description/Summary	Implementation Status	Corrective Action Plan
2009-01		OSC	State	Fixed Asset Additions	partially	The corrective action plan is a two step process. First step was: we implemented semi-annual inventory process to have each agency review their capital asset inventory as of the dates with includes additions and deletions. Second Step: is to capture all the capital expenditures incurred by departments, to be coded properly so that it will capture the capital asset addition. We have researched and up dated MMARS (accounting system) forms to capture this detail. The second step will be fully in effect in FY 2011.
2009-02		GIC	State	Post Employment Benefits Accrual	partially	The modernization project is scheduled to be completed at the end of FY2012; therefore, the GIC systems will be in place to meet the recommendation beginning with FY2013 claims.
2009-03		DWD	State	Reconciliation of Cash Accounts	partially	In December 2009, DWD implemented the Quality Unemployment System Transformation, (hereafter identified as QUEST) Project which systemically performs daily reconciliations between DWD's bank accounts and QUEST. Further, DWD personnel within both the Finance Service and Revenue Dept. perform daily reconciliations in regard to the transactions.
2009-04		DWD	State	Allowance for Uncollectible Items	partially	DWD will work with the Comptroller's Office in formulating a generally accepted procedure for calculating the reserve amount using data available as of December 7, 2009.
2009-05		TRE/OSC	State	Reconciliation of Cash Accounts	fully	
2009-06		EHS	State	Logical Access Controls - MMIS	partially	A Draft Access Control Policy is being developed by ITD and the Enterprise Security Board. To date, Security Operations has created a database which combines our users' access to the Network, email, NewMMIS, MA-21 SEVS Systems, has identified who the users' Directors are and created a report for each Director to review. Implementation is pending approval of the policy notification by management.
2009-07		EHS	State	Medicaid Accrual	partially	Management will consider amending the Medicaid accrual policies and procedures to include an estimate of claim adjustment expenses when computing its estimate of the Medicaid accrual. Management will document as part of the formal accrual calculation any decisions that determine such costs are not significant.
2009-08		DOR	State	MassTax Developer Access	fully	
2009-09		DOR	State	Abandoned Property	fully	
2009-10		ITD	State	Change Management _ CIW	partially	Sufficient systemic auditing is not available in our current release of Netezza (4.5). Although provided in release 4.6.5, we're unable to upgrade due to compatibility issues with our ETL software. To minimize the risk while we work with Netezza and Informatica to address this, we've initiated compensating controls.
2009-11		ITD	State	Developer Access - HR/CMS	partially	HRCMS completed upgrading to Oracle/PeopleSoft 9.0 application software with an Oracle database release of 11G in March, 2010. The database upgrade to Oracle 11G provides auditing capabilities that can capture all database changes at a detailed level that can support the database auditing that has been recommended. We are currently in the process of analyzing these capabilities and anticipate having this designed, developed, and implemented in FY11.
2009-12	14.871	DHCD	Section 8 Housing Choice Vouchers	Nine RAA contracts have expired, eight of which were resigned without following COM procurement policies	partially	Due to programmatic changes including an expanded role of the RAA's in certain homelessness initiatives, the original re-procurement parameters have been modified with a revised expected completion date of 12/31/12.
2009-13	93.568	DHCD	HEAP	Cash drawdown reconciliations are not being done.	partially	In the process of hiring a Chief Accountant whose responsibility will be to reconcile all federal grants.
2009-14	20.205	MHD	Highway Planning and Construction	Payroll certifications are not obtained from contractors and subcontractors prior to payment by MHD	fully	
2009-15	84.032	BCC	FFEL	BCC's notification letters do not have the required language	fully	
2009-16	84.007 84.032 84.063	BCC	SEOG, FFEL, Pell	Berkshire did not properly calculate return of Title IV program funds and return timely	fully	

Schedule of Prior Year Finding for FY2010 Report

Finding Reference	CFDA #	Agency	Program	Description/Summary	Implementation Status	Corrective Action Plan
2009-17	84.032	BCC	FFEL	College reported status to clearinghouse but clearing house did not promptly transmit from the colleges to the NSLDS	fully	
2009-18	84.033	BCC	Work Stuy	Inadequate controls over the FWS payroll process allowing students to work during scheduled classes	fully	
2009-19	84.032	Mass Bay CC	FFEL	Our sample of 30 students indicated that 23 Students' changes in status not reported (15 were graduated) and 5 students not reported in a timely manner	partially	A new registrar was recently hired and has documented the NSLDS process and created a calendar to outline when to run the NSLDS process. The calendar states the NSLDS process will be run by the Registration Office 4 times a term.
2009-20	84.032	Mass Bay CC	FFEL	Our sample of 30 students indicated that of the 16 who received FFEL loans 8 were not notified of their loan disbursements within the required timeframe (1 of the 8 letters was never sent).	fully	
2009-21	84.007 84.032 84.033 84.063	Mass Bay CC	SEOG, FFEL, Pell, FWS	781 Checks totaling \$113,148 outstanding for more than 12 months. A portion of these checks represents student refunds for federal or state financial aid or non-financial aid funds (Commingled accounts).	fully	
2009-22	84.268	Mass Maritime Academy	Federal Direct Loan Program	MMA cannot identify its pre-established Roster Reporting Dates. Although MMA says it reports 3 times each semester when it is being done hasn't not been confirmed. Registrar stated he thinks NSLDS just, "use static dates" to report to the Clearinghouse.	partially	MMA has created written internal procedures to address the accurate reporting of student enrollment with the National Student Loan Data System. Files are now submitted once per month, rather than 4 times per year as was our previous practice. The Director of Financial Aid spot checks student enrollment each month with NSLDS to ensure accurate reporting. As students withdraw during the semester, the Director of Financial Aid manually updates the student enrollment information on NSLDS to reflect the student's withdrawal.
2009-23	84.268	Mass Maritime Academy	Federal Direct Loan Program	Our review of the 30 students in our sample testing for Direct Loan disbursement notifications revealed that all the notifications in the student files were not dated nor did they include the amount to be disbursed for each letter sent for the two disbursements.	fully	
2009-24	84.033	Mass Maritime Academy	Federal Work Study (FWS)	Eleven students employed off campus for FWS did not have required written agreements.	fully	
2009-25	84.268	Massasoit CC	Federal Direct Loan Program	Did not notify of student status changes in 19 of 30 student sampled	fully	
2009-26	84.007 84.063 84.268	Massasoit CC	SEOG, Pell, Federal Direct Loan Program	MCC did not correctly calculate the return of Title IV funds for 1 of 30 students identified in our sample. Our audit also identified that for 3 of the students in our sample MCC did not process the return of Title IV funds within timeframe	partially	Massasoit Community College recognizes the importance of returning Title IV funds to the Department of Education as soon as possible within the appropriate time frame. The Financial Aid and Business Office have made several changes to the return of funds practices to ensure this happens

Schedule of Prior Year Finding for FY2010 Report

Finding Reference	CFDA #	Agency	Program	Description/Summary	Implementation Status	Corrective Action Plan
2009-27	84.007 84.033 84.063 84.268 84.375	Massasoit CC	SEOG, FWS, Pell, Federal Direct Loan Program, Academic Competitiveness Grant	MCC needs to improve its cash management procedures to comply with Federal regulations	partially	Massasoit Community College recognizes the need to monitor the policies and procedures implemented in February 2010 in response to the FY 2009 Single Audit results. These policies and procedures were consistently followed weekly and reconciliations prepared monthly. There were a few reconciling items, the variances between COD and available funds for GAPS drawdown, that the Financial Aid Office was not able to identify in a timely manner. To enhance and improve cash management procedures, The Financial Aid Office and the Business Office will meet monthly to resolve reconciling items in a timely manner to ensure effective monitoring of SFA funds cash management is taking place.
2009-28	84.007 84.063 84.268	Massasoit CC	SEOG, Pell, Federal Direct Loan Program	Two students in sample were not making satisfactory academic progress	fully	
2009-29	84.126	MRC	Vocational Rehabilitation Grants to States	Eligibility determination for Applicants were not performed in a timely manner – eligibility determination not made within the 60-day timeframe	fully	
2009-30	84.126	MRC	Vocational Rehabilitation Grants to States	Financial Reporting Needs Improvement – RSA-2-Annual Vocational Rehabilitation/cost report did not have adequate supporting documentation	partially	With technical assistance from RSA, MRC will implement documented policies and procedures to ensure that the RSA-2 report is submitted completed and accurately. This is a work-in-process with a scheduled completion date of 12-31-10.
2009-31	84.126 96.001	MRC	Vocational Rehabilitation Grants to States Social Security Disability Insurance	Internal controls over supervisory review of employee attendance records needs improvement – not all employee timesheets were reviewed and approved by the employees’ supervisor	fully	
2009-32	84.367	DOE	Improving Teacher Quality	One instance where school in corrective action transferred Title II funds	partially	This issue will be repeated in FY 2010 for one district. The contributing factor to this was that the unit responsible for updating the schedule for Adequate Yearly Progress (AYP) did not communicate that changes had occurred to the schedule. Therefore the Title II unit did not revisit the eligibility for districts and did not rescind the authority to transfer funds.
2009-33	84.394	DOE	State Fiscal Stabilization Fund - Education State Grants	Disbursed funds before all DUNS numbers were received	fully	
2009-34	93.558	DTA		Payments made to parents whose child has been absent from the house more than 120 days	fully	
2009-35	93.558 10.561 93.778	DTA	TANF SNAP Medicaid	Department charged programs health and welfare costs that were unallowable.	fully	
2009-36	93.563	DOR	Child Support Enforcement	Cases were not opened within 20 days of being received as required	partially	CSE has increased supervisory oversight on and analysis of the inventory of incoming referrals from the public assistance agency through the electronic interface to ensure that new cases are opened and assessed and location efforts initiated in accordance with federally mandated timeframes. The imaging system reporting requires enhancements to provide a level of detail in order to make the reports effective, <u>business requirements are under development.</u>
2009-37	93.563	DOR	Child Support Enforcement	Cases were not opened within 20 days of being received as required	partially	CSE has increased supervisory oversight on and analysis of the inventory of incoming referrals from the public assistance agency through the electronic interface to ensure that new cases are opened and assessed and location efforts initiated in accordance with federally mandated timeframes. The imaging system reporting requires enhancements to provide a level of detail in order to make the reports effective, <u>business requirements are under development.</u>

Schedule of Prior Year Finding for FY2010 Report

Finding Reference	CFDA #	Agency	Program	Description/Summary	Implementation Status	Corrective Action Plan
2009-38	93.566 93.658 93.659	DCF	Refugee and Entrant Assistance, Foster Care, Adoption Assistance	Missing support for direct charge payroll, support for bi-weekly payroll could not be provided and missing manager review of time logs and exception reports	fully	
2009-39	93.575 93.596	EEC	Child Care Cluster	Inadequate Internal Controls Over Accounts Receivable - EEC needs to identify federal refunds and apply them to the grant	partially	EEC followed up on the progress of the approval of the expendable trust fund. On June 1, 2010, A&F responded that due to the budget process A&F has been unable to address the request, but assigned an analyst to work with EEC. EEC has responded to the analyst's inquiries and is awaiting further response. In addition to working with A&F and the Comptroller's office, EEC has been in contact with ACF for guidance and other suggested solutions. As a result, ACF has scheduled a visit to EEC in August to assist EEC in addressing this issue.
2009-40	93.575 93.596	EEC	Child Care Cluster	Non-compliance with required competitive contract procurement	fully	
2009-41	93.575 93596	EEC	Child Care Cluster	Non-compliance with Cash Improvements Act – drawdowns not in compliance with TSA	fully	
2009-42	93.767 93.778	EOHHS	SCHP Medicaid	Missing formal documentation of CMS-64 and CMS-21 reports	fully	
2009-43	93.767 93.778	EOHHS	SCHP Medicaid	Significant variance with the reconciliation being performed between amounts claimed and MMARS	fully	
2009-44	93.778	EOHHS	Medicaid	Unable to report Line 27 Emergency Services Undocumented Aliens	partially	Due to prioritization of Data Warehouse projects necessary to implement the new payment management system, NewMMIS, this work to isolate costs for Qualified Alien Citizens has been delayed. It is anticipated that these costs will be available for inclusion on line 27 by August, 2010.
2009-45	93.778	EOHHS	Medicaid	24 of 40 providers did not provide updated disclosures	partially	In February 2010, efforts to remediate our findings began but were delayed after concurrently receiving the Center for Medicare and Medicaid Services (CMS) Program Integrity (PI) Report. CMS' recommendation that MassHealth develop policy and procedures for the appropriate collection and maintenance of disclosure information required a shift in priorities towards this effort. As a result some of the tasks have been delayed.
2009-46	93.778	EOHHS	Medicaid	Re-determination not being done on certain areas of population	partially	The MassHealth Long Term and the Department of Developmental Services Waiver caseloads have been reviewed except for approximately one hundred cases that are schedule to be sent reviews by 8/5/10 and therefore we expect to be in full compliance no later the September 30,2010.
2009-47	93.778	EOHHS	Medicaid	Uncashed checks not being returned to Federal government timely	partially	The Office of the State Treasurer has agreed to purge checks at 180 days. The Executive Office and the Office of the State Treasurer are in the process of working out the details of how the purged checks and related funds will be tracked, monitored and reported.
2009-48	93.778	EOHHS	Medicaid	Informal management reviews of end-user access and formal documentation evidencing review was not retained by EHS.	partially	User access information was pulled from the EHS Active Directory, State Email, MA21 and NewMMIS Systems and combined into a single database. This database allows Security Operations to create Access Review Reports for each EHS Unit. A draft instruction memo has been prepared to be distributed to Management along with the Access Review Reports. Unit Assignments are currently being validated and the draft instruction memo and procedures for distribution are under review with the acting MassHealth ISO and the EHS Chief Security Officer.